CONSOLIDATED ANNUAL REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Place and date of publication: Warsaw, 5 March 2012

Content of the annual report:

Dear Readers,

The need to overcome Europe's financial crisis still affects the condition of many sectors of the economy, and not only in the Eurozone. In 2011, GTC Group, present in ten European countries and strongly linked with the international financial markets, also had to cope with adverse external factors. Such phenomena as the limitation of the money supply by banks, reduced investor interest in Southern Europe, limited expansion of tenants of commercial buildings or a deterioration in the purchasing power of customers in selected markets are just a few of the factors that had the greatest impact. GTC's exposure to the markets of South-eastern Europe, adversely reflected in the valuation of the property portfolio, was partially off set by a large presence on the stable Polish market, where over 40% of the Company's portfolio is located.

In 2011, GTC continued its conservative investment policy in key markets while ensuring the maintenance of its credibility among leading banks and the fulfilment of its current liabilities. GTC's cautious approach to buying new plots and our strict adherence to the profitability criteria for new projects invariably remain the foundation of our business.

In the face of the situation on the European markets, GTC has taken a number of preventive measures. In the short and medium-term horizon, the Company aims to maintain the highest cash position achievable. This goal can be achieved through the selective sale of certain mature assets and the refinancing of certain loans. GTC remains an attractive and reliable partner for the largest financial institutions. GTC's long-standing relationship with international banks is a source of pride and contributes to the efficient operation of the company, allowing, for example, GTC to reset debt covenants on certain loan agreements in light of the current market situation. GTC's excellent reputation and impeccable financial transparency allowed GTC to secure ne loans totaling 127 million euro for refinancingin Bucharest and Belgrade in 2011.

In 2011, as a part of the execution of its strategy, GTC was a party to major investment transactions aimed at obtaining financing for new projects. The sale of a 50% stake in Galeria Mokotów in Warsaw at the property valuation of 475 million euro was one of the largest transactions on the Polish market last year.

Last year GTC completed four commercial projects with a total net leasable area of over 84,000 sq m in Poland, Croatia and Romania. Those properties were already significantly leased at the time of completion. In total, as at the end of 2011, GTC owned completed commercial properties with a net area of 580 thousand sq m.

Further companies became tenants of GTC's office and commercial properties completed in previous years. Despite unfavourable macroeconomic conditions, the Company is able to boast success with respect to commercialization, e.g. on the Hungarian office market, where GTC secured a tenant for 29,000 sq m. With this, the occupancy in GTC's properties increased to 91% with, whereas the average on the Hungarian office market stands at 80%.

GTC has intensified its activities within property management. In order to acquire customers, thereby increasing the profits generated by commercial developments, the Group has increased flexibility with respect to the terms of its lease agreement terms as well as enhanced communication and marketing activities.

GTC's leading position was yet again confirmed in various contests and surveys related to the real estate industry. In March 2011, the Company received an award for best developer in Central and South-eastern Europe for the fourth time in its history in the CEE Real Estate Quality Awards. Several projects, including Francuska, University Business Park, City Gate and Galleria projects in Katowice, Łódź, Bucharest and Burgas, received additional awards and certificates, with many of such awards confirming the eco-conscious characteristics of the projects.

In 2011, GTC commenced construction of the fifth building of the prestigious Platinum Business Park and a shopping and entertainment centre in Burgas in, Bulgaria. Moreover, the Company is preparing to carry out two further commercial investments in Warsaw. The planned shopping centres in the Wilanow and Białołęka districts of Warsaw, located in affluent and densely populated neighbourhoods that currently do not have modern facilities of such type, have a chance to become key shopping sites for thousands of people in the capital city and beyond. Both investments already enjoy great interest from major international tenants.

The Management has taken certain decisions and adopted a course of action to enable the Company to sustain the severe impact of the current phase of the crisis and to maintain a good position for further expansion. While having shifted strategy focus to cope with current market environment, the Management Board firmly believes that at the moment the market makes a clear return to the path of growth, the course of action it has adopted will result in GTC's holding a stronger position in Central and South-eastern Europe.

Sincerely,

Members of the Management Board
Globe Trade Centre S.A.

GLOBE TRADE CENTRE S.A.

MANAGEMENT BOARD'S REPORT ON ACTIVITIES OF CAPITAL GROUP
IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Table of content

Item 1. Introduction

Globe Trade Centre S.A. Capital Group ("GTC Group") is a leading real estate developer in CEE and SEE and currently operates in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia, the Czech Republic, Russia and Ukraine. The Group was established in 1994 and has been present on the international real estate market for over 15 years.

The Group's portfolio comprises: (i) office buildings and office parks; (ii) retail and entertainment centres; (iii) residential projects; and (iv) undeveloped plots of land (land bank).

Since its establishment, the Group has developed over one million square meters of net space and has successfully sold more than fifteen properties.

As of the date of this Report, the Group is the owner of completed commercial properties with a combined net area of 579,856 sq m. The Group holds a portfolio of properties which are at various stages of development with total commercial and residential space upon completion of approximately 2.3 million sq m. The portfolio currently comprises 124 projects (both completed and at different stages of development) in major cities throughout CEE and SEE with a total value as at 31 December 2011 of €2,019,531. Additionally, the Group holds investments in associates in the Czech Republic and Ukraine that have portfolios comprising 16 projects which are at different stages of development. The Group's commercial assets comprise office and retail properties and account for approximately 90% of the total value of the Group's portfolio.

The Company's shares have been listed on the WSE and included in the WIG20 index since 20 September 2004. The Company's shares are also included in the international MSCI index; the Dow Jones STOXX Eastern Europe 300 average; the GPR250 index, which comprises the 250 largest and most liquid real estate companies in the world; and the FTSE EPRA/NAREIT Emerging Index. Since 21 March 2011, the Company's shares have been included in the CECE index of the Vienna Stock Exchange.

The Group's headquarters is located in Warsaw at 5 Wołoska Street.

In the Management Board's report on the activities of the Capital Group, references to the Company apply to Globe Trade Centre S.A. and all references to the Group apply to Globe Trade Centre S.A. and its consolidated subsidiaries. Expressions such as "Shares" relate to the shares of Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and are assigned the code PLGTC0000037; "the Report" refers to the Report on the activities of the Capital Group prepared pursuant to Art 92 section 3 of the Decree of the Finance Minister of 19 February 2009 on current and periodical information published by issuers of securities and the conditions for qualifying as equivalent information required by provisions of law of a country not being a member state; "CEE" refers to the group of countries that are within the region of Central and Eastern Europe; "SEE" refers to the group of countries that are within the region of South-eastern Europe; "EUR", "€" or "euro" refer to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Presentation of financial information

Unless otherwise indicated, financial information presented in the report was prepared pursuant to International Financial Reporting Standards ("IFRS") as approved for use in the European Union.

All financial data in this document is expressed in thousands unless otherwise indicated. Certain financial information in this Report was adjusted by rounding. As a result, certain numerical figures shown as totals in this Report may not be exact arithmetic aggregations of the figures that precede them.

Presentation of property information

Information on commercial space is presented pro rata to the Group's holdings in each of the properties and additionally includes the properties that the Group owns through it associate in the Czech Republic. The valuation of the properties is based on the value that the Group consolidates in it consolidation financial statements and does not include the properties that the Group owns through its associate in the Czech Republic. The occupancy rate given for each of the markets is as at 31 December 2011.

Industry and market data

In this Report the Group sets out information relating to its business and the markets in which it operates and in which its competitors operate. The information regarding the markets, their potential, macroeconomic situation, occupancy rates, rental rates and other industry data relating to the Group's business and markets in which the Group operates consists of data and reports compiled by various third-party entities and the Group's own internal estimates. The Group has obtained market and industry data relating to its business from industry data providers, including:

- Eurostat, for data relating to macroeconomic and GDP growth;
- the Polish Main Statistical Office, for data relating to retail sales in Poland ("GUS");
- Jones Lang LaSalle, for data relating to industry information on the regional real estate market ("JLL");
- IHS Global Insight, for data relating to the real estate market ("IHS"); and
- REAS Sp. z o. o. ("REAS").

The Group believes that these industry publications, surveys and forecasts are reliable, but it has not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases the Group has made statements in this Report regarding the industry in which it operates based on its own experience and its examination of market conditions. The Group cannot guarantee that any of these assumptions properly reflect the Group's understanding of the markets on which it operates. Its internal surveys have not been verified by any independent sources.

Forward-looking statements

This Report contains forward-looking statements relating to future expectations regarding the Group's business, financial condition and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this Report. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by forward-looking statements. The Group cautions you not to place undue reliance on such statements, which speak only as at the date of this Report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that the Group or persons acting on its behalf may issue. The Group does not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Report.

The Group discloses important risk factors that could cause its actual results to differ materially from its expectations under Item 3 "Key risk factors", Item 5 "Operating and financial review", and elsewhere in this

Report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on behalf of the Group. When the Group indicates that an event, condition or circumstance could or would have an adverse effect on the Group, it means to include effects upon its business, financial situation and results of operations.

Item 2. Selected financial data

The following tables set forth the Group's selected historical financial data for the 12-month periods ended 31 December 2011 and 2010. The historical financial data should be read in conjunction with Item 5. "Operating and Financial Review" and the consolidated financial statements for the financial year ended 31 December 2011 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the audited consolidated financial statements for the financial year ended 31 December 2011.

Selected financial data is derived from the consolidated financial statements for the 12-month period ended 31 December 2011 prepared in the Polish language and based on the Polish zloty.

The reader is advised not to view such conversions as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

(in thousands)	For the twelve month period ended 31 December 2011 €	2011 PLN	2010 €	2010 PLN
Consolidated Income Statement				
Revenues from operations	153,675	633,110	169,008	675,119
Cost of operations	(58,444)	(240,778)	(72,314)	(288,866)
Gross margin from operations	95,231	392,332	96,694	386,253
Selling expenses	(7,161)	(29,502)	(6,297)	(25,154)
Administrative expenses	(20,871)	(85,984)	(21,681)	(86,607)
Profit/(loss) from revaluation/impairment of assets, net	(295,969)	(1,290,278)	43,167	184,819
Share of profit in associates	(4,365)	(17,983)	4,667	18,643
Financial income/(expense), net	(75,348)	(310,419)	(67,891)	(271,198)
Net profit	(337,924)	(1,467,196)	28,632	113,446
Basic and diluted earnings per share (not in thousands)	(1.23)	(5.35)	0,19	0,76
Weighted average number of issued ordinary shares (not in thousands)	219,372,990	219,372,990	219,372,990	219,372,990
Consolidated Cash Flow Statement				
Cash flow from operating activities	67,654	279,409	77,630	310,101
Cash flow used in investing activities	(85,597)	(366,548)	(51,891)	(207,285)
Cash flow from financing activities	(30,386)	(125,185)	(20,658)	(82,519)
Cash and cash equivalents at the end of the period	141,720	625,949	191,732	759,316
Consolidated balance sheet				
Investment property	1,703,889	7,525,737	2,117,609	8,386,367
Inventory	107,216	473,552	201,807	799,216
Cash and cash equivalents	141,720	625,949	191,732	759,316
Total assets	2,309,708	10,201,519	2,728,428	10,805,393
Non-current liabilities	1,238,856	5,471,780	1,486,945	5,888,747
Current liabilities	347,202	1,533,524	188,625	747,015
Equity	723,650	3,196,215	1,052,858	4,169,631
Share capital	4,741	21,937	4,741	21,937

Item 3. Key risk factors

The Group's business has been affected by the global financial crisis and could be further affected if the downturn in general economic conditions in the countries in which the Group operates continues or worsens

The continued global crisis on the financial markets has impacted the condition of many financial institutions, and governments have often been forced to intervene on the capital markets on an unprecedented scale. Such turbulence has resulted in businesses having restricted access to bank financing, an increase in interest rates charged on bank loans and a decrease in consumer spending, with many tenants making requests for temporary or permanent rent reduction. All of these factors impact the real estate market as well as decrease the values of real estate.

The crisis experienced by the financial markets slowed down the general economy in many countries, including Poland, Romania, Bulgaria and other countries in which the Group operates. The economic downturn has resulted in reduced demand for property and has adversely affected the Group's ability to sell or let its completed projects at their expected yields and rates of return.

Furthermore, the reduced demand for property resulting in a drop in sales dynamics on the one hand, and an increase of the vacancy rates and lower rent revenues from leased space on the other, impacted the results of operations of the Group. The deterioration of the general economic conditions and the real estate market in CEE and SEE has adversely affected the willingness and ability of customers to secure financing and purchase or lease property. If such demand continues to fall, the Group may have to sell or let its projects at a loss or may not be able to sell or let its projects at all. A downturn in the general economic conditions and the real estate market in CEE and SEE have also led to a drop in the market value of the Group's properties. The crisis on the financial markets may also adversely affect the Group's business in other ways, for example, if tenants of the Group or the financial institutions that provide the Group with financing are in default on their payments or go bankrupt.

The real estate development market is cyclical

The real estate development market is cyclical. Consequently, the number of projects completed by the Group has varied from year to year, depending on, among other things, general macro-economic factors, changes in the demographics of specific metropolitan areas, availability of financing and market prices of existing and new projects. Typically, growing demand results in greater expectations regarding the achieved profits and an increase in the number of new projects, as well as increased activity on the part of the Group's competitors. Because of the significant lag time between the moment a decision is taken to construct a project and its actual delivery, due in part to the protracted process of obtaining the required governmental consents and construction time, there is a risk that once a project is completed, the market will be saturated and the developer will not be able to lease or sell the project with the anticipated level of profits. An upturn in the market is typically followed by a downturn as new developers are deterred from commencing new projects due to reduced profit margins. There can be no assurance that during a downturn in the market the Company will be able to select projects which will fill actual demand during an upturn in the market.

The locations of the Group's properties are exposed to regional risks and could lose some of their appeal

The locations of each of the properties are influenced by macro-economic developments in the regions in which the Group operates, as well as being subject to specific local conditions in a given regional market. Insolvencies, close-downs or moves of large companies or companies from individual or several sectors as a consequence of adverse developments or for other reasons could have a negative effect on the economic development of the location in question and, consequently, on the Group's portfolio as a whole. The Group has no control over such factors. Negative economic developments at one or more of the locations could reduce the Group's rental income or result in a loss of rent, stemming from a number of tenants being unable to pay their rent in full or in part, as well as cause a decline in the market value of the Group's properties, which may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of its properties as a result of revaluations

The Group's income-generating properties and properties under development are independently revalued on a semi-annual basis in accordance with its accounting policy. Consequently, in accordance with IAS 40 "*Investment Property*" as adopted by the European Union, any increase or decrease in the value of its properties is recorded as a revaluation gain or loss in the Company's consolidated income statement for the period during which the revaluation occurs. Moreover, real properties which are not valued at fair value, including undeveloped plots of land and certain projects under construction are valued at historical cost decreased by accumulated depreciation; however, they are tested for impairment at least on a semi-annual basis. If the criteria for impairment are satisfied, a gain or loss is recorded in the Company's consolidated income statement.

As a result, the Group can have significant non-cash revenue gains and losses from period to period depending on the changes in the fair market value of its properties, whether or not such properties are sold. For instance, the Group incurred significant revaluation losses throughout the financial year ended 31 December 2011. If market conditions and the prices of comparable commercial real properties continue to be volatile, the Group may continue to have significant revaluation gains or losses from the Group's existing properties in the future.

The valuation of the Group's properties is inherently uncertain and may be inaccurate; moreover, such valuations are subject to fluctuation

The Group presents the vast majority of its real estate properties at fair value, which is estimated by external real property valuation experts.

The valuation of property is inherently subjective and uncertain since it is done on the basis of assumptions which may differ from actual future developments. For example, the Valuation Report was prepared on the basis of certain forecasts and assumptions regarding the real estate market in geographic markets in which the Group operates. There can be no assurance that the valuations of the Group's properties (undeveloped, in progress and completed) will reflect the actual sale prices or that the estimated yield and annual rental revenue of any property will be attained. Forecasts may prove inaccurate as a result of the limited amount and quality of publicly available data and research regarding Poland and other markets in which the Group operates compared to mature markets. Additional factors that impact the valuation and, specifically, the planning of projects are the construction costs as estimated by the Group and established on the basis of current prices and future price forecasts, whereas the actual costs may be different.

If the forecasts and assumptions on which the valuations of the projects in the Group's portfolio are based prove inaccurate, the actual value of the projects in the Group's portfolio may differ materially from that stated in the Valuation Report. In addition, a decrease in the value of the real estate assets of the Group may also negatively affect the Group's covenants to maintain certain levels of loan-to-value ratios established in connection with the Group's loans incurred to finance projects and the ability of the Group to raise and service its debt funding.

The Group's substantial leverage and debt service obligations could materially adversely affect its business, financial condition or results of operations

The Group currently is highly leveraged and has significant debt service obligations. The Group's high leverage could have material consequences for investors, including, but not limited to, increasing vulnerability to and simultaneously reducing flexibility to respond to downturns in the Group's business or general adverse economic and industry conditions, including adverse economic conditions in the jurisdictions in which the Group operates; limiting the Group's ability to obtain additional financing to fund future operations, capital expenditures, business opportunities, acquisitions and other general corporate purposes and increasing the cost of any future borrowings; and requiring the dedication of a substantial portion of the Group's cash flows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cash flows will not be available to fund its operations, capital expenditures, acquisitions or other corporate purposes. In addition, the Group may incur additional indebtedness in the future, which would increase the leverage-related risks.

A number of factors may hinder the Group's ability to sell its properties on a timely basis

The sale of a real estate project is usually a complex and lengthy process. There may be situations, however, when it would be beneficial for the Group to be able to sell one or more of its projects quickly. The Group's ability to sell its property quickly may, however, be hindered by a number of factors beyond its control. The Group's properties may constitute collateral established in favour of entities providing external financing, which may further restrict and/or delay their transferability if the lender's consent must first be obtained. Several of the Group's projects are also held through joint ventures with third parties and may, as a result, be subject to legal and/or contractual limitations on transferability, such as first refusal and co-sale rights, or a requirement to obtain joint approval for any such sale. Such limitations could adversely affect the Group's ability to complete a transaction and to generate cash as needed through the timely sale of its projects at favourable prices or to vary its portfolio in response to economic or other conditions impacting the property value. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favourable economic conditions or mitigate the impact of unfavourable economic conditions should they arise.

Failure to obtain the required zoning or construction permits, or any other approvals in a timely manner or at all may delay or prevent the development of certain of the Group's projects

The Group cannot guarantee that any permits, consents or approvals required from various government entities in connection with existing or new development projects will be obtained by the Group in a timely manner, or that they will be obtained at all, or that any current or future permits, consents or approvals will not be withdrawn. For example, as part of its operations in Poland, the Group, as is the case with other real estate developers, occasionally purchases land that is not zoned as commercial. Any commercial development on such properties requires either a new local spatial development plan (*miejscowy plan zagospodarowania przestrzennego*) ("LSDP") or planning permission (*decyzja o warunkach zabudowy*). The adoption of a revised LSDP or the issuance of a favourable planning permission cannot be guaranteed, and the Group has encountered difficulties in the past in effecting changes to LSDPs and in obtaining such permissions. In addition, civic and environmental groups as well as owners of neighbouring properties and local residents may try to frustrate the obtaining of the necessary permits, consents or approvals. As a general rule, the Group purchases land which it designates for a specific purpose and for a specific project. However, the Group may wish to alter certain of its projects in order to put them to a more profitable use but may be unable to do so as a result of not being able to obtain the required approvals and permits. If the Group cannot obtain the required approvals and permits in a timely manner or at all, its projects will be delayed or cancelled.

The Group's business is dependent on its ability to actively manage its assets

A core part of the Group's operations is the active management of its assets, which includes the management of vacancy rates and rent levels and the terms of executed lease agreements in the case of all commercial properties, as well as achieving the desired tenant mix in the case of retail properties. In addition to legal constraints, the Group's ability to reduce vacancies, renegotiate rents and create a desired tenant mix is subject to market-related factors. Some of these factors, such as the general economic environment, consumer confidence, inflation and interest rates, and others are beyond the Group's control. During periods of recession or downturns in the economy it is more challenging for developers to attract new tenants and to retain existing ones, and the competition between developers for each tenant is much stronger. If the Group is unable to create or capture demand for its properties by, for example, improving tenant services or motivating its external sales agents, it may not be able to reduce vacancy rates or renegotiate rents as desired.

A prolonged period of higher vacancy rates could lower the rents tenants generally pay and make it more difficult to increase the average rent that the Group expects to charge. Higher vacancy rates would also increase the Group's overall operating costs, as it would have to cover expenses generated by empty properties or units.

The Group may be materially affected by the loss of anchor tenants

The presence of high calibre tenants, especially anchor tenants, in the Group's retail projects is important for its commercial success. Such tenants play an important part in generating customer traffic and making a building a desirable location for other tenants. It may be more difficult for the Group to attract tenants to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for such tenants from competing developments. In addition, the termination of a lease agreement by any significant tenant may adversely affect the attractiveness of a project. The failure of such tenant to abide by these agreements, or its bankruptcy or economic decline, may cause delays or result in a decrease in rental income (temporary or long-term), the effect of which the Group may not be able to off-set due to difficulties in finding a suitable replacement tenant. If the Group fails to renew the leases of important tenants, or to replace such tenants in a timely manner, the Group may incur material additional costs or loss of revenues,.

The Group cannot guarantee that rental income and the income generated by real estate will continue to develop as in the past

Future developments at the property locations in question, their infrastructure conditions, the specific properties and the rental income over the coming years are subject to various factors, some of which are outside the Group's control. Consequently, the amounts of rental income generated by the Group's office and retail properties in the past and income for the period following the expiry of the long-term leases cannot be used to predict future rental income. Whereas rental income has developed positively in the past, there can be no guarantee that it will continue to do so in the future.

The termination or expiration of lease agreements or the inability to rent out existing unoccupied space could have lasting negative effects on our profitability and on the value of our portfolio

For the Group to be profitable over the long term, the properties it owns must be rented out without interruptions, to the greatest extent possible. The same applies to maintaining the valuation of the properties the Group owns and thus the valuation of the overall portfolio. To the extent that leases are terminated or expire, the Group can give no assurance that the properties in question can be rented out again immediately. An increased vacancy rate would result in lower rental income from the management of the existing portfolio and in a lower valuation of our properties and overall portfolio.

The Group's properties could suffer damage due to undiscovered defects or external influences

The Group's properties could suffer damage due to undiscovered or underestimated defects or from external influences (e.g., earthquakes, floods, landslides or mining damages). In addition to the significant health risks and related costs, the Group could also be required to pay for the removal and disposal of hazardous substances, as well as the related maintenance and restoration work, without the ability to pass those costs onto third parties. The occurrence of any such risk could have a material adverse effect on the Group’s business, financial condition, results of operations and the price of the Shares.

If a given property is currently under renovation or modernization, there can be no assurance that any space which has not been pre-leased, can be let or otherwise marketed during or following the renovation or modernization phase on the appropriate terms and conditions.

The Group might not receive adequate information on risk relating to, or might make errors in judgment regarding, future acquisitions of real estate

The acquisition of real estate requires a precise analysis of the factors that create value. Such an analysis is subject to a wide variety of factors as well as subjective assessments and is based on various assumptions. It is possible that the Group or its service providers will misjudge individual aspects of the valuation when making acquisition decisions or that assessments on which the Group bases its decision are inaccurate or based on assumptions that turn out to be incorrect. Such judgment errors may lead to an inaccurate analysis and valuation of the properties by the Group in connection with investment decisions that may only become apparent at a later stage and force us to revise the Group’s valuation amounts downwards or set up provisions for the amount of the anticipated losses. The Group can also not guarantee that the service provider it chooses to carry out its due diligence when purchasing property will identify all the risks related to the property in question. In addition, the Group cannot guarantee that it will be able to have recourse to the seller of the property for not disclosing such risks. If the Group does not find out about these risks, this could lead to economic and financial disadvantages for the Group. The Group cannot guarantee that it will be able to pursue remedies against the respective seller for the non-disclosure of such risks.

The Group may not be able to complete the projects in its portfolio, a number of which are in the pre-construction stage

The Group’s and its associates portfolio currently comprises a number of different projects, the development of which has not yet begun. The Group’s ability to commence and complete the development of these projects is subject to a number of factors, some of which are beyond its control, including, but not limited to, the ability of the Group to obtain the requisite permits and external financing, engage quality contractors, as well as find suitable tenants or purchasers. Moreover, the completion of some projects may become unprofitable or unfeasible for reasons which are beyond the Group's control, including a change in market conditions – in particular, a downturn on the real estate market, which would limit the ability of the Group to obtain financing for its projects the construction of which has yet to begin, as well as sudden changes in currency exchange rates, which could materially increase the construction costs associated with such projects. If the Group is unable to complete its projects on time, it may be required to extend the terms of its financing, and there can be no assurance that the banks providing such financing will agree to extensions.

The Group may be subject to increased costs or project delays or cancellations if it is unable to hire general contractors to build its projects on commercially reasonable terms, or at all, or if the general contractors it hires fail to build the Group's projects to accepted standards, in a timely manner or within budget

The Group outsources the construction of its projects to general contractors. The successful construction of the Group's projects depends on its ability to hire general contractors to build its projects to accepted standards of quality and safety on commercially reasonable terms, within the limits of an agreed timeframe or an approved budget. The Group's failure to hire general contractors on commercially reasonable terms could result in increased costs. Failure to hire general contractors at all could result in project delays or cancellations. Failure of the general contractors to meet accepted standards of quality and safety or to complete the construction within the agreed timeframe or within an approved budget may result in increased costs, project delays or claims against the Group. In addition, it may damage the Group's reputation and affect the marketability of the completed property.

The financial strength and liquidity of the Group's general contractors may be insufficient in the case of a severe downturn in the real estate market, which, in turn, could lead to their insolvency. Although most of the Subsidiaries' agreements with general contractors provide for the indemnification of the Subsidiaries against any claims raised by sub-contractors engaged by such general contractors, there can be no assurance that such indemnification provisions will be fully effective, in particular if such indemnification is challenged in court. The Group endeavours to require general contractors to secure the performance of their obligations under their respective agreements, in particular by presenting bank guarantees. However, there can be no assurance that such guarantees will cover the entire costs and damages incurred by the Group in connection with the non-performance of agreements entered into with general contractors.

The Group's reliance on general contractors and subcontractors exposes it to risks associated with the poor performance of such contractors and their subcontractors and employees and construction defects. The Group may incur losses as a result of being required to engage contractors to repair defective work or pay damages to persons who have suffered losses as a result of such defective work. Furthermore, these losses and costs may not be covered by the Group's professional liability insurance, by the contractor or by any relevant subcontractor – in particular in the case of the architects engaged by the general contractors as both the scope of their liability and their financial strength is limited in comparison to the value of the Group's projects.

The Group may face claims for defective construction and risks associated with adverse publicity, which could have an adverse effect on its competitive position

The construction, lease and sale of properties are subject to a risk of claims for defective construction, corrective or other works and associated adverse publicity. There can be no assurance that such claims will not be asserted against the Group in the future, or that such corrective or other works will not be necessary. Further, any claim brought against the Group, and the surrounding negative publicity concerning the quality of the Group's properties or projects, irrespective of whether the claim is successful, could also have a material adverse effect on how its business, properties and projects are perceived by target customers, tenants or investors. This could negatively affect the Group's ability to market, lease and sell its properties and projects successfully in the future, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The construction of the Group's projects may be delayed or otherwise negatively affected by factors over which the Group has limited or no control

The construction of the Group's projects may be delayed or otherwise negatively affected by, among others, the factors over which the Group has limited or no control, including increased material, labour or other costs, which may make completion of the project uneconomical; acts of nature, such as harsh climate conditions, earthquakes and floods, that may damage or delay the construction of properties; and industrial accidents, deterioration of ground conditions (for example, the presence of underground water) and potential liability under environmental laws and other laws. The inability to complete the construction of a project on schedule, within budget or at all for any of the above or other reasons may result in increased costs or cause the project to be delayed or cancelled.

The Group is subject to the risks relating to the development of its residential projects

The Group is active in the development and sale of residential properties, which entails certain risks, including project costs which may exceed original estimates, project delays which may require the Group to pay penalties to purchasers of apartments or result in the Group receiving a lower purchase price from such purchasers, as well as lower than expected sales of completed apartments. Before any of the Group's residential developments generates any revenue, material expenditures are required in order to acquire land, obtain the requisite approvals and construct significant portions of the project infrastructure, amenities and sales facilities. It generally takes several years for a planned development to start generating revenue, and the Group cannot assure that such investments will generate positive cash flows. Moreover, obtaining the required governmental consents and authorisations can be costly and time-consuming. Any of these factors could result in increased costs or delays of future projects, or prevent the completion of projects already begun, resulting in loss of revenue, loss of invested capital or loss of market share. The development and sale of residential properties may also give rise to actions being brought against the Group in connection with materials used or defects in the properties sold, including materials used or defects in properties constructed or sold by the Group or by third parties engaged thereby, such as architects, engineers and construction contractors or sub-contractors. Moreover, even if materials the Group uses in the construction of its developments comply and have complied with all applicable laws and regulations in force at the time of their use, such laws and regulations are subject to change. As a result, some of the materials that were used in the past may no longer be legally permitted for use, which may expose the Group to the risk of claims being raised by individuals who have handled or been exposed to such materials. Any claims brought against the Group relating to such matters could entail investigation and defence costs as well as liability for damages. Potential damages could include, among other things, the costs of remediation, loss of property and health-related bodily injury. The costs of insuring against construction defects and building material product claims and health-related bodily injury are high, and the amount of coverage offered by insurance companies is limited. As a consequence, some or all of the financial risks associated with building material products and construction defects may be the sole obligation of the Group, and the Group may be at risk for losses in amounts that exceed the available limits of their comprehensive general liability policies or that are excluded from coverage.

Without sufficient local infrastructure and utilities, the construction of the Group's projects may be delayed or cancelled, or it may be unable to realise the full expected value of its completed projects

The Group's projects can only be carried out if the sites on which they are located have access to the relevant technical infrastructure required by law (e.g. internal roads, utility connections, and fire prevention equipment and procedures). In cases where such sites do not have the required infrastructure, a use permit for the project may not be issued until such infrastructure is assured. It is also possible that the relevant authorities may require the Group to develop the relevant infrastructure as a part of the works related to the project, which may have a significant impact on the costs of the construction works. In addition to the necessity of having adequate infrastructure during the construction process, the viability of the Group's projects, once completed, depends on the availability and sufficiency of the local infrastructure and utilities. In some cases, utilities, communications and logistics networks have not been adequately funded or maintained in recent decades and may be non-existent, obsolete or experience failures. To be sufficient, the existing local infrastructure and utilities may need to be improved, upgraded or replaced. There can be no assurance that improvements to the infrastructure in and around the Group's projects, or the infrastructure integrated into its projects, will be completed prior to the completion of the projects or that any such improvement will be sufficient to support the Group's completed projects.

The Group may be subject to liability following the disposal of investments

When the Group disposes of its projects, it may be required to give certain representations, warranties and undertakings and to pay damages to the extent that it breaches any such representations, warranties or undertakings. As a consequence, the Group may become involved in disputes or litigation concerning such provisions and may be required to make payments to third parties.

Disposals of the Group's assets may change the pro forma composition of the Group's portfolio

As a result of the Group disposing of certain of its assets, certain properties and qualities of the Group's portfolio may change in terms of geographic split, the ratio of the value of completed assets and the value of assets under construction, as well as the portfolio's split by asset classes (i.e. retail, office, residential and other assets). As a result, various metrics of the Group's business and recurring cash flows derived from rental income may change.

The Group may be exposed to certain environmental liabilities and compliance costs

The environmental laws in CEE and SEE impose existing and potential requirements to conduct remedial action on sites contaminated with hazardous or toxic substances. Such laws often impose liability without regard to whether the owner of such site knew of, or was responsible for, the presence of such contaminating substances. In such circumstances, the owner's liability is generally not limited under such laws, and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on any of the Group's properties, or the liability for the failure to remedy contamination from such substances, could adversely affect the Group's ability to sell or let such property or to borrow funds using such property as collateral. In addition, the presence of hazardous or toxic substances on a property may prevent, delay or restrict the development or redevelopment of such property.

The Group may be subject to legal disputes and risks

The Group's business involves the acquisition, rental, sale and administration of properties, including under cooperation agreements that, as a matter of ordinary course of business, expose the Group to a certain amount of small-scale litigation and other legal proceedings. Legal disputes which, taken individually, are relatively immaterial, may be joined with disputes based on similar facts such that the aggregate exposure of the Group might become material to its business. Furthermore, the Group may face claims and may be held liable in connection with incidents occurring on its construction sites such as accidents, injuries or fatalities of its employees, employees of its contractors or other visitors on the sites. Other types of disputes in which the Group may be involved include, among others, disputes with individual tenants regarding the replacement or maintenance of residential unit fixtures or appliances, lease disputes and the settlement of utility charges. Because of the repetitive nature of the disputes to which the Group is a party, certain situations giving grounds for legal claims may occur multiple times. In such event, if more than one adverse judgement is issued against the Group, the overall consequences of such judgements may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares, even if any one judgement would not have such material effect. Moreover, if the Group's assets are subjected to legal claims by third parties and no resolution or agreement is reached, these claims can delay, for significant periods of time, planned actions of the Group.

When leasing, selling, or enhancing real estate, the Group could be faced with claims for guarantees for which it does not have adequate recourse

The Group provides different types of guarantees when it leases real estate, especially with regard to the absence of defects in quality and title, as well as existing contamination and the portfolio of leases. The same applies to the sale of real estate. Claims could be brought against the Group for breach of these guarantees. Defects of which the Group was not aware, but of which it should have been aware, when it concluded the transaction pose a particular risk. The Group's possible rights of recourse towards the sellers of properties could fail due to the inability of the persons in question to demonstrate that they knew or should have known about the defects, due to the expiration of the statute of limitations, due to the insolvency of the parties opposing the claim, or for other reasons.

The Group's insurance may be inadequate

The Group's insurance policies may not cover it for all losses that may be incurred by the Group in the conduct of its business, and certain types of insurance are not available on commercially reasonable terms or at all. As a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets. In addition, there are certain types of risks, generally of a catastrophic nature, such as floods, hurricanes, terrorism or acts of war that may be uninsurable or that are not economically insurable. Other factors may also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its assets or business for which it may not be compensated fully or at all. As a result, the Group may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected developments as well as anticipated future revenues from such project. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group could also remain liable for any debt or other financial obligation related to such damaged property. No assurance can be given that material losses in excess of insurance coverage limits will not occur in the future.

The residential mortgage markets will impact the level of housing purchases in the countries in which the Group operates

Demand for residential real properties may be dependant on governmental policies related to subsidizing or facilitating mortgage loans extended to some groups of purchasers for the purposes of the acquisition of certain types of apartments. Any changes in the governmental policies related to the facilitation of mortgage financing may have a material adverse effect on the Group's business, financial condition and results of operations.

An increase in interest rates, the deterioration in the economic situation of households, and governmental restrictions on the ability of banks to grant credit and loans has caused a decrease in the demand for apartments and houses, and this decrease may persist. As such, interest in the Group's residential projects has declined and may decline further. Moreover, banks have been restricting the granting of new mortgage loans and have been increasing interest rates. The considerable popularity of foreign currency loans means that a fall in the value of the local currencies in relation to foreign currencies may result in potential purchasers of new apartments not being in a position to obtain financing, and clients who have already purchased apartments or houses potentially experiencing difficulty with repayment.

The Group faces competition from other real estate developers and it might not be able to secure suitable locations for the development of its projects as well as to attract tenants to its commercial projects

The Group faces competition from other real estate investors and developers. Competition may lead to, among other things, an increase in land prices and/or developments costs. The successful growth and profitability of the Group is dependent on, inter alia, acquiring good development sites at competitive prices and their appropriate development. If the suitability of a location is adversely affected by a competing project within the same catchment area, the relevant development may be delayed or abandoned. In such circumstances, there is no guarantee that the Group will be able to use the site for an alternative development or be able sell the site. Furthermore, if there is competition for tenants from competing developments, it may be more difficult for the Group to attract tenants or enter into lease agreements on commercially attractive terms.

The Group is dependent on a limited number of key members of its management

The Group's success depends on the activities and expertise of the members of its management. If the Group is unable to retain the key members of its management, this could result in a significant loss of expertise and could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Shortages of qualified employees and other skilled professionals could delay the completion of the projects of the Group or increase its costs

The Group relies on a highly skilled team of professionals, including its key management and project managers, mid-level managers, accountants and other financial professionals, in the development of its projects. If the Group is unable to hire the necessary employees, staffing shortages may adversely affect its ability to adequately manage the completion of its projects and efficiently manage its assets or force it to pay increased salaries to attract skilled professionals or the necessary employees. Furthermore, the future success of the Group depends on its ability to hire senior personnel such as managers with extensive experience in the identification, acquisition, financing, construction, marketing and management of development projects and investment properties.

The Group may not be able to realise its expected rates of return if the real estate markets in CEE and SEE countries in which the Group operates become saturated and competition increases

Real estate markets may reach saturation if the supply of properties exceeds demand. Saturation in these markets would result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. As the commercial real estate markets in CEE and SEE are characterised predominantly by short-term leases, the Group expects that rental rates will decrease promptly in response to a perceived oversupply of rentablecommercial space in those markets. If vacancy rates rise and/or market rental rates decrease, the Group may not be able to realise its expected rates of return on its projects or may be unable to let or sell its properties at all.

The Group could become liable for the taxes of the seller of a property which the Group purchased or of another legal predecessor

Where the conveyance of properties to the Group constitutes a transfer of a corporation or a business, the Group may become liable under certain conditions regarding taxes and amounts of withholding tax in connection with the operation of the transferred corporation, provided that the taxes have accrued since the beginning of the last calendar year before the conveyance and are set or registered by the Group by the end of the year following the registration of the business. This liability also extends to claims by the government for the reimbursement of tax refunds. Any liability is limited to the portfolio of the assets taken over. Such liability could nevertheless have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares, if not detected by the Group's due diligence process which is conducted prior to acquisition of such business.

The Group's business is capital intensive, and additional financing may not be available on favourable terms, on a timely basis or at all

The Group requires substantial up-front expenditures for land acquisition, development construction and design costs. As a result, the Group requires substantial amounts of cash and construction financing from banks for its operations. The Group's capital needs depend on many factors, in particular on market conditions, which are beyond the Group's control. Should its capital needs differ significantly from those currently planned, the Group might require additional financing. In the case of difficulties in obtaining additional financing, the scale of the Group's growth and the pace of achievement of certain strategic objectives can be slower than originally assumed. It is not certain whether the Group will be able to obtain the required financing if needed or if such funds will be provided on conditions favourable to the Group.

In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones or the sale of a specific number of flats. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule.

The Group is in technical default for failure to comply with certain financial covenants under one of its outstanding loan facilities

As at 31 Decemberat 31 December 2011, the Group is in technical default for failure to comply with certain financial covenants under its outstanding senior loan facilities. As at 31 Decemberat 31 December, 2011 the borrowing companies meet the financial covenants, unless specified herein: (i) with respect to a €24,725 million loans from MKB and OTP granted to a subsidiary (Galleria Varna, Bulgaria), covenants were not met as of the balance sheet date. As a result, the Company reclassified the loan as a current liability. Nevertheless, the Company has negotiated certain parameters of the loan and relaxing the covenant requirements and has reached an understanding in principle with the banks that will not require early repayment. This above-mentioned understanding has been approved by the Banks relevant bodies, and currently is in the process of finalizing the relevant loan amendments; (ii) with respect to a €28,792 million loans from European Bank for Reconstruction and Development and UniCredit granted to a subsidiary (Galleria Stara Zagora, Bulgaria), covenants relating to debt service coverage ratios of the financed project were not met as of the balance sheet date. As a result, the Company reclassified the loan as a current liability and (iii) Loans borrowed from MKB Bank to finance Sasad Resort Residential project ("SR1" and "SR2" loans), were scheduled for repayment on December 15, 2011, however, were not paid as the maturity date was under negotiations. Prior to the balance sheet date, MKB Bank and the Management have agreed in a form of a term sheet that the maturity dates of the loans shall be amended as following: €3,000 shall be repaid within 60 days from signing the amendment to the Loan; €1,734 shall be repaid until 30 June, 2012; and €8,741 shall be repaid until 31 December 2014. The Company and the subsidiary currently conduct discussions with the lending Banks for possible amendments to the loan agreement.

A breach of covenants under the Group's financing arrangements could entail a forced sale of assets or a suspension of dividend payments, and cross-default provisions may exacerbate existing risks

The Group's financing arrangements contain financial covenants that require the Company to maintain certain financial ratios, among other things. In the event that the Group breaches any such covenant, it may be required to immediately repay the respective borrowings in whole or in part, together with any attendant costs. In such situation, the Group may be forced to sell some or all of its assets unless it has sufficient cash resources or other credit facilities available to make such repayments. In addition, a lender may be able to sell such assets or procure their sale to the extent that the assets of the Group serve as collateral for such borrowings. The Group may also be required to suspend payment of its dividends in the case of breaches of covenants under its financing agreements.

Certain of the Group's financing arrangements also contain cross-default provisions. In the case of default under one financing arrangement, the existence of cross-default provisions in other financing arrangements could automatically trigger defaults under those arrangements. If such cross-default provisions are triggered, this could result in substantial losses for the Group and could significantly reduce its access to capital.

The Group may incur substantial losses if it fails to meet the obligations and requirements of its debt financing and, furthermore, the restrictions imposed by its debt financing may prevent it from selling its projects

In order to secure its loans, the Group has in the past and/or may in the future mortgage its assets, pledge participation interests in its subsidiaries, enter into guarantees and agree to negative pledges. In addition, the Group's loans contain restrictions on its ability to dispose of certain key assets, which in turn may be required in order to satisfy certain financial covenants. The Group could fail to make principal and/or interest payments due under the Group's loans or breach any of the covenants included in the loan agreements to which the Group has entered. In some cases, the Group may breach these covenants due to circumstances which may be beyond the control of the Group. These may include requirements to meet certain loan-to-value ratio, debt service coverage and working capital requirements. A breach of such covenants by the Group could result in the forfeiture of its mortgaged assets, the acceleration of its payment obligations, the acceleration of payment guarantees, trigger cross-default clauses or make future borrowing difficult or impossible. In these circumstances, the Group could also be forced in the long term to sell some of its assets to meet its loan obligations or the completion of its affected projects could be delayed or curtailed. In the past the Group breached certain covenants relating to the maintenance of certain financial ratios or loan-to-value ratios imposed by loan agreements. There can be no assurance that such breaches will not repeat in the future or that the Group will be able to cure them promptly or at all.

The Group might be unable to renew or refinance loans as they mature, or might be able to renew or refinance such loans only on less favourable terms

Many of the Group's real estate developments have been financed through loans, and the lending banks have provided these loans for a limited term. The Group has a total of €264,062 in payment obligations in the period until 31 December 2012. The Group might not be able to renew or refinance the obligations at all or might have to accept less favourable terms in respect of such refinancing. If the Group is unable to renew a loan or secure refinancing, the Group could be forced to sell one or more of its office properties in order to procure the necessary liquidity. Any combination of the above would have material adverse effects on the Group's business, cash flows, financial condition and results of operations. The inability to sell a property, if a sale became necessary, could jeopardize the Group's portfolio

The Group is exposed to changes in foreign currency exchange rates

The Group's financial statements are expressed in euro and the Company's functional currency is the euro. Moreover, the vast majority of the Group's revenues, specifically rent revenues, are expressed in Euro. However, certain of the Group's costs, such as certain construction costs, labour costs and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including PLN, Bulgarian leva, Czech korunas, Croatian cunas, Hungarian forints, Romanian lei or Serbian dinars.

Whilst the companies of the Group may engage in currency hedging in an attempt to reduce the impact of currency fluctuations and the volatility of returns that may result from their currency exposure by, inter alia, entering into derivatives transactions, obtaining debt financing denominated in Euro, as well as concluding agreements with contractors specifying remuneration expressed in Euro, there can be no assurance that such hedging will be fully effective or beneficial. Moreover, given the fact that certain contractors of the Group engage in hedging arrangements with respect to their remuneration on the basis of, inter alia, construction contracts, their flexibility to postpone certain phases of construction may be limited and may result in their financial distress. In addition, given that payments under most of the Group's commercial leases are expressed as the local currency equivalent of a euro-denominated amount, some of the Group's tenants, specifically those leasing retail space, may face difficulties in meeting their payment obligations under such leases as they derive revenues in their respective local currencies. Consequently, any future material appreciation of the local currencies against the Euro could significantly decrease the Group's income in terms of the local currencies.

The Group is subject to interest rate risk

The Group currently has and intends to incur certain indebtedness under existing debt facilities which is subject to variable interest rates. Interest rates are highly sensitive to many factors, including government monetary policies and domestic and international economic and political conditions, as well as other factors beyond the Group's control. The Group's exposure to interest risk and the extent to which the Group attempts to hedge such exposure varies significantly between the geographical markets in which the Group operates, but any changes in the relevant interest rates may increase the Group's costs of borrowing in relation to existing loans, thus impacting its profitability. The need to hedge interest rate risk is reviewed by the Group on a case by case basis, except for those projects in which the lenders require it to hedge the relevant interest rate risk.

Risks Factors Relating to the Geographic Markets in which the Group Operates

Political, economic and legal risks associated with countries in emerging markets, including CEE and SEE countries, could adversely affect the Group's financial condition and results of operations

All of the Group's revenues are attributable to operations in CEE and SEE countries, particularly Poland, Romania and Hungary. These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to foreign investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Group is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Group's ownership and may cause it to lose property or assets without legal recourse.

Furthermore, some countries may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Group's ability to repatriate investment loans or to remit dividends. Some CEE and SEE countries, have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries.

In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, gross domestic product, foreign trade or economies in general of individual countries. The countries in which the Group operates have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest.

Changes in laws could adversely affect the Group

The Group's operations are subject to various regulations in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia and other jurisdictions in which the Group conducts business activities, such as fire and safety requirements, environmental regulations, labour laws, and land use restrictions. If the Group's projects and properties do not comply with these requirements, the Group may incur regulatory fines or damages.

Moreover, there can be no assurance that if perpetual usufruct fees in Poland are increased, the Group will be able to pass such costs onto its tenants in the form of increased service charges as such increase might lead to a given property becoming less competitive as compared to properties not situated on land subject to perpetual usufruct fees.

Furthermore, the imposition of more strict environmental, health and safety laws or enforcement policies in CEE and SEE could result in substantial costs and liabilities for the Group and could subject the properties that the Group owns or operates (or those formerly owned or operated by the Group) to more rigorous scrutiny than is currently applied. Consequently, compliance with these laws could result in substantial costs resulting from any required removal, investigation or remediation, and the presence of such substances on the Group's properties may restrict its ability to sell the property or use the property as collateral.

Unlawful, selective or arbitrary government actions may impact the Group's ability to secure the agreements, contracts and permits required for it to develop its projects

Government authorities in Poland and other geographical markets in which the Group operates have a high degree of discretion and may not be subject to supervision by other authorities, requirements to provide a hearing or prior notice or public scrutiny. Therefore, government authorities may exercise their discretion arbitrarily or selectively or in an unlawful manner and may be influenced by political or commercial considerations.

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, and the Group's properties may be subject to restitution claims

The land and mortgage registry systems in certain of the CEE and SEE jurisdictions are non-transparent and inefficient, which may, inter alia, result in delays in the land acquisition process and the registration of many plots into one consolidated plot, which is a requirement before certain projects can be developed. This inefficiency could have a material adverse effect on the business, cash flows, financial condition, results of operations or prospects of the Group. Moreover, the Group is exposed to the inherent risk related to investing in real estate situated in CEE and SEE countries resulting from the unregulated legal status of some of such real properties.

The Group's claims to the titles to investment and development properties may be subject to challenge in certain cases, and permits in relation to such properties may have been obtained in breach of applicable laws

It may be difficult or, in certain cases, impossible for the Group to establish with certainty that the title to a property has been vested in a relevant Group company due to the fact that real estate laws in Poland and other jurisdictions in which the Group operates are complicated and often ambiguous and/or contradictory and the relevant registries may not be reliable. Therefore, there can be no assurance that the Group's claim to a title would be upheld if challenged. Further, it is possible that permits, authorisations, re-zoning approvals or other similar decisions may have been obtained in breach of applicable laws or regulations. Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of land leases and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns.

Item 4. Presentation of the Group

Item 4.1. General information about the Group

GTC Group is a leading real estate developer in CEE and SEE and currently operates in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia, the Czech Republic, Russia and Ukraine. The Group was established in 1994 and has been present on the international real estate market for over 15 years.

The Group's portfolio comprises: (i) office buildings and office parks; (ii) retail and entertainment centres; (iii) residential projects; and (iv) undeveloped plots of land (land bank).

Since its establishment, the Group has developed over one million square meters of net space and has successfully sold over fifteen properties.

As of the date of this Report, the Group is the owner of completed commercial properties with a combined net area of 579,856 sq m. The Group holds a portfolio of properties which are at various stages of development with total commercial and residential space upon completion of approximately 2.3 million sq m. The portfolio currently comprises 124 projects (both completed and at different stages of development) in major cities throughout CEE and SEE with a total value as of 30 December 2011 of €2,019,531. Additionally, the Group holds investments in associates in the Czech Republic and Ukraine that have portfolios comprising 16 projects which are at different stages of development. The Group's commercial assets comprise office and retail properties and account for approximately 90% of the total value of the Group's portfolio.

The Company's shares have been listed on the WSE and included in the WIG20 index since 20 September 2004. The Company's shares are also included in the international MSCI index; the Dow Jones STOXX Eastern Europe 300 average; the GPR250 index, which comprises the 250 largest and most liquid real estate companies in the world; and the FTSE EPRA/NAREIT Emerging Index. Since 21 March 2011, the Company's shares have been included in the CECE index of the Vienna Stock Exchange. See: "Market price of Shares".

The Group's headquarters is located in Warsaw at 5 Wołoska Street.

Item 4.2. Structure of the Group

The structure of Globe Trade Centre Capital Group as at 31 December 2011 is presented in the Consolidated Financial Statements for the year ended 31 December 2011 in Note 5 *Investment in subsidiaries, associates and joint ventures*.

The following changes in the structure of the Group occurred in the year ended 31 December 2011:

1. On 1 August 2011, GTC and Rodamco Central Europe B.V. signed the final agreement on the sale of 188,964 shares (50% of the share capital) in Rodamco CH1 Sp. z o.o., the owner of the Galeria Mokotów shopping centre in Warsaw.

2. On 18 February 2011, GTC purchased 2,002 shares (100% of the share capital) in Centrum Światowida Sp. z o.o., on 16 September 2011 Centrum Światowida Sp. z o.o. purchased 100 shares (100% of the share capital) in Światowida Development Sp. z o.o. and on 6 July 2011 GTC purchased 1,002 shares (100% of the share capital) in Mieszkania Światowida Sp. z o.o. The plots held by the acquired companies are designated for shopping centres that GTC plans to develop.

3. On 21 April 2011, Cefin Holding SA signed a share sale agreement and loan assignment agreement pursuant to which it transferred to GTC Real Estate Investments Romania BV the ownership to 15% of the share capital of the Cefin Holding SA. The new name of the company is Galleria Shopping Galati SRL.

4. In February 2011, Bucharest Tower Investments B.V. was set up to hold GTC's participation in the joint venture which will develop the Ana Tower project. The name of the Romanian joint venture is Ana Tower Offices SRL.

5. On 30 May 2011, Bucharest Tower Investments B.V signed a share sale agreement and acquired 103,385 shares (50% of the share capital) in Ana Tower Offices SRL.

Item 4.3. Changes to the principal rules of the management of the Company and the Group

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

Item 4.4. The Group's Strategy

The Group aims to maximise shareholder value by pursuing the sustainable organic growth of its business. The Group intends to achieve this by implementing the following elements of its business strategy:

- manage a portfolio of income-generating, sustainable, environmentally friendly office and retail properties in prime locations;
- develop a diversified property portfolio focusing on Poland and key CEE countries as well as selected SEE countries;
- dispose of certain properties in order to reduce the Group's financial leverage or obtain funds for new investments; and
- opportunistically acquire carefully selected plots of land with high development potential.

Manage a portfolio of income-generating, sustainable, environmentally friendly office and retail properties in prime locations

The Group intends to continue to actively manage its income-generating property portfolio in order to maximise operating performance, diversify risk, achieve efficiency and synergy and enhance rental income. The Group focuses on sustainable, environmentally friendly office and retail properties in prime locations.

The Group strives to add value to its portfolio through its asset management activities. In the case of retail properties, such activities include securing the best mix of tenants by: (i) finding good quality chain retailers willing to pay appropriate market rent; (ii) attracting anchor tenants to properties; (iii) optimising property operating costs by using energy efficient technologies, finding the best utility and service providers in terms of price/quality, as well as dealing with co-operatives and administrators; and (iv) securing proper facility management to ensure the best quality and best service for tenants and to optimise property repair and maintenance costs. In the case of office properties, the Group attempts to ensure that space design is optimal to give maximum flexibility to tenants, optimise common areas and utilise space in order to minimise vacancy rates. The Group strives to ensure the best care for the technical condition and quality of all its properties to maximize the value of such properties.

Develop a diversified property portfolio focusing on Poland and key CEE countries as well as selected SEE countries

The Group intends to continue its policy of seeking attractive development opportunities in areas where there is strong demand for high quality properties and where its projects can become leaders in their local markets. To achieve this, the Group intends to focus its operations on Poland and key CEE countries as well as selected SEE markets.

Although the Group considers its core business to be the lease of retail projects (in particular large shopping malls in prime locations) and office properties (in particular complexes of several inter-connected office buildings combined in business parks), the Group does not rule out the possibility of investing in other projects, such as the development and sale of residential properties, should the anticipated rates of return be sufficient.

Dispose of certain properties in order to reduce the Group's financial leverage or obtain funds for new investments

The Group will continue to review its land bank and may decide to sell certain of its properties, even without additional development, should conditions warrant such approach. Such properties may be disposed of to reduce the Group's financial leverage or to obtain funds that may be used for new investments.

Opportunistically acquire carefully selected plots of land with high development potential

Whilst the Group believes that its existing land bank will allow it to maintain and enhance its development abilities within the next five years, in the long run, the Group may also acquire additional land and commence new projects in other locations. The Group is currently focusing its operations in the countries in which it is already present; however, the Group may consider geographical expansion in the future. Such expansion, if any, whether within the same countries of operation or into new countries, will be selective and evaluated based on market demand and the potential return on investment.

Item 4.5. Business overview

The Group's core business is geared towards commercial real estate, with a clear focus on the development of office and retail properties for rent. Its investment portfolio includes both investment properties (66% of the overall portfolio) and investment properties under development (18% of the overall portfolio). Additionally, the Group has designated some of its assets for sale. Assets held for sale constitute 7% of the total portfolio. The Group also develops residential units for sale. As at 31 December 2011, the Group held residential inventory of both completed and land bank projects with a total value of €181,542, which constituted 9% of the Group's overall portfolio. The Group has developed over 1,000,000 sq m of net rentable space and it currently owns completed commercial property with a combined net rentable area of approximately 579,856 sq m. As at 31 December 2011, the book value of the Group's investment property, assets held for sale, residential inventory and land bank amounted to about €2,019,531 (as compared to €2,371,805 on 31 December 2010).

The Group carefully selects locations to allow for the development of buildings which will meet the expectations of our clients. The designs used by the Group are created by the best architectural firms in Poland and in other countries in the region.

The Group's office buildings provide convenient space, flexible interiors and a comfortable working environment. They are located in the heart of business districts and in proximity to the most important transport routes, including international airports. Our projects have earned the trust of a significant number of international corporations and other prestigious institutions, including: the European Bank for Reconstruction and Development, Raiffeisen Bank, Bertelsmann, Hewlett Packard, IBP, KPMG, Lotos, Allianz, Motorola, Noble Bank, Zenith Optimedia, Levi's, Polbank, Leo Burnett, Honeywell, Roche, State Street, Aviva Group and Exxonmobil. More than 40,000 people are employed in the office buildings constructed by the Group in CEE and SEE.

The Group's shopping malls are located in both capital cities as well as in secondary cities in Poland, Bulgaria, Croatia, Czech Republic and Romania. They are always very highly ranked in the city of their location. The tenants include big multinationals as well as local brands like: Carrefour, Cora, Zara, Reserved, Peek & Cloopenburg, C&A, H&M, Cinema City, New Yorker and others.

The Group tends to sign long-term contracts with its tenants. Typical lease agreements for office and retail space are signed for periods of five to ten years. The vast majority of the Group's lease contracts are denominated in Euro, and all of its contracts have a built-in mechanism for annual rental rate increases linked to the Euro zone consumer price index. In some lease agreements for retail properties, the Group's income is linked to the turnover of the tenant. The costs of maintaining properties are passed on to the Group's tenants.

In view of its corporate social responsibility, the Group has recently taken steps towards obtaining international LEED (Leadership in Energy and Environmental Design) certification and will strive to at least obtain gold certificates for the majority of its newly constructed projects. LEED certificates are granted through a rigorous qualification process and are awarded only to those selected projects that meet the highest standards set by the U.S. Green Building Council. Additionally, the Group's existing buildings will undergo gradual upgrades to their energy and environmental design.

Item 4.5.1. Investment properties and assets held for sale

Management, has conducted a thorough, asset by asset, review of the whole portfolio, in parallel to its decision to focus on Company's new developments efforts, solely on the strongest markets and, whilst supporting only the projects in its portfolio, which give the strongest mid -term upside potential, while reducing. Concurrently, the Management decided to reduce the cash allocation towards projects that has a longer term investment horizon. The above implied re-assessment of the some of GTC's landbank projects development timetable, and rescheduling them to a later stage.

Additionally, in some cases, in view due to the decline in consumption and deteriorating of purchasing power, the timetable for stabilization of in relevant catchment areas around certain completed and cash generating assets in SEE, the timetable for stabilization of had to be re-assessed, and consequently expectations for stabilized income were deferred.

Item 4.5.1.1. Assets held for sale

As at 31 December 2011, the Group recognized assets held for sale resulting from a Head of Terms signed with Allianz Group, represented by Allianz Real Estate Germany Gmbh, on 17 October 2011 in relation to the potential sale of Platinium Business Park. The value of the assets held for sale is €134,100.

The following table presents assets held for sale as at 31 December2011:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Platinium 1	Warsaw	100%	9,550	9,550	2007
Platinium 2	Warsaw	100%	9,550	9,550	2008
Platinium 3	Warsaw	100%	11,800	11,800	2009
Platinium 4	Warsaw	100%	12,900	12,900	2011
		Total	43,750	43,750	

Item 4.5.1.2. Investment properties

The book value of the completed investment properties as at 31 December 2011 was €1,330,614, as compared to €1,617,397, as at 31 December 2010; the portfolio was valued based on average yield of 8.1%. The average occupancy rate within the investment portfolio was 87% as at 31 December2011.

Approximately 39% of the investment properties are located in Poland, 19% is located in Romania, 13% in Hungary, 15% in Croatia and remaining 14% is located in other countries in which the Group operates.

As at 31 December2011, the Group's investment properties comprised a total net rentable area of 536,106 sq m, of which office properties accounted for around 63% and retail properties accounted for the remaining 37%.

The following table presents completed investment properties as at 31 December 2011 by main usage type:

Usage type	Total net leasable area	GTC's pro rata net leaseable area	%

	(sq m)	(sq m)	
Office	386,722	336,697	63%
Retail	277,643	199,409	37%
Total	664,415	536,106	100%

The following table presents the book value of the Group's completed investment properties as at 31 December 2011 by main usage type:

Usage type	2011 (€)	%
Office	771,213	58%
Retail[1]	559,401	42%
Total	1,330,614	100%

[1]Including book value of Avenue Center, Croatia

The following table presents completed investment properties as at 31 December 2011 by country in which the Group operates:

Country	Total net leasable area (sq m)	GTC's pro rata net leasable area (sq m)	%
Poland	228,940	209,840	39%
Hungary	88,630	88,630	17%
Serbia	53,900	53,900	10%
Romania	117,400	86,618	16%
Croatia	61,000	45,400	9%
Czech Republic	77,002	24,191	5%
Bulgaria	24,943	18,707	3%
Slovakia	12,600	7,875	1%
Total	664,415	536,106	100%

The following table presents the book value of the Group's completed investment properties as at 31 December 2011 by country in which the Group operates:

Country	2011 (€)	%
Poland	536,078	40%
Hungary	172,791	13%
Serbia	116,800	9%

Romania		258,025	19%
Croatia		194,100	15%
Bulgaria		37,620	3%
Slovakia		15,200	1%
	Total	1,330,614	100%

Additionally, the Group holds investment properties in the Czech Republic and Ukraine through its associates.

Item 4.5.1.3. investment properties and assets held for sale

As at 31 December 2012 the Group had 40 properties classified as investment properties and assets held for sale.

Assets		GTC's net rentable area (sq m)	Total net rentable area (sq m)	%
Investment properties		664,365	536,056	92%
Assets held for sale		43,800	43,800	8%
	Total	708,165	579,856	100%

The following table presents completed investment properties and assets held for sale as at 31 December 2011 by main usage type:

Usage type		Total net leasable area (sq m)	GTC's pro rata net leasable area (sq m)	%
Office		430,522	380,447	66%
Retail		277,643	199,409	34%
	Total	708,165	579,856	100%

The following table presents the book value of the Group's completed investment properties and assets held for sale as at 31 December 2011 by main usage type:

Usage type		2011 (€)	%
Office		905,313	62%
Retail[1]		559,401	38%
	Total	1,464,714	100%

[1]Including book value of Avenue Center, Croatia

The following table presents completed investment properties and assets held for sale as at 31 December 2011 by country in which the Group operates:

Country		Total net leasable area (sq m)	GTC's pro rata net leaseable area (sq m)	%
Poland		272,690	253,590	44%
Hungary		88,630	88,630	15%
Serbia		53,900	53,900	9%
Romania		117,400	86,618	15%
Croatia		61,000	45,400	8%
Czech Republic		77,002	24,191	4%
Bulgaria		24,943	18,707	3%
Slovakia		12,600	8,820	1%
	Total	708,165	536,106	100%

The following table presents the book value of the Group's completed investment properties and assets held for sale as at 31 December 2011 by country in which the Group operates:

Country		2011 (€)	%
Poland		670,178	46%
Hungary		172,791	12%
Serbia		116,800	8%
Romania		258,025	18%
Croatia		184,100	13%
Bulgaria		37,620	2%
Slovakia		15,200	1%
	Total	1,464,714	100%

Additionally, the Group holds investment properties in the Czech Republic and Ukraine through its associates.

Item 4.5.1.2. Office segment overview

As at 31 December2011, the Group office properties comprised of 30 office buildings of which three buildings were completed during 2011. Total net rentable office space was 380,447 sq m in 2011 as compared to 356,683 sq m in prior year. Total value of office investment properties as of December 2011 was €905,313 as compared to €885,992 m in 2010. The Group's office buildings are located in Poland, Hungary, Serbia, Croatia, Romania, Czech Republic and Slovakia.

The following table presents completed office space as at 31 December 2011 by country:

Country		Total net leasable area (sq m)	GTC's pro rata net leasable area (sq m)	%
Poland		184,990	184,990	49%
Hungary		88,630	88,630	23%
Serbia		53,900	53,900	14%
Romania		47,900	28,218	8%
Czech Republic		35,502	10,989	3%
Slovakia		12,600	8,820	2%
Croatia		7,000	4,900	1%
	Total	430,522	380,447	100%

The following table presents book value of the Group's office properties as at 31 December 2011 by country:

Country		2011 (€)	%
Poland		426,928	47%
Romania		173,594	19%
Hungary		172,791	19%
Serbia		116,800	13%
Slovakia		15,200	2%
	Total[1]	905,313	100%

[1]Excluding book value of Avenue Center, Croatia

Additionally, the Group holds office investment properties in the Czech Republic through its associates.

Item 4.5.1.3. Retail segment overview

As at 31 December2011, the Group's retail properties comprised ten shopping centres with a total net rentable area of 199,409 sq m, of which two centres of 54,100 sq m were completed during 2011. The total value of retail investment properties as of December 2011 was €647,234 (excluding the shopping centres in Prague, which the Group holds through an associate). The Group's retail properties are located in Poland, Bulgaria, Croatia, Czech Republic (thought associate) and Romania. During 2011, the Group completed retail properties in Czech Republic and Bulgaria.

The following table presents completed retail space as at 31 December 2011 by country:

Country	Total net leasable area (sq m)	GTC's pro rata net leasable area (sq m)	%
Poland	87,700	68,600	35%
Bulgaria	24,943	18,707	9%
Romania	69,500	58,400	29%
Czech Republic	41,500	13,202	7%
Croatia	54,000	40,500	20%
Total	277,643	199,409	100%

The following table presents the book value of the Group's retail properties as at 31 December 2011 by country:

Country	2011 (€)	%
Poland	243,250	43%
Croatia[1]	194,100	35%
Bulgaria	37,620	7%
Romania	84,431	15%
Total	559,401	100%

[1]Including book value of Avenue Center, Croatia

Additionally, the Group holds office investment properties in the Czech Republic through its associates.

Item 4.5.2. Investment properties under development

Additionally to the investment properties the Group has a pipeline of office and retail space that is at different stages of development. Total value of the Group's investment properties under development was €372,975 as at 31 December 2011, projects which are under construction accounted for approx. 17% and the remaining €308,780 will be delivered in the future.

Item 4.5.3. Inventories and residential land bank

The total residential space in the portfolio accounted for 9% of the total space of the Group. Out of total value of €181,542 of residential inventory and land bank, the inventory accounted for 59% and the remaining 41% relates to land bank which the Group treats as plans to develop in the future. Currently, the Group builds houses and apartments in Poland, Hungary, Romania, Czech Republic and Slovakia, but its land bank includes also Croatia.

Item 4.5.4. Segments overview

Item 4.5.4.1. Poland

Office portfolio

During 2011 the Group completed two new buildings in Warsaw, Corius (Okęcie Business Park; 8,500 sq m) and Platinium (Platinium Business Park IV; 12,900 sq m). After the completion of those two buildings its total net rentable area in Poland comprised 184,990 sq m. The average occupancy rate is at the level of 82%.

Book value of the office space in Poland amounted to €426,928, as compared to €376,876 in 2010. The difference comes from an increase in valuation for all of the properties in Poland and completion of new properties.

The following table lists the Group's office properties located in Poland:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galileo	Kraków	100%	10,100	10,100	2003
Globis Poznan	Poznań	100%	13,200	13,200	2003
Newton	Kraków	100%	10,400	10,400	2007
Edison	Kraków	100%	10,500	10,500	2007
Nothus	Warsaw	100%	9,140	9,140	2007
Platinium 1*	Warsaw	100%	9,550	9,550	2007
Platinium 2*	Warsaw	100%	9,500	9,500	2008
Platinium 3*	Warsaw	100%	11,800	11,800	2009
Platinium 4*	Warsaw	100%	12,900	12,900	2011
Zephirus	Warsaw	100%	9,100	9,100	2008
Globis Wroclaw	Wrocław	100%	14,700	14,700	2008
Centrum Biurowe Kazimierz	Kraków	100%	15,400	15,400	2009
University Business Park	Łódź	100%	18,500	18,500	2010
Francuska Office Centre	Katowice	100%	21,700	21,700	2010
Corius	Warsaw	100%	8,500	8,500	2011
		Total	184,990	184,990	

* Assets held for sale

Retail portfolio

The total net rentable area of retail space in Poland comprised 68,600 sq m. The occupancy rate is at the level of 97%.

Book value of the Group's retail space in Poland amounted to €243,250, as compared to €460,685 in 2010. The difference comes mainly from sale of Galeria Mokotów.

The following table lists the Group's retail investment properties located in Poland:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galeria Kazimierz	Kraków	50%	19,100	38,200	2005
Galeria Jurajska	Częstochowa	100%	49,500	49,500	2009

	Total	68,600	87,700

Item 4.5.4.2. Hungary

Office portfolio

The Group's total net rentable area in Hungary comprises 88,630 sq m. The occupancy rate is at the level of 91%.

Book value of the Group's office space in Hungary amounted to €172,791, as compared to €176,162 in 2010.

The following table lists the Group's office investment properties located in Hungary:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Center Point I&II	Budapest	100%	41,760	41,760	2004/2006
Spiral I&II	Budapest	100%	31,070	31,070	2009
Metro	Budapest	100%	15,800	15,800	2010
		Total	88,630	88,630	

Item 4.5.4.3. Serbia

Office portfolio

The Group's total net rentable area in Serbia comprised 53,900 sq m. The occupancy rate is at the level of 92%. Book value of the Group's office space in Serbia amounted to €116,800, as compared to €126,900 in 2010.

The following table lists the Group's office investment properties located in Serbia:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
GTC House	Belgrade	100%	13,500	13,500	2005
Avenue 19	Belgrade	100%	17,400	17,400	2008
GTC Square	Belgrade	100%	23,000	23,000	2008
		Total	539,000	539,000	

Item 4.5.4.4. Croatia

Office portfolio

The Group's total net rentable area in Croatia comprised 4,900 sq m. The occupancy rate is at the level of 95%. Book value of the Group's office space in Croatia is included in book value of Avenue Mall Zagreb.

The following table lists the Group's office investment properties located in Croatia:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Avenue Center	Zagreb	70%	4,900	7,000	2007

	Total	4,900	7,000

Retail portfolio

During 2011 the Group completed new shopping mall in Osijek (Avenue Mall Osijek; net rentable area: 21,600 sq m). After the completion of this building the Group's total net rentable area of retail space in Croatia comprised 40,500 sq m. The occupancy rate is at the level of 95%. Book value of the Group's retail space in Croatia amounted to €194,100 (including book value of Avenue Center) from €149,640 in 2010, which results from an opening of Avenue mall Osijek partially offset by a decrease in value of Avenue Mall Zagreb, due to increased competition followed by a decrease in rental rates.

The following table lists the Group's retail investment properties located in Croatia:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Avenue Mall Zagreb	Zagreb	70%	18,900	27,000	2007
Avenue Mall Osijek	Osijek	80%	21,600	27,000	2011
		Total	40,500	54,000	

Item 4.5.4.5. Romania

Office portfolio

The Group's total net rentable area in Romania comprised 28,218 sq m. The occupancy rate is at the level of 96%. Book value of the Group's office space in Romania amounted to €173,594, as compared to €173,826 in 2010.

The following table lists the Group's office investment properties located in Romania:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
City Gate	Bucharest	59%	28,218	47,900	2009
		Total	28,218	47,900	

Retail portfolio

During 2011 the Group completed new shopping mall in Arad (Galleria Arad; net rentable area: 32,500 sq m). After the completion of this building the Group's total net rentable area of retail space in Romania comprised 58,400 sq m. The occupancy rate is at the level of 88%. Book value of the Group's retail space in Romania amounted to €84,431, as compared to €58,880 in 2010, which results from opening of Galleria Arad partially offset by a decrease in the value of other retail properties following the deterioration of economic conditions in Romania.

The following table lists the Group's retail investment properties located in Romania:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galleria Suceava	Suceava	70%	7,560	10,800	2009

Galleria Buzau	Buzau	70%	9,380	13,400	2008
Galleria Pieatra Neamt	Pieatra Neamt	70%	8,960	12,800	2009
Galleria Arad	Arad	100%	32,500	32,500	2011
		Total	58,400	69,500	

Item 4.5.4.5. Bulgaria

Retail portfolio

The Group's properties in Bulgaria include Galleria Stara Zagora that comprises a net rentable area of 18,707 sq m. Occupancy rate is at the level of 82%. Book value of the Group's retail scheme in Bulgaria decreased to €37,620 from €62,200 in 2010 which results from a decrease in the value of the property following the deterioration of economic conditions in Bulgaria.

.

The following table lists the Group's office investment properties located in Bulgaria:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galleria Stara Zagora	Stara Zagora	75%	18,707	24,943	2010
		Total	18,707	24,943	

Item 4.5.4,6. Slovakia

Office portfolio

The Group completed its office building in Bratislava in 2010. The total net rentable area in Slovakia comprises 8,820 sq m. Book value of the Group's office space in Slovakia amounted to €15,200 from €13,928 in 2010.

The following table lists the Group's office investment properties located in Slovakia:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Jarosova	Bratislava	70%	8,820	12,600	2010
		Total	8,820	12,600	

Item 4.5.4.7. Czech Republic

The Group owns a number of properties in the Czech Republic through associates, as a result the properties valuation and results of operations in the Czech Republic are not consolidated.

Office portfolio

Total net rentable area in the Czech Republic comprised 10,989 sq m. Book value of the Group's office space in the Czech Republic amounted to €7,878 (excluding book value of Sazka Office).

The following table lists the Group's office investment properties located in Czech Republic:

Property	Location	GTC's share	GTC's net rentable area	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	

Prague Marina Office Centre	Prague	32%	4,210	13,219	2009
Sazka Office	Prague	32%	6,779	21,283	2011
		Total	10,989	34,502	

Retail portfolio

Total net rentable area of that retail scheme is 41,500 sq m, of which the Group's share is 13,202 sq m. Occupancy rate is at the level of 94%.

Book value of the Group's retail scheme in the Czech Republic amounted to €58,625 (including book value of Sazka Office) resulting from completion of Galeria Harfa and increase in letting of that retail scheme.

The following table lists the Group's office investment properties located in the Czech Republic:

Property	Location	GTC's share	GTC's net rentable area	GTC's net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galeria Harfa	Prague	32%	13,202	41,500	2010
		Total	13,202	41,500	

Item 4.6. Overview of the markets on which the Group operates

This overview, contributed by Jones Lang LaSalle, refers to the markets of Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia, also referred to as the CEE & SEE regions.

Item 4.6.1. Office market

At the end of 2011, the total office stock in the CEE & SEE regional capitals reached almost 15.5 million sq m. The largest market is Warsaw, with approximately 3.6 million sq m of modern office space, followed by Budapest and Prague, with 3.1 million and 2.8 million sq m, respectively. The smallest markets are Belgrade and Sofia, with approximately 620,000 sq m and 800,000 sq m, respectively.

As a result of the economic crisis, new office supply in the region has largely been declining ever since 2008/2009. This was a response to record supply levels for some markets in 2008 and growing vacancy rates. The level of completions and the development pipeline in 2011 and 2012 remains relatively low compared to the average supply levels, which is a result of continued financing challenges coupled with banks usually requiring at least 30-50% pre-let space before they are willing to commit. In addition, banks may also require developers to put in 30 to 50% of their own equity into these projects although this may vary from country to country. As a result of this, we have seen the majority of vacancy rates in the region stabilizing and even falling to comfortable levels in markets such as Warsaw, which is at 6.7%. At the other end of the scale, Sofia currently shows a vacancy rate of approximately 35%.

In 2011, demand for office space across the region saw some mixed results, including some record-breaking figures in some markets. Due to the relatively strong negotiating position of occupiers in those markets where high vacancies exist, a number of companies took advantage of the situation. As a result, a good share of gross demand was the result of renegotiations or renewals. In markets such as Warsaw where vacancy is lower and choice is limited for large requirements, we have seen the return of pre-leases, which are a highly welcomed by developers, who can then launch projects as a result. Take-up trends have also translated into an increase in net absorption (an absolute change in occupied space in a given location and period) particularly in Warsaw (166,000 sq m), Prague (121,000 sq m) and Budapest (104,000 sq m).

In 2011, the level of demand for office space in Warsaw outperformed the record-breaking volume seen at the end of 2010. Total take-up amounted to 573,000 sq m, which is evidence of the market churn, and was the highest figure in Warsaw's history. Looking more closely at the take-up structure, it is worth noting that pre-lease agreements accounted for 21% of all lease agreements in 2011.

2011 was also a record-breaking year in terms of supply in Warsaw, but in a somewhat different way. The volume of new completions coming to market was the lowest since the mid 90's. Only 120,000 sq m of new office space was delivered, creating a growing gap in supply.

Demand for office space in Poland, especially in regional markets, is mainly driven by the BPO/SSC sector. Construction activity is booming all across Poland. Currently, nearly 1,000,000 sq m is at the construction stage. This is clearly one of the highest levels of construction seen in Poland this century. Vacancy rates range between 3.1% (in Wroclaw) to 17.5% (in Lodz). We expect that the vacancy rate in cities characterized by a sound demand (e.g. Warsaw and Krakow) will be pushed down in the short-term perspective.

2011 vacancy rates in the CEE and SEE region show significant variances between countries. Capital cities with considerable negative supply and demand imbalances are suffering from higher vacancy rates: Sofia has the highest at 35% followed by Belgrade with 21.0% and Budapest with 19.2%. Reductions have also been seen in Bucharest, which now stands at 14.8%, and Zagreb, which is at 13.0%. Finally, the leading markets in terms of vacancy are Prague and Bratislava at 12.0% and 11.2%, respectively, topped only by Warsaw with just 6.7%.

Prime rental levels across the region again vary between markets. Prime rents in Warsaw at the end of the fourth quarter of 2011 reached €25 sq m / month, with the other more mature markets of Prague, Budapest and Bucharest ranging between €21 and €19.5 sq m / month. In the smaller markets of Bratislava, Belgrade and Zagreb prime rents range between €16.5 and €15.0 sq m / month. Due to Sofia's supply/demand imbalance, there is more downward pressure and prime city centre rents are at around €14.0 sq m / month.

Item 4.6.2. Retail market

Economic performance across the CEE and SEE regions again varies greatly. Poland is certainly demonstrating strong signs with GDP growth forecast to average 3.9% between 2012 and 2014. Elsewhere in the region, economic growth is generally forecast to remain positive and at levels above those of Western Europe. In terms of retail sales, other than those mentioned already, retail sales are forecast to range between 1.2% and 1.7% for the remaining markets. (Economic indicators are provided by IHS Global Insight as of January 2012)

Whilst Poland has the largest shopping centre stock in the CEE and SEE regions at over 7.5 Million sq m, it is the Czech Republic that currently holds the highest density at around 208 sq m per 1,000 inhabitants. Despite much of the region having a very limited high street in comparison to Western Europe, shopping centre densities in the CEE and SEE regions are still below the Jones Lang LaSalle recorded average of 222 sq m per 1,000 inhabitants. In comparison, Hungary has a density of 132 sq m, with Romania and Bulgaria standing at 81 sq m and 73 sq m, respectively.

The past few years have seen shrinking retail pipelines in the region. In terms of the planned pipeline for 2012 and 2013, there are large variations depending on the level of saturation or density within the market. In Poland, 2011 brought a recovery in new retail provision compared to the previous year; new shopping centre supply totalled 487,000 sq m, up by 17% y-o-y, a visible effect of an accelerating market after the slowdown. Total shopping centre stock currently under construction in Poland amounts to over 707,000 sq m, out of which over 496,000 sq m is scheduled for completion in 2012. The smallest cities (with less than 100,000 inhabitants) account for over 45% of the 2012 pipeline, followed by the key eight regions (29%).

Retailers continued their selective approach towards new projects in 2011. The pace of development of the largest anchors remained unchanged; however, cautionary measures were applied in order to mitigate the risk of cannibalising. Smaller retailers are often looking for franchising possibilities in order to diversify the risks related to development in smaller cities.

During 2011, prime shopping centre rents were broadly stable in CEE and SEE. Prime rents in Warsaw increased by approximately 5% y-o-y to a level of €90 sq m / month for a 100 sq m unit. Prime shopping centre rents in Zagreb, however, have been under pressure due to rising vacancies. All other markets remained relatively stable with demand for the best shopping centres also remaining well balanced.

Item 4.6.3. Investment market

In terms of investment activity, the CEE and SEE regions have recorded a strong year-on-year growth performance of 72%, with a total transactional volume of almost €6.5 billion across the region (Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Serbia and Slovakia). It should be noted that approximately 37% of the 2011 total volume was driven by seven large transactions, which included the Europolis Portfolio sale to CA Immo amounting to approximately. €850 million. The key markets by volume remained Poland and the Czech Republic with almost €4.6 Billion transacted, representing a 71% share of the regional total. In terms of asset class, retail marginally held on to the top spot over offices, with regional investment volumes of €2.6 billion and €2.4 billion, respectively.

Key retail transactions in 2011 included: Olympia Brno in the Czech Republic, sold by the Somerston Group to Rockspring and ECE; Galeria Mokotow in Warsaw sold by GTC to Unibail Rodamco; and Magnolia in Wroclaw sold by NFI Octava and Manchester Corporation to Blackstone. These 3 transactions alone made up over 27% of the retail investment volume.

Key office transactions in 2011 included: Focus in Warsaw, sold by Aberdeen and DEGI to RREEF; the forward purchase of Miasteczko Orange in Warsaw by Qatar Holding from Bouygues; and a portfolio sale by the PPF Group to the CPI Group, a fully domestic transaction.

In Poland, prime office yields are estimated to be at 6.25%, retail yields at 6.00% and warehouse yields at around 8.0% at the end of the fourth quarter of 2011. Jones Lang LaSalle forecast prime yields to remain stable in the short term, but this will highly depend on how the situation in the Eurozone and the banking sector evolves throughout 2012. The yield gap between prime and secondary product is 100 to 200 bps, and we expect this spread to continue. In terms of other CEE and SEE markets, we estimate a spread of approximately 0 - 25 bps for the Czech Republic and up to 200 bps for less mature markets.

Item 4.6.4. Residential market

This residential overview was contributed by REAS.

The past three years have undoubtedly been among the most economically difficult in the post-socialist history of CEE & SEE. The most resilient residential markets, including major Polish cities and Prague, noted considerably increased interest from homebuyers, while at the same time developers were eager to launch a significant amount of new projects to the marketplace. Following significant price drops in 2009 and 2010, prices in the CEE & SEE capital cities decreased at a decelerated pace in 2011. Compared with the price peak, it can be stated that developers in Warsaw were the most successful in defending the average asking price level, as the fourth quarter 2011 price level stood at 86% of the price peak. Zagreb, Bratislava and Bucharest also revealed notable results of over 80%, while Prague was just below this threshold. Post-crisis price declines coupled with economic recovery should support price to income affordability ratios across the region. The trend in mortgage lending is to the upside; however, the lending margins are above pre-crisis levels and rising inflationary pressures could lead to rate hikes with negative consequences for mortgage affordability.

The negative demographic trends seen in some markets are to some extent compensated by an above average number of persons per household in a number of the CEE and SEE countries. In Romania this number is 23% higher than the Euro area average, in Slovakia and Poland by 21% and 18%, respectively. It is expected that the convergent trend towards Western European standards of living will reduce the average number of dwellers in a single household and thus create an incremental housing demand. An average Polish dweller has nearly a half of the living space of an average British dweller. This pattern is similar across the CEE & SEE region, with considerable differences in per capita dwelling stock versus developed European peers - an indicator of incremental housing demand potential in these markets.

Item 5. Operating and financial review

Item 5.1. General factors affecting operating and financial results

The key factors affecting the Group's financial and operating results for 2011 are discussed below. The Management believes that these factors had an impact on the business, operating and financial results and financial condition of the Group.

The Group believes that the following factors and noteworthy market trends have significantly affected the Group's results of operations for the periods under review, and the Group expects that such factors and trends will continue to have a significant impact on the Group's results of operations in the future.

Economic conditions in CEE and SEE

The Group conducts all of its activities in CEE and SEE. Cyclical economic developments in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia and other jurisdictions in which the Group conducts business activities, which are beyond the Group's control, such as economic growth, unemployment rates, price trends and interest rate levels, have a material impact on rental income levels, the potential for property sales, opportunities for acquisitions, purchase prices and the valuation of real estate. In general, demand for real estate tends to increase when interest rates are low and debt financing is easily available, which can lead to higher valuations of the Group's existing portfolio investments. Adverse economic conditions or even a recession may, however, have a negative impact on the demand for real estate or certain parts thereof irrespective of a low interest rate environment. On the other hand, increasing interest rates can adversely affect the valuation of the Group's properties, which can result in the Group being required to recognize a valuation impairment charge, which would negatively affect its income. Increases in interest rates also increase the Group's refinancing costs.

The recent global financial crisis has had and continues to have an impact on the economies of CEE and SEE member countries and consequently impacts the Company's operations. More specifically, the global financial crisis has led to disruptions in the international and domestic capital markets, which has resulted in reduced liquidity and increased credit risk premiums for certain market participants causing a reduction of available financing or a "credit crunch" as well as the Eurozone sovereign debt crisis. Companies located in CEE and SEE countries have been particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs. This has resulted in many companies in these countries experiencing financial difficulty. Similarly, in many cases, the public finances of such countries have been impacted from the resulting economic slowdown and decrease in demand for sovereign debt. The impact of the global economic and financial crisis on the Group's business in 2011 highlights the Group's exposure to general economic trends.

Similarly, in many cases, the public finances of the countries affected by the turmoil in the financial markets have been impacted from the resulting economic slowdown and decrease in demand for sovereign debt. This has made it difficult (as, for example, was the case in Ireland, Italy, Portugal and Spain) or impossible (as was the case in Greece) for certain governments to refinance their debt without third-party assistance and has been referred to as the Eurozone sovereign debt crisis. In effect, certain countries in which the Group conducts its operations, including Romania and Bulgaria, have been adversely affected by decreased trade exchange with their traditional partners, including Italy and Greece. The impact of the global economic and financial crisis as well as the Eurozone sovereign debt crisis on the Group's business in the years ended 31 December 2009, 2010 and 2011 highlights the Group's exposure to general economic trends. The Group recorded a material loss from the revaluation of investment properties and the impairment of residential projects in the years ended 31 December 2009 and 2011 amounting. The downward revaluations of investment properties resulted from decreases in actual and expected rent levels in certain countries in which the Group conducts its operations, notably Romania and Bulgaria, as well as a slight expansion of yields in Romania, Hungary, Croatia and Bulgaria. The impairment of the residential land bank was the result of certain projects being suspended or postponed.

Real estate market in CEE and SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the years ended 31 December 2010 and 2011, respectively, the Group derived 57.6% and 65.2% of its revenues from operations as rental revenue, which greatly depends on the rental rates per sq m and occupancy rates. The amount the Group can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of the local economies. The Group's revenue from rent is particularly affected by the delivery of new rent spaces, changes in vacancy rates and the Group's ability to implement rent increases. Rental income is also dependent upon the time of completion of the Group's development projects as well as on its ability to let such completed properties at favourable rent levels. Moreover, for the years ended 31 December 2010 and 2011, respectively, the Group derived 15.8% and 18.8% of its revenues from operations as service revenue, which reflects certain costs the Group passes on to its tenants. The vast majority of the Group's lease agreements are concluded in Euro and include a clause that provides for full indexation of the rent, linked to the EICP (European Index of Consumer Prices) when a lease is concluded in Euro. The vast majority of leases are concluded in Euro. When a lease is concluded in another currency, it is typically linked to the consumer price index of the relevant country of the currency.

Moreover, to a certain extent, the Group's operational results are influenced by its ability to sell residential units. The supply of new apartments in the different markets in which the Group operates and the demand on such markets affect apartment prices. The demand for apartments is further impacted by fluctuations in interest rates, the availability of credit and the mortgage market in general. For example, the Group's residential revenues decreased steadily over the years ended 31 December 2010 and 2011 due to the slowdown in the sale of residential properties coupled with an increase in discounts which had to be granted to purchasers of the Group's apartments in order to facilitate sales.

Real estate valuation

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

Two significant factors influence the valuation of the Group's properties. The first is the cash flow arising from operational performance and the second is the discount rates and capitalization rates that result from the interest rates in the market and the risk premiums applied to the Group's business. The cash flow arising from operational performance is primarily determined by current gross rental income per square meter, vacancy rate trends, total portfolio size, maintenance and administrative expenses, and operating expenses. Capitalization and discount rates are influenced by prevailing interest rates and risk premiums. When discount rates and capitalization rates increase, market value decreases and vice versa. Even small changes in one or some of these factors can have a considerable effect on the fair value of the Group's investment properties and on the results of its operations. Moreover, the valuation of the Group's land bank additionally depends on the building rights and the expected timing of the projects.

The Group recognized revaluation profit of €46,668 in the year ended 31 December 2010 while it incurred revaluation losses (excluding impairment of residential projects) of €234,952 in the year ended 31 December 2011. The main factors influencing the valuation of the Group's properties in 2011 were a decrease in rental rates and expected rental values and the expansion of yields mainly in Bulgaria, Romania, Croatia and Hungary which were mostly related to the Group's retail investment properties.

Substantially all of the loans of the Group, as well as the bonds issued by the Company, have a variable interest rate, mainly connected to Euribor (although the bonds are denominated in PLN and bear interest connected to WIBOR, swap transactions were concluded which effectively converted this indebtedness into EUR at fixed rates). Approximately 63% of the Group's loans are hedged or partially hedged. Increases in interest rates generally increase the Group's financing costs. For example, an interest rate increase of 50 basis points for the year ended 31 December 2010 would have increased the Group's interest expense for the year ended 31 December 2010 by approximately EUR 2,665 thousand, and EUR 1,542 for the year ended 31 December 2011. In addition, demand for investment properties generally tends to increase when interest rates are low, which can lead to higher valuations of the Group's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Group's properties, which can result in recognition of a valuation impairment that negatively affects the Group's income. The derivative financial instruments used by the Group to hedge interest rate risk are recorded as independent transactions and not as hedge transactions.

Historically, Euribor rates have demonstrated significant volatility, changing from 2.859% as of 2 January 2009, through 0.7% as of 4 January 2010, 1.001% as of 3 January 2011, to 1.343% as of 2 January 2012.

Impact of foreign exchange rate movements

Though for the year ended 31 December 2011 a vast majority of the Group's revenues and costs were incurred or derived in Euro and the Exchange rates against the euro of the local currencies of the countries in which the Group operates are an important factor as the credit facilities that are obtained may be denominated in either euros or local currencies. The Group reports its financial statements in euros, its operations are impacted by the movements in , however, are based locally in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia and other geographic markets. The Group receives the majority of its revenue from rent denominated in euro, however, it receives a certain portion of its income (including the proceeds from the sales of residential real estate) and incurs most of its costs (including the vast majority of its selling expenses and administrative expenses) in local currencies, including the Polish zloty, Bulgarian leva, Czech korunas, Croatian cunas, Hungarian forints, Romanian lei and Serbian dinars. The exchange rates between local currencies and the euro have historically fluctuated. The income tax expense (both actual and deferred) in the jurisdictions in which the Group conducts its operations is incurred in such local currencies. Consequently, such income tax expense was and may continue to be materially affected by foreign exchange rate movements.

The Group attempts to hedge its risk exposure by, inter alia, obtaining debt financing denominated in the currency in which the rent is denominated for a given property.

Availability of financing

On the CEE and SEE markets, real estate development and investment companies, including the companies of the Group, usually finance their real estate projects with proceeds from bank loans, loans extended by their holding companies or the issuance of debt securities. The availability and cost of procuring financing are of material importance to the implementation of the Group's projects and for the Group's development prospects as well as its ability to repay existing debt. Finally, the availability and cost of financing may impact the Group's sales dynamics and the Group's net profit.

In the past, the principal sources of financing for the Group's core business included bank loans and proceeds from bonds issued by the Company. The limited availability of financing in the years ended 31 December 2010 and 2011, which resulted from the financial crisis, did not have a material impact on the development of the Group's real estate projects as it successfully raised the debt financing required for the needs of the development stages of its projects in such period.

Regulatory environment

The current state of and changes to the regulatory requirements and applicable laws (including in relation to taxation, planning and zoning) in the jurisdictions in which the Group operates impact the Group's operations. This is especially true as part of the operations of the Group are in emerging economies with relatively less developed legal systems and whose laws and regulations are generally subject to rapid change. For example, amendments to certain Romanian regulations had the effect of curbing demand for larger flats, which affected the Group's revenues from the sales of residential assets in Romania.

Changes in the tax rates in the jurisdictions in which the Group conducts its operations may affect its results of operations. For example, the increase of the corporate income tax in Hungary in 2011 resulted in an increase in the Group's income tax expense. Increases in tax rates for individuals, as well as VAT increases, may limit the disposable income of the customers of the Group's retail properties, as was the case in Romania following the increase in the VAT rate, or curb demand for the Group's office space. In addition, being a holding company, the Company's liquidity depends upon the ability of its subsidiaries to pay dividends and advance funds to the Company. Depending on a particular jurisdiction, dividend taxation may hinder such payments, thus affecting the Company's results of operations and liquidity.

Item 5.2. Specific factors affecting financial and operating results

Disposals of material assets

On 1 August 2011, the Company sold its remaining stake in Rodamco CH1 sp. z o.o., the owner of the Galeria Mokotów project in Warsaw, for the price of €138,977. As a result of the sale, Galeria Mokotów ceased to contribute to the Group's rental income in August 2011.

In October 2010, the Group finalized the sale of the Topaz and Nefryt office buildings in Warsaw. The Group recognized proceeds from the sale amounting to €78,900. Moreover, as a result of the sale, both buildings ceased to contribute to the Group's rental income in November and December 2010 and throughout the year ended 31 December 2011.

In October 2011, the Company signed a head of terms with Allianz Group regarding the sale of Platinium Business Park in Warsaw. The execution of the final agreement is subject to the satisfactory outcome of a due diligence investigation and the obtainment of the approvals of the statutory bodies of both the buyer and the seller. As a result, as 31 December2011, the Platinum Business Park office buildings, previously recognized as an investment property, have been presented as "assets held for sale", the related loans were reclassified into current liabilities and related hedges were recognized in the Income Statement.

Completion of assets

In the year ended 31 December 2011, the Group completed four projects: two office buildings in Warsaw and two shopping malls – Avenue Mall Osijek in Croatia and Galleria Arad in Romania. The completion of these projects had a negative impact on the Group's results of operations as the Group had to incur certain costs related to the marketing of the newly opened malls, which did not generate revenues for a certain period of time as they were still in the rent-free period. Moreover, upon completion, the Group reclassifies completed projects from investment properties under construction measured at fair value to investment properties. In the case of both Avenue Mall Osijek and Galleria Arad, the Group incurred losses upon their reclassification due to downward adjustments to the fair value of the properties, which mainly resulted from lower than expected levels of rent in both projects.

Item 5.3. Most recent developments

Renegotiation of certain covenants under loan agreements

In January 2012, the Company successfully renegotiated certain covenants under loan agreements executed in connection with the financing of its projects with a total value of approximately €97,726. This will allow the Company to reclassify these liabilities as long-term liabilities as due to a technical breach of covenants they were reclassified as current liabilities. As at 31 December 2011, €72,195 was already reclassified to the long-term debt as amendments to certain loan agreements have been signed.

Item 5.4. Presentation of differences between achieved financial results and published forecasts

The Group did not present forecasts for 2011.

Item 5. 5. Statement of financial position

Item 5.5.1. Key items of the statement of financial position

Investment property

Investment properties that are owned by the Group comprise office and commercial space, including property under construction. Investment property can be split up into: (i) completed investment property; (ii) investment property under construction presented at fair value; and (iii) investment property under construction presented at cost.

Residential land bank

The Group classifies its residential inventory as current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within a period of one to five years. The Group classifies residential inventory the development of which is planned to be commenced at least one year after the balance sheet date as residential land bank, which is part of its non-current assets.

Investment in associates

Investment in associates is accounted for pursuant to the equity method. Such investment is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate.

Assets held for sale

Assets held for sale comprise office or retail space that is designated for sale.

Inventory

Inventory relates to residential projects under construction and is stated at the lower of cost and net realisable value. Expenditures relating to the construction of a project are included in inventory.

The Group classifies its residential inventory as current or non-current assets based on their development stage within the business operating cycle. The normal operating cycle in most cases falls within a period of one to five years. Residential projects which are active are classified as current inventory.

Short-term deposits

Short-term and long-term deposits can be used only for certain operating activities as determined by underlying contractual commitments.

Derivatives

Derivatives include instruments held by the Group that hedge the risk involved in the fluctuations of interest and currency rates. In relation to the instruments qualified as cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss. The classification of hedges in the statement of financial position depends on their maturity. For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly in net profit and loss for the year. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Item 5.5.2. Financial position as at 31 December 2011 compared to 31 December 2010

Total assets decreased by €418,720 and amounted to €2,309,708 as at 31 December2011. The decrease was mainly due to a decrease in non-current assets by €413,720 coupled with a decrease in current assets of €158,341, which was partially offset by the recognition of assets held for sale in the amount of €134,100.

Assets

The value of investment property decreased by 19.5%, or €413,720. Of this amount, € 237,565 can be attributed, to the sale of the Group's remaining stake in the Galeria Mokotów project. A further EUR 227,250 of the decrease in value is mostly attributable to the recognition of loss on the revaluation of investment properties. In addition, €134,100 of such amount was attributed to the reclassification of Platinium Business Park from an investment property to an asset held for sale due to the conclusion of a Head of Terms with Allianz Real Estate Germany GmbH. The above decreases were partially offset by the amount of €154,537 thousand which constitutes capitalised subsequent expenditure

The value of residential land bank and inventory decreased by €72,654 to €181,542 as at 31 December 2011, mainly due to the recognition of loss on revaluation and impairment of €61,017 and the recognition of cost due to the sale of inventory of €22,736.

The value of assets held for sale was €134,100 as at 31 December2011. There were no such assets as at 31 December2010. The recognition of assets held for sale resulted from the reclassification of the Platinium Business Park property following the conclusion of the Head of Terms with Allianz Real Estate Germany GmbH.

The value of the cash and cash equivalents decreased by €50,012 to €141,720 as at 31 December 2011 from €191,732 as at 31 December2010, mainly due to investments in real estate properties.

Liabilities

The value of derivatives (both current and non-current) increased by €32,239 to €101,534 as at 31 December 2011 as a result of the revaluation of hedging instruments which were outstanding as at 31 December 2011, which was mainly due to a decrease in the "zero coupon" interest rate curve on the market.

The value of loans and bonds decreased by €84,834 mainly due to loan amortization and the early repayment of a loan facility following the sale of the Group's remaining stake in the Galeria Mokotów shopping centre. Long-term portion of loans and bonds was 79.6% of total debt as at 31 December 2011 and 94.0% as at 31 December2010. The change in the proportion of long-term debt and current debt resulted mainly from: (i) the reclassification to the short-term of €80,261 in loans related to Platinium Business Park following the reclassification of the property to assets held for sale; and (ii) the reclassification to the short-term of €53,500 in loans to short-terms loan due to temporary non-compliance with debt covenants (Galleria Varna and Galleria Stara Zagora)

Equity

Equity decreased by €329,208, or €31.3% , to €723,650 as at 31 December 2011 from €1,052,858 on 31 December 2010 primarily due to losses for the year 2011.

Item 5.6. Consolidated income statement

Item 5.6.1. Key items of the consolidated income statement

Revenues from operations

Revenues from operations consist of:

- rental income, which consists of monthly rental payments paid by tenants of the Group's investment properties for the office or retail space rented by such tenants. Rental income is recognized as income over the lease term;
- service income, which comprises fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases; and
- residential revenue, which comprises proceeds from the sales of houses or apartments, which is recognized when such houses or apartments have been substantially constructed, accepted by the customer and a significant amount resulting from the sale agreement has been paid by the purchaser.

Cost of operations

Costs of operations consist of:

- service costs, which consist of all the costs that are related to the management services provided to the individual tenants within the Group's properties — service costs should be covered by service income; and
- residential costs, which comprise the costs that are related to the development of residential properties sold. The costs related to the development of residential properties incurred during the construction period are capitalized in inventory. Once income is recognized, the costs in respect of sold units are expensed.

Gross margin from operations

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

Selling expenses

Selling expenses include:

- brokerage and similar fees incurred to originate the lease or sale of space;
- marketing and advertising costs; and
- payroll and related expenses directly related to leasing or sales personnel.

Administrative expenses

Administration expenses include:

- payroll, management fees and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- provisions made to account for the share-based incentive program that was granted to key personnel;
- costs related to the sale of investment properties;
- costs of audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant and equipment;
- exchange gains or losses; and
- others.

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

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

Financial income/(expense), net

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

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

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

Taxation

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

Item 5.6.2. Comparison of financial results for the twelve months ended 31 December 2011 with the result for the corresponding period of 2010

Revenues from operations

Revenues from operations decreased by €15,333 to €153,675, due to a decrease of €20,272 in residential revenues resulting from a decrease in the number of residential properties sold as well as a decrease in the apartments prices, which was due to unfavourable economic conditions in Romania and Hungary. This was partially off set by the sale of a number of residential properties in Warsaw following the completion of the fifth phase of the Osiedle Konstancja project.

Rental and service revenues increased as a result of an increase in the number of income-generating properties and overall occupancy, this despite the sale of Galeria Mokotow in August 2011.

Cost of operations

Cost of operation decreased by €13,870 to €58,444,due to a decrease in residential expenditures recognized in income statement by €19,870 as a result of lower sales of residential units. Service costs have increased despite the sale of Galeria Mokotow due to an increase in the number of income-generating properties.

Gross margin from operations

The gross margin (profit) from operations decreased by €1,463 to €95,231. The decrease was primarily attributed to the decrease in residential activities.

The gross margin (profit) on residential activities decreased by 18% to €1,880 in 2011 from €2,282 in 2010. Gross margin on residential activities was 8%.

The gross margin (profit) on rental activities decreased slightly to €93,351 in 2011 from €94,412 in 2010. Gross margin on rental activities was 72%.

Selling expenses

Selling expenses increased by €864 to €7,161 in 2011, mainly due to an increase in advertising expenses related to the opening of Avenue Mall Osijek and Galleria Arad.

Administrative expenses

Administrative expenses remained fairly stable at €20,871 for the period ended 31 December 2011 as compared to €21,681 for the period ended 31 December 2010.

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

Loss from the revaluation of the Group's investment properties and impairment of residential projects amounted to €291,869 in 2011, as compared to a profit from the revaluation and impairment of residential projects amounting to €43,167 in 2010. Loss on investment properties and write down of inventory and land bank to net realisable value have been recognized mostly due to the Eurozone credit crisis that resulted in a decrease in rental rates, expected rental values and expansion of yields mainly in Bulgaria, Romania and Croatia

Other expenses

Other expenses increased by €1,047 to €2,936 mainly due to an increase in fees related to perpetual usufruct of land bank properties as well as unrecoverable taxes.

Foreign exchange loss

Foreign exchange loss increased by €6,999 to €8,628 mainly due to foreign exchange fluctuations on monetary assets and liabilities and the sale of Galeria Mokotów.

Financial income/(expense), net

Financial income was fairly stable and amounted to €4,924 in 2010 and €4,850 in 2011.

During the construction process, the Group capitalizes interest. Once a building is completed, the interest is expensed. During the year ended 31 December 2011, financial expenses increased by €7,383 to €80,198, which was mainly due to the recognition of one-off losses related to liquidation hedges of €8,104 resulting from the sale of the Group's remaining stake in the Galeria Mokotów project, as well as the reclassification of the Platinium Business Park project as an "asset held for sale"

The average effective interest rate (including the hedging arrangements related thereto) on the Group's loans amounted to 5.0% in both the year ended 31 December 2011 and the year ended 31 December 2010.

Share of profit (loss) of associates

Share of loss of associates was €4,365 in 2011 as compared to a share of profit of €4,667 in 2010. The share of loss in 2011 resulted mainly from revaluation losses in the Czech Republic and Ukraine.

Taxation

Taxation expense amounted to €18,337 in the year ended 31 December 2011, out of which the current tax expense amounted to €22,486 and deferred tax credit amounted to €4,149. The Group's primary tax liability is recognized in connection with the value of its assets expressed in local currency of each jurisdictions in which such assets are located. The increase resulted primarily from the increase in the value of the Group's investment properties expressed in local currency. This was due to the depreciation of local currencies against the Euro during the period. Such increase in the value of assets expressed in local currency resulted in the recognition of a higher income tax charge. Moreover, the Group's income tax expense increased because of an increase in the corporate income tax rate in Hungary. This, which was partially offset by a one-off income tax benefit recognized from the sale of the Group's remaining stake in the Galeria Mokotów project in Warsaw.

Net loss

Net loss amounted to €337,924 in the year ended 31 December 2011, as compared to a net profit of €28,632 in the year ended 31 December 2010, mainly due to a loss on the revaluation and impairment of the Group's properties.

Employment

As at 31 December 2011 and 2010 the number of full time equivalent working in the Group companies was 189 and 163 respectively. In addition as at 31 December 2011 the company hires services of 24 maintenance staff.

Business segmental analysis

The activities in the Company's operating segments are carried out through subsidiaries that develop real estate projects.

The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. Reportable segments are divided into two main segments:

1. the development and rental of office space and shopping malls ("rental activity"); and
2. the development and sale of houses and apartment units ("residential activity").

The activities carried out in the above-mentioned operating segments are conducted in the following geographical zones, which have common characteristics:

a. CEE countries (Poland and Hungary);
b. Romania and Bulgaria; and
c. Other CEE countries (Serbia, Croatia, Ukraine, Slovakia, and Russia).

Management monitors the operating results of its business units for the purposes of making performance assessments and decisions. Operating segment performance is evaluated based on gross margin from operations.

The resource allocation decisions made by the management are based on analyses of the same segments as for financial reporting purposes.

Segment analysis for the year ended 31 December 2011 and 31 December 2010 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010
Rental income	82,352	86,077	19,194	11,496	27,513	26,547	129,059	124,120
Contract income	11,429	11,566	7,389	16,117	5,798	17,205	24,616	44,888
Total income	93,781	97,643	26,583	27,613	33,311	43,752	153,675	169,008
Rental costs	17,749	16,600	10,048	6,863	7,911	6,245	35,708	29,708
Contract costs	9,954	10,815	8,205	16,127	4,577	15,664	22,736	42,606
Total costs	27,703	27,415	18,253	22,990	12,488	21,909	58,444	72,314
Rental result	64,603	69,477	9,146	4,633	19,602	20,302	93,351	94,412
Contract result	1,475	751	(816)	(10)	1,221	1,541	1,880	2,282
Total result	66,078	70,228	8,330	4,623	20,823	21,843	95,231	96,694
Selling general and other expenses							(30,508)	(29,263)
Revaluation/impairment of investment property and residential	(37,890)	44,701	(190,746)	5,232	67,333	(6,766)	(295,969)	43,167
Profit from continuing operations before tax and financial related income/(expenses)							(231,246)	110,598
Foreign currency translation gain (loss), net							(8,626)	(1,629)
Financial income							4,850	4,924
Financial expense							(80,198)	(72,815)
Share of profit/(loss) of associates							(4,365)	4,667
Taxation							(18,337)	(17,113)
Profit for the year							(337,924)	28,632
Non-controlling interest							(67,560)	(13,304)
Equity holders of the								

parent							(270,364)	41,936

Item 5. 7. Consolidated cash flow statement

Item 5.7.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash used in investing activities

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

Net cash from (used in) financing activities

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

Cash and cash equivalents

Cash balance consists of cash in banks. Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. All cash is deposited in banks no matter the negligible amount. All cash and cash equivalents are available for use by the Group.

Item 5.7.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of twelve months ended on 31 December 2011 and 2010:

Condensed report	Year ended 31 December 11	Year ended 31 December 10
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from in operating activities	67,654	77,630
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of non current assets or subsidiaries	(183,949)	(144,560)
Sale of asset or shares in subsidiaries, net of cash disposed of and net of taxes	97,121	90,496
Other dividend, interest and similar costs	1,231	2,173
Net cash used in investing activities	(85,597)	(51,891)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share to non-controlling interest	-	759
Proceeds from long-term borrowings	212,203	188,397
Repayment of long term borrowings	(176,123)	(129,737)
Interest paid	(61,935)	(67,963)
Loans origination cost	(4,299)	(3,841)
Increase (decrease) in short term deposits	-232	-8,273
Net cash from (used in) financing activities	(30,386)	(20,658)
Effect of foreign currency translation	(1,683)	1,003
Net increase/(decrease) in cash and cash equivalents	(50,012)	6,084
Cash and cash equivalents, at the beginning of the year	191,732	185,648
Cash and cash equivalents, at the end of the year	141,720	191,732

Cash flow from operating activities was €67,654 in the year ended 31 December 2011, as compared to €77,630 in the year ended 31 December 2010, which mainly resulted from the slow down in the sale of residential units.

Investment in real-estate and real estate related amounted to €183,949 in the year ended 31 December 2011 and is related mainly to investment in the Avenue Mall Osijek, Platinum IV and V, Corius, Galeria Białołęka, Galleria Burgas and Galleria Arad.

Cash flow from the sale of investments amounted to €97,121 in the year ended 31 December 2011 and resulted primarily from the sale of the Group's remaining stake in Galeria Mokotów in August 2011.

Cash flow used in financing activities amounted to €30,386 in the year ended 31 December 2011, compared to €20,658 for the year ended 31 December 2010, and is mostly composed of the repayment of long-term borrowings, net, proceeds from long-term borrowings of €176,123 as well as interest payments of €61,935 . During the year, the company repaid the Galeria Mokotów loan and refinanced the Citi Gate loan.

Cash and cash equivalents as at 31 December 2011 amounted to €141,720, compared to €191,732 as at 31 December 2010. The Group keeps its cash in the form of bank deposits, mostly in Euro, with various international banks.

Item 5.8. Future liquidity and capital resources

The Group expects that its principal future cash needs will be: (i) the development of office investment properties; (ii) the development of retail investment properties; (iii) the development of residential properties; (iv) debt servicing; and (v) the purchase of plots for office and retail purposes. The Group believes that its cash balances and cash generated from leasing activities of its investment properties and sale of apartments and villas as well as cash available under its existing and future loan facilities and proceeds from planned capital increase will fund these needs. The Group need to obtain at least €100 million in additional sources of share capital apart from the inflows that are generated in the normal course of its business.

As at 31 December 2011, the Group's non-current liabilities amounted to €1,238,856 , compared to €1,486,945 as at 31 December 2010.

The Group's total debt from long and short-term loans and borrowings as at 31 December 2011 was €1,293,274 , as compared to €1,378,108 as at 31 December 2010. The Group's loans and borrowings are denominated in Euro, except for the corporate bonds that are denominated in PLN, however ,with respect to such notes, relevant swap transactions were concluded, thus effectively converting such indebtedness into Euro. The loans extended to the Group are project loans, i.e. in each case granted to a specific subsidiary which holds the underlying investment properties and manages a given project.

The Group's loan-to-value ratio amounted to 60% as at 31 December2011, as compared to 51% as at 31 December2010. The Group's strategy is to keep its loan-to-value ratio at the level of between 40% and 60%.

As at 31 December2011, 63% of the Group's loans by value were hedged or partly hedged. The derivatives used include interest rate swaps and collars.

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

During 2011, the Group granted a number of loans to its associates and joint ventures. All such loans were for construction purposes.

The following table presents the long-term loans that were granted to the Group's subsidiaries and associates:

Associate	Amount of loan (€)	Currency	Interest rate
Lighthouse Holdings Limited S.A.	2,452	Euro	Euribor + margin
Europort Investment Limited	16,284	Euro	Euribor + margin
CID Holding SA	27,050	Euro	Euribor + margin
Holesovice Residential Holdings SA	599	Euro	Euribor + margin
Vokovice BCP Holding SA	6,714	Euro	Euribor + margin

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

The Group granted guarantees to third parties in order to secure construction cost overruns and loans granted to its subsidiaries. As at 31 December 2011 and 31 December 2010, the guarantees granted amounted to €222,000.

In the normal course of our business activities we receive guarantees from the majority of our tenants to secure the rental payments on the leased space.

Item 8. Off balance liabilities

As at 31 December 2011 and 31 December 2010, the Group had commitments contracted for in relation to future building construction amounting to €61,000. 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.

The Group gave guarantees to third parties in order to secure construction cost overruns and loans granted to its subsidiaries. As at 31 December 2011 and 31 December 2010, the guarantees granted amounted to €222,000.

Item 9. Major investments, local and foreign (securities, financial instruments, intangible assets, real estate), including capital investments outside the Group and its financing method

The Group does not have any major local or foreign investments other than direct investments in real estate properties designated for development, or through companies that hold such real estate.

Item 10. Information on market risks

The Group's principal financial instruments comprise bank and shareholder loans, hedging instruments, trade payables and other long-term financial liabilities. The main purpose of these financial instruments is to raise financing for 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's exposure to changes in interest rates which are not off set by hedges relates primarily to the Group's long-term debt obligations and loans granted.

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

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

The table below presents the sensitivity of profit (loss) before tax due to changes in Euribor:

	31 December 2011	31 December 2010
50bp increase in Euribor rate	(1,542)	(2,665)
50bp decrease in Euribor rate	1,542	2,665

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 income with that of the expenditures or by obtaining appropriate currency hedge instruments.

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

	2011 PLN/Euro				2010 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	3,178	1,589	(1,589)	(3,178)	7,494	3,747	(3,747)	(7,494)
Trade and other receivables	532	266	(266)	(532)	450	225	(225)	(450)
Trade and other payables	(738)	(369)	369	738	(3,446)	(1,723)	1,723	3,446
Hedge	31,488	15,744	(15,744)	(31,488)	31,488	15,744	(15,744)	(31,488)
Bonds	(31,488)	(15,744)	15,744	31,488	(31,488)	(15,744)	15,744	31,488

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

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 counterparties to fail to meet their obligations. The Group has no significant concentration of credit risk with respect to any single counterparty or a group of counterparties.

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

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

The maximum exposure to credit risk as of the reporting date, without taking into account collateral, is the full amount presented. The Company cooperates with reputable banks.

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

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding its investments and timely servicing its debt and maintaining sufficient working capital resources.

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

	%	31 December 2011	31 December 2010
First year		326	145
Second year		152	159
Third year		258	175
Fourth year		99	346
Fifth year		67	78
Thereafter		662	823
		1,564	1,727

The above table does not contain payments relating to derivative instruments and interests payments. Interest on interest bearing bank loans are payable on a monthly or quarterly basis and are calculated using fixed and floating interest rates calculated on the balance of outstanding liability. The Group hedges significant parts of the interest risk related to floating interest rates with derivative instruments.

All current liabilities are expected to be settled within a year.

Fair value

As at 31 December 2011 and 2010, all loans bear floating interest rates (however, the majority are short-term hedged).
Therefore, the fair value of the loans which is related to the floating component of the interest equals the market rate.

As it is impractical to measure the fair value of the loansa component of which is related to fixed interest margins, the Company presents the sensitivity of the profit (loss) before tax as at 31 December 2011 and 2010 to changes in interest margins.

The fair value of all other financial assets/liabilities equals amortised costs.

The fair value of other financial assets and liabilities approximates their book value presented in these financial statements.

Fair value hierarchy

As at 31 December 2011, 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 using the 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; and

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 2011 and 31 December 2010, there were no transfers between Level 1 and Level 3 fair value measurements.

Market risk

The Group operates in the real estate development industry in several countries in CEE. The group is exposed to fluctuations in the real estate markets on which it operates. These fluctuations can have an effect on the Company's results.

Capital management

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

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

No changes were made to the Group's objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net loans divided by the investments in real estate to which such loans are related. The Group's policy is to keep the gearing ratio between 40% and 60%.

	31 December 2011	31 December 2010
Loans and derivatives, net of cash and deposits	1,215,927	1,217,475
Investment properties, inventory and assets held for sale	2,019,531	2,371,805
Gearing ratio	60%	51.0%

Item 11. Management contracts with members of the management board setting out severance package payouts as a result of their resignation or dismissal from their position without a material cause

The contracts of the Company's Management Board members do not include provisions regarding severance package payouts as a result of their resignation or dismissal from their position without material cause (except for the equivalent of three months' remuneration in the case of dismissal).

Item 12. Remuneration of the Members of the Management Board and the Members of the Supervisory Board

The following table presents the remuneration of the members of the Management Board as at 31 December 2011 for the 12 months ended 31 December 2011:

Name	Remuneration (€)	Vested phantom shares (not in thousand)
Piotr Kroenke	463	155,004
Erez Boniel	517	155,004
Yovav Carmi	325	100,008
Hagai Harel	541	155,004
Mariusz Kozłowski	492	155,004
Witold Zatoński	460	123,000
Jacek Wachowicz	203	62,504

Remuneration consists of basic salary for 2011 and bonuses paid for 2010. Additionally, certain key management personnel are entitled to the Group's phantom shares program, as detailed in *Item 14. Stock option plan*.

The following table presents the remuneration of the members of the Supervisory Board as at 31 December 2011 for the 12 months ended 31 December 2011:

Name	Remuneration (€)	Vested phantom shares (not in thousand)
Eli Alroy	1,908	250,000
Henry Alster	-	-
David Brush	-	-
Walter van Damme	-	-
Mariusz Grendowicz	24	-
Yosef Grunfeld	-	-
Alain Ickovics	-	-
Artur Kucharski	24	-
Alon Shlank	-	-
Jan Slootweg	-	-

Remuneration consists of basic salary for 2011 and bonuses paid for 2010.

Item 13. Stock option plan

Certain key management personnel are entitled to the Company's phantom shares. The phantom shares grant the entitled persons the right to payments from the Company amounting 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 an exercise notice and the settlement ("strike") price per share (adjustable for dividend). The settlement of the phantom shares (cash or equity) is the decision of the Supervisory Board of the Company.

The expense recognized during the period is shown below:

	Year ended 31 December 2011	Year ended 31 December 2010
Expenses arising from equity settled share-based payments	525	1,980
Expenses arising from cash settled share-based payments	(3,489)	4,174
	(2,964)	6,154

Scheme 1- As at 31 December 2011, phantom shares issued as follows:

Grant date	Last execution date	Strike (PLN/share)		Total units
		18.15	22.50	
17/03/2009	31/12/2012	1,200,000	700,000	1,900,000
17/03/2009	31/12/2014	225,000	225,000	450,000
05/01/2009	31/12/2015	1,104,000	-	1,104,000
	Total	2,529,000	925,000	3,454,000

The Phantom shares (as presented in the above table) have been provided under the assumption equity payments will be effected, as the Company assesses that Scheme 1 is more likely to be settled in equity.

Scheme 2- As at 31 December 2011, phantom shares issued as follows:

Grant Date	Lst.Ex.Date	Strike (PLN/share)			Total units
		20.00	22.00	22.50	
15/08/2010	31/12/2013	-		100,000	100,000
29/11/2010	30/06/2014	-	621,000	-	621,000
29/11/2010	31/12/2014	-	1,125,000	-	1,125,000
09/11/2010	31/12/2015	200,000		-	200,000
29/11/2010	31/12/2015	-	2,062,000	-	2,062,000
13/07/2011	31/12/2016	-	300,000	-	300,000
	Total	200,000	4,108,000	100,000	4,408,000

The Phantom shares (as presented in the above table) have been provided under the assumption cash payments will be effected, as the Company assesses that Scheme 2 is more likely to be settled in cash.

In October 2011, a member of the key management personnel waived 2,992,000 phantom options with a fair value of Euro 616 thousand as at 31 December 2011 amounting to € 616 thousand.

The Company uses the Whaley model to calculate the value of options as of the granting date. With respect to such valuation the Company uses half year volatility. As at 31 December2011, the average fair value of share options amounted to Euro 1.2 per option (2010: Euro 2.2).

Item 13.1. Stock option control system

Each exercise of phantom shares under the phantom share program should be reviewed by the Supervisory Board, which together with the Audit Committee controls the plan.

Item 14. Shares in GTC held by members of the Management Board and the Supervisory Board

Shares held by members of the Management Board

The following table presents information about shares held directly and indirectly by particular members of the Management Board as at the date of the publication of this Report:

	No. of shares	Nominal value of shares in PLN (not in thousands)
Piotr Kroenke	205,418	20,542
Erez Boniel	120,000	12,000
Yovav Carmi	0	0
Hagai Harel	205,470	20,547
Mariusz Kozłowski	0	0
Jacek Wachowicz	0	0
Witold Zatoński	0	0
Total	530,888	53,089

Shares of GTC held by members of the Supervisory Board

The following table presents information about the shares held directly and indirectly by particular members of the Supervisory Board as at the date of the publication of this Report:

	No. of shares	Nominal value of shares in PLN (not in thousands)
Eli Alroy	256,240	25,624
David Brush	0	0
Mariusz Grendowicz	7,000	700
Yosef Grunfeld	0	0
Artur Kucharski	0	0
Alain Ickovics	0	0
Jan Slootweg	0	0
Total	263,240	26,324

Item 15. Material transactions with related parties concluded on terms other than market terms

The Group presents information on the material transactions that the Company, or its subsidiaries, concluded with a related party in the consolidated financial statements for the financial year ended 31 December 2011 in Note 28 *Related Party Transactions*.

Item 16. Information on signed and terminated loan agreements within a given year

During 2011, the Group signed 3 loan facility agreements with well-known international banks.. The total amount of those loan facilities amounted to €146,500, out of which as at 31 December 2011 the amount of the draw downs totaled €102,858. The The loans are project loans to finance the development of Platinium V and to refinance a loans related to City Gate and Avenue 19a. The loans were granted in Euro and bear an interest rate of Euriobor plus applicable margin. The loan facilities mature between 2018 and 2022.

Item 17. Information on contracts of which the Company is aware (including those concluded after the balance sheet date) which could result in a change in the shareholding structure in the future

There are no contracts of which the Company is aware that may result in a change to the shareholding structure of the Company in the future.

Item 18. Proceeding/s before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims of which amount to at least 10% of the Group's equity

There are no individual proceedings or groups of proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims of which amount to at least 10% of the Group's equity.

Item 19. Material contracts signed during the year, including insurance contracts and co-operation contracts

On 1 August 2011 GTC and Rodamco Central Europe B.V. signed the final agreement for the sale of 188,964 shares in Rodamco CH1 Sp. z o.o., the owner of the Galeria Mokotów shopping centre in Warsaw. The sale price of the above-mentioned shares was agreed at €138,351 and is based on the balance sheet of Rodamco CH1 Sp. z o.o. as of 31 March 2011 and on the agreed value of Galeria Mokotów of €475,000. The sale price was subject to a post-closing adjustment based on the balance sheet of Rodamco CH1 Sp. z o.o. as of 31 July 2011.

Item 20. Agreements with an entity certified to execute an audit of the financial statements

In February 2012, the Company entered into an agreement with Ernst & Young Audit Sp. z o.o., with registered office on 1 Rondo ONZ, 00-124 Warsaw, for performance of the audit of the standalone financial statements of Globe Trade Centre S.A. and the consolidated financial statements of Globe Trade Centre Group for the financial year ended 31 December 2011. Additionally to that agreement, the Group entered into more than 100 agreements with Ernst & Young in different countries Group's subsidiaries.

The following summary presents a list of services provided by Ernst & Young and remuneration for the services in the periods of 12 months ended on 31 December 2011 and 31 December 2010.

	For year ended	
	31 December 2011	31 December 2010
	€	€
Fee for audit and review of financial statements	1,218	1,029
Tax and other advisory services	208	196
Total	1,426	1,225

Globe Trade Centre S.A.

Report on the application of the principles of corporate governance for the financial year ended 31 December 2011

Table of contents

Part 1. The principles of corporate governance which the issuer is subject to and the location where the set of principles is publicly available

In July 2007, the Council of the Warsaw Stock Exchange adopted a set of principles for the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trading on the stock exchange. The principles of corporate governance, in the form of the Best Practices of WSE Listed Companies (the "**WSE Best Practices**"), constitute an appendix to Resolution No. 12/1170/2007 of the Council of GPW of 4 July 2007 and entered into force on 1 January 2008. On 19 May 2010, the Warsaw Stock Exchange introduced the first amendment to the Code of Best Practice for Warsaw Stock Exchange Listed Companies since 4 July 2007. The WSE Best Practices were thus brought in line with recent legislative amendments, current international corporate governance trends, and the expectations of market participants. The amendment constituted an appendix to Resolution No. 207/1287/2011 of the Warsaw Stock Exchange supervisory board dated 19 October 2011 concerning the adoption of amendments to the Code of Best Practice for Warsaw Stock Exchange Listed Companies. Such amendment to the WSE Best Practices took effect on 1 July 2010. Furthermore, on 31 August 2011 and 19 October 2011, the Warsaw Stock Exchange supervisory board adopted two resolutions, No. 15/1282/2011 and No. 20/1287/2011, concerning amendments to the WSE Best Practices. Both amendments, however, came into force as of 1 January 2012.

The content of the WSE Best Practices is publicly available on the website of the Warsaw Stock Exchange dedicated to those issues at www.corp-gov.gpw.pl.

Part 2. The principles of corporate governance that the issuer has waived, including the reasons for such waiver

We strive to make every possible effort to employ the corporate governance principles set out in the WSE Best Practices, and try to follow, in all areas of the Company's business, all the recommendations regarding best practices of Warsaw Stock Exchange Listed Companies and all the recommendations directed to management boards, supervisory boards and shareholders.

Additionally, so as to implement a transparent and effective information policy the Company provides fast and safe access to information for shareholders, analysts and investors, employing both traditional and modern, technologies of publishing information about the Company to the greatest extent possible.

Nevertheless, in the year ended 31 December 2011, the Company did not comply with the following recommendations:

II. Best practice for management boards of listed companies

Rule		Company's Comment
1	A company should operate a corporate website and publish on it, in addition to information required by legal regulation: 11) information known to the management	In the Company's opinion, communicating with investors to the fullest extent possible, including via the Internet, is a best corporate practice. The Company seeks to ensure clarity and transparency of its operations. However, some of the points

	board based on a statement by a member of the supervisory board on any relationship of a member of the supervisory board with a shareholder who holds shares representing not less than 5% of all votes at the company's general meeting;	require information from shareholders or impose more demanding requirements than those specified in applicable law. Although the Company wishes to implement this rule to the widest extent possible, it cannot guarantee that the rule as it is now will be observed in full.

III. Best practice for supervisory board members

Rule		Company's Comment
1	In addition to its responsibilities laid down in legal provisions, the supervisory board should: 3) review and present opinions on issues subject to resolutions of the general meeting.	The Company's articles of association do not impose the requirement that the supervisory board should review and present opinions on issues subject to the resolutions the general meeting. However, the supervisory board may decide to observe the rule.
2	A member of the supervisory board should submit to the company's management board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the general meeting. This obligation concerns financial, family, and other relationships which may affect the position of the member of the supervisory board on issues decided by the supervisory board.	Being well aware of the need to duly inform its shareholders about any important events which could affect their investments and investment decisions, the Company is of the opinion that the disclosure requirements imposed by applicable law are sufficient to ensue that the shareholders have full access to important information which might affect the value of the securities issued by the Company. The Company will consider adopting this rule in the future.
6	At least two members of the supervisory board should meet the criteria of being independent from the company and entities with significant connections with the company. The independence criteria should be applied under Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. Irrespective of the provisions of point (b) of the said Annex, a person who is an employee of the company or an associated company cannot be deemed to meet the independence criteria described in the Annex. In addition, a relationship with a shareholder precluding the independence of a member of the supervisory board as understood in this rule is an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the general meeting.	The Company's articles of association provide that one member of the supervisory board should be an independent member. The Company believes that this will guarantee adequate and independent supervision over the Company affairs. The independence criteria for members of the supervisory board members laid down in the Article of Association do not correspond to all the criteria specified in Annex II to the Commission Recommendation of February 15 2005 on the role of non-executive or supervisory directors of listed companies and of the committees of the (supervisory) board. The Company will consider adopting this rule in the future.
8	Annex I to the Commission Recommendation of February 15 2005 on the role of non-executive or supervisory directors of listed companies and of the committees of the (supervisory) board should apply to the tasks and the operation of the committees of the supervisory board.	The functions of the nomination committee and the remuneration committee are now performed by the entire supervisory board.

Part 3. The principal characteristics of the internal control and risk management systems used with respect to the procedure of preparing financial statements and consolidated financial statements

The management board is responsible for the Company's internal control system and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the provisions of the Decree of the Finance Minister of 19 February 2009 on current and interim information provided by issuers of securities and the conditions for accepting, as equivalent, information required by the provisions of a country not being a member state.

The Company draws on its employees' extensive experience in the identification, documentation, recording and controlling of economic operations, including numerous control procedures supported by modern information technologies used for the recording, processing and presentation of operational and financial data.

In order to ensure the accuracy and reliability of the accounts of the parent and subsidiary companies, the Company applies a series of internal procedures in the area of transactional control systems and processes resulting from the activities of the Company and the capital group.

An important element of the risk management, in relation to the financial reporting process, is ongoing internal controls exercised by main accountants on the holding and subsidiaries level.

The budgetary control system is based on monthly and annual financial and operational reporting. Financial results are monitored regularly.

One of the basic elements of control in the preparation of financial statements of the Company and the Group is verification carried out by independent auditors. An auditor is chosen from a group of reputable firms which guarantee a high standard of service and independence. The supervisory board approves the choice of the auditor. The tasks of the independent auditor include, in particular: a review of semi-annual stand-alone and consolidated financial statements and audit of annual stand-alone and consolidated financial statements.

An auditor's independence is fundamental to ensuring the accuracy of an audit of books. An audit committee, appointed to the Company's supervisory board, supervises the financial reporting process in the Company, in co-operation with the independent auditor, who participates in the audit committee meetings. The audit committee oversees the financial reporting process, in order to ensure sustainability, transparency and integrity of financial information. The audit committee includes one member of the supervisory board who meets the independence criteria set out in the Best Practices of WSE Listed Companies in Chapter III, Section 6. The audit committee reports to the supervisory board.

Moreover, under Article 4a of the Act of 29 September 1994 on accounting, the duties of the supervisory board include ensuring that the financial statements and the report of the Company's operations meet the requirements of the law, and the supervisory board carries out this duty, using the powers under the law and the articles of association of the Company. This is yet another level of control exercised by an independent body to ensure the accuracy and reliability of the information presented in the separate and consolidated financial statements.

Part 4. Shareholders who, directly or indirectly, have substantial shareholding, including the number of shares held by them, the percentage share in the share capital, and the number of votes attached to their shares in the overall number of votes at the general meeting

The following table presents the Company's shareholders who had substantial shareholding as of 31 December 2011:

Shareholder	Number of shares held	% of share capital	Number of votes	% of votes
GTC Real Estate Holding B.V.[1]	60,882,815	27.75%	60,882,815	27.75%
ING OFE	23,024,612	10.50%	23,024,612	10.50%
AVIVA OFE	15,861,600	7.23%	15,861,600	7.23%
Other shareholders	119,603,963	54.52%	119,603,963	54.52%
Total	219,372,990	100.0%	219,372,990	100.0%

Part 5. Holders of any securities that grant special rights of control, including a description of such rights

There are no special rights of control that would be attached to any securities in Globe Trade Centre S.A.

Part 6. Restrictions concerning the exercise of voting rights, such as restriction of the exercise of voting rights by holders of any specific part or number of votes, time restrictions concerning the exercise of voting rights or regulations whereunder, with the co-operation of the company, the equity rights related to the securities are separate from holding securities

There are no restrictions applicable to the exercise of voting rights such as restriction of the exercise of voting rights by holders of any specific part or number of shares, any time restrictions applicable to the exercise of voting rights or regulations whereunder, with the co-operation of Globe Trade Centre S.A., the equity rights related to securities would be separate from holding securities.

Part 7. Restrictions concerning transfer of the ownership title to securities in Globe Trade Centre S.A.

There are no limitations of transfer of ownership title to securities, except for those limitations that are resulting from the general provisions of the law, in particular contractual limitations regarding the transfer of the ownership rights to the securities issued by the Company.

Part 8. Rules concerning the appointment and dismissal of management and the rights thereof, specifically the right to make decisions concerning the issuance and redemption of shares.

Pursuant to Art. 7 the Company's statue the management board consist of one to seven members, appointed by the supervisory board for a three-year term.

1 GTC Real Estate Holding B.V. is a wholly owned subsidiary of Kardan N.V.

Additionally, the supervisory board designates the president of the management board and deputy thereof.

The management board of the Company is responsible for the Company’s day-to-day management and for its representation in dealing with third parties. All issues related to the Company’s operations are in the scope of activities of the management board, unless they are specified as the competence of the supervisory board or the general meeting by the provisions of applicable law or the articles of association.

Members of the management board participate, in particular, in general meetings and provide answers to questions asked during general meetings. Moreover, members of the management board invited to a supervisory board meeting by the chairman of the supervisory board participate in such meeting, with a right to voice their opinion on issues on the agenda.

The general meeting takes decisions regarding the issuance or buying back of shares in the Company. The competencies of the management board in the scope are limited to execution of any resolutions adopted by the general meeting.

Part 9. Overview of the procedure of amending the Company’s articles of association

A change to the Company’s articles of association require a resolution of the general meeting and an entry into the Court register. The general provisions of law and the articles of association govern the procedure of adopting resolutions regarding changes to the articles of association.

Part 10. The bylaws of the general meeting and its principal rights and description of rights of shareholders and their exercise, in particular the rules resulting from the bylaws of the general meeting, unless information on that scope results directly from the provisions of law

The general meeting acts pursuant to the provisions of the Polish Commercial Companies Code and the articles of association.

The general meeting adopts resolutions regarding, in particular, the following issues:

a) discussion and approval of reports of the management board and the financial statements for the previous year,

b) decision about allocation of profits or covering of debts,

c) signing off for the performance of duties for the supervisory board and the management board,

d) determination of the supervisory board remuneration,

e) changes to the articles of association of the Company,

g) increase or decrease in the share capital,

h) merger or transformation of the Company,

i) dissolution or liquidation of the Company,

j) issuance of bonds,

k) sale or lease of the Company and the establishment of a right of use or sale of the Company’s enterprise,

l) all decisions regarding claims for damages upon establishment of the Company, or the performance of management or supervision.

A general meeting can be attended by persons who are shareholders of the Company sixteen days before the date of the general meeting (the day of registration for participation in the general meeting).

A shareholder who is natural person is entitled to participate in general meetings and execute voting rights in person or through a proxy. A shareholder which is a legal entity is entitled to participate in general meetings and execute voting rights through a person authorized to forward statements of will on their behalf or through a proxy.

A power of attorney to attend a general meeting and exercise voting rights must be in written or electronic form. For the purposes of identification of the shareholder who granted the power of attorney, a notice on the granting of such power of attorney electronically should contain (as a schedule):

- if the shareholder is an individual, a copy of an identity card, passport or any other official identification document confirming the identity of the shareholder; or

- if the shareholder is not an individual, a copy of an extract from a relevant register or any other document confirming the authorisation of the individual(s) to represent the shareholder at the general meeting (e.g. an uninterrupted chain of powers of attorney).

The general meeting may be attended by members of the management board and supervisory board (in a composition which allows for substantive answers to the questions asked during the general meeting) and by the auditor of the Company, if the general meeting is held to discuss financial matters.

At the general meeting each participant is entitled to be elected the chairman of the general meeting, and also nominate one person as a candidate for the position of chairman of the general meeting. Until election of the chairman the general meeting may not take any decisions.

The chairman of the general meeting directs proceedings in accordance with the agreed agenda, provisions of law, the articles of association, and, in particular: gives the floor to speakers, orders votes and announces the results thereof. The chairman ensures efficient proceedings and respecting of the rights and interests of all shareholders.

After the creation and signing of the attendance list, the chairman confirms that the general meeting has been called in the correct manner and is authorized to pass resolutions.

The chairman of the general meeting closes the general meeting upon the exhausting of its agenda.

Part 11. Personnel composition and changes in the previous business year and description of the functioning of the management, supervisory, or administrative bodies of the Company and its committees.

The management board

Currently, the management board is composed of seven members. The composition of the management board changed during January 2011, when Jacek Wachowicz joined the management board as a member of it and the director of lease and sale, and again in March 2011, when Yovav Carmi become a member of the management board.

Composition of the management board

The following table presents the names, surnames, functions, dates of appointment and dates of expiry of the current term of the members of the management board as at 31 December 2011:

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Erez Boniel	Member of the management board	1999	2009	2012
Yovav Carmi	Member of the management board	2011	2011	2014
Hagai Harel	Member of the management board	2004	2009	2012
Mariusz Kozłowski	Member of the management board	2001	2009	2012
Piotr Kroenke	Member of the management board	1996	2009	2012
Jacek Wachowicz	Member of the management board	2011	2011	2014
Witold Zatoński	Member of the management board	2007	2010	2013

Description of operations of the management board

The management board runs the Company’s business in a transparent and efficient way pursuant to the provisions of applicable law, its internal provisions and “the Best Practices of WSE Listed Companies”. When taking decisions related to the Company’s business, the members of the management board act within limits of justified business risk.

The two members of management board acting jointly are entitled to make representations on the Company’s behalf.

All issues related to the management of the Company which are not specified by the provisions of applicable law or the articles of association as competences of the supervisory board or the general meeting are within the scope of competence of the management board.

Members of the management board participate in sessions of the general meeting and provide substantive answers to questions asked during the general meeting. Members of the management board invited to a meeting of the supervisory board by the chairman of the supervisory board participate in such meeting with the right to take the floor regarding issues on the agenda. Members of the management board are required to, within their scope of competence and the scope necessary to settle issues discussed by the supervisory board, submit explanations and information regarding the Company's business to the participants of a meeting of the supervisory board.

The management board makes any decisions considered (by the management board) to be important for the company by passing resolutions at meetings thereof. Such resolutions are passed by simple majority.

Moreover, the management board may adopt resolutions in writing or via a manner enabling instantaneous communication between the members of the management board by means of audio-video communication (e.g. teleconferencing, videoconferencing, etc).

The supervisory board

Currently, the supervisory board comprises seven members. The composition of the supervisory board changed in January 2011, as Walter van Damme and Alon Shlank resigned from the supervisory board of the Company with effect as of 20 January 2011 and Henry Marcel Philippe Alster was dismissed from the supervisory board of the Company, with effect as of 21 January 2011, by GTC Real Estate Holding B.V., which was the shareholder that had appointed him, following the reduction of the stake in the Company held by GTC Real Estate Holding B.V. to 27.14% of the share capital after which its right to appoint supervisory board members was reduced from eight members to five members.

The composition of the supervisory board

The following table presents the names, surnames, functions, dates of appointment and dates of expiry of the current term of the members of the supervisory board as at 31 December 2011:

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Eli Alroy	Chairman of the supervisory board	1996	2010	2013
David Brush	Member of the supervisory board	2008	2011	2014
Mariusz Grendowicz[2]	Independent member of the supervisory board	2000	2010	2013
Yosef Grunfeld	Member of the supervisory board	2009	2009	2012
Alain Ickovics	Member of the supervisory board	2002	2010	2013
Artur Kucharski	Member of the supervisory board	2010	2010	2013
Jan Slootweg	Member of the supervisory board	2008	2011	2014

Description of the operations of the supervisory board

The supervisory board acts pursuant to the Polish Commercial Companies Code and also pursuant to the articles of association of the Company and the supervisory board regulations dated 14 April 2005.

[2] conforms with the independence criteria listed in the Best Practices of WSE Listed Companies in Chapter III point 6

Pursuant to the articles of association of the Company, the supervisory board performs constant supervision over activities of the enterprise. Within the scope of its supervisory activities, the supervisory board may demand 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.

In addition to the matters defined in the Polish Commercial Companies Code the following are the competencies of the supervisory board:

a) Giving consent for the Company or one of its Subsidiaries to execute an agreement or agreements with an Affiliate or with a member of the Company's management board or supervisory board or with a member of the management or supervisory authorities of an Affiliate. Such consent is not be required for transactions with companies in which the Company holds, directly or indirectly, shares entitling it to at least 50% of votes at shareholders' meetings, if such transaction results in obligations of the other shareholders of such companies proportional to their stake in that company, or if the difference between the financial obligations of the Company and the other shareholders does not exceed EUR 5 million. In the articles of association indirect ownership of shares entitling the holder thereof to at least 50% of the votes at a shareholders' meeting means possession of such number of shares that entitles the holder thereof to at least 50% of votes in each of the indirectly held companies in the chain of subsidiaries.

b) Giving approval to any change of the auditor selected by the Company's management board to audit the Company's financial statements.

c) Expressing consent for the Company or one of its Subsidiaries to: (i) execute transaction comprising the acquisition or sale of investment assets of any kind the value of which exceeds EUR 30million; (ii) issue a guarantee for an amount exceeding EUR 20 million; or (iii) execute any transaction (in the form of a single legal act or a number of legal acts) other than those set forth in preceding points (i) or (ii) where the value of such transaction exceeds EUR 20 million. For the avoidance of doubt, consent is required for the Company's management board to vote on the Company's behalf at a meeting of the shareholders of a Company's Subsidiary authorizing transactions meeting above criteria.

Pursuant to Art. 7.4 of the articles of association:

a) an entity is an "**Affiliate**", if it is (i) a Dominating Entity with respect to the Company, or (ii) a Subsidiary of the Company; or (iii) a Subsidiary of a Dominating Entity of the Company; or (iv) a Subsidiary of the Company's Dominating Entity other than the Company' Subsidiary; or (v) a Subsidiary of any member of managing or supervisory authorities of the Company or any of the entities designated in (i) through (iii);

b) an entity is a "**Subsidiary**" of any other entity (the "**Dominating Entity**") if the Dominating Entity: (i) has the right to exercise the majority of votes in the authorities of the Subsidiary, including on the basis of understandings with other authorised entities, or (ii) is authorised to take decisions regarding financial policies and current commercial operations of the Subsidiary on the basis of any law, statute or agreement, or (iii) is authorised to appoint or dismiss the majority of members of managing authorities of the Subsidiary, or (iv) more than half of the members of the Subsidiary's management board are also members of the management board or persons performing any management functions at the Dominating Entity or any other Subsidiary.

The supervisory board consists of five to twenty members, including the Chairman of the supervisory board. Each shareholder who holds individually more than 5% of shares in the Company's share capital (the "**Initial Threshold**") is entitled to appoint one supervisory board member. Shareholders are further entitled to appoint one additional supervisory board member for each block of held shares constituting 5% of the Company's share capital above the Initial Threshold. Supervisory board members are appointed by a written notice of entitled shareholders given to the chairman of the general meeting at the general meeting or outside the general meeting delivered to the management board along with a written statement from the selected person that he/she agrees to be appointed to the supervisory board.

The number of supervisory board members is equal to the number of members appointed by the entitled shareholders, increased by one independent member, provided that in each case such number may not be lower than five.

Under the Company's articles of association, the supervisory board should consist of at least one member meeting the criteria of an independent member of the supervisory board as set out in the corporate governance regulations included in the Best Practices of Warsaw Stock Exchange listed Companies.

The chairman of the supervisory board calls meetings of the supervisory board. The chairman calls meetings of the supervisory board upon the request of a member of the management board or a member of the supervisory board therefore. A meeting of the supervisory board must take place within 14 days of the date of filing a written application therefore with the Chairman.

The supervisory board may convene meetings both within the territory of the Republic of Poland and abroad. Supervisory board meetings may be held via telephone, provided that all the participants thereof are able to communicate simultaneously. All resolutions adopted at such meetings are valid, provided that the attendance register is signed by the supervisory board members who participated in such meeting. The place where the Chairman attends such meeting is considered as the place where the meeting was held.

Unless the articles of association provide otherwise, resolutions of the supervisory board are adopted by absolute majority of votes cast in the presence of at least five supervisory board members. In the event of a tie, the Chairman has a casting vote.

Members of the supervisory board execute their rights and perform their duties in person. Members of the supervisory board may participate in general meetings.

Moreover, within the performance of their duties, the supervisory board is required to:

a) once a year prepare and present to the general meeting a concise evaluation of the situation of the Company, taking into account the evaluation of the internal control system and the management system of risks that are important for the Company,

b) once a year prepare and present to the annual general meeting an evaluation of its own performance,

c) discuss and issue opinions on matters which are to be subject of the resolutions of the general meeting.

Committees of the supervisory board

The supervisory board may appoint committees to investigate certain issues which are in the competence of the supervisory board or to act as advisory and opinion bodies to the supervisory board.

The supervisory board has appointed the Audit Committee, whose principal task is to make administrative reviews, to exercise financial control, and to oversee financial reporting as well as internal and external audit procedures at the Company and at the companies in its group. As of 31 December 2011, the members of the Audit Committee were Alain Ickovics, Mariusz Grendowicz and Jan Slootweg.

Management Board's representations

Pursuant to the requirements of the Regulation of the Council of Ministers of 19 February 2009 on ongoing and periodical information reported by issuers of securities and conditions of recognizing as equivalent information required by the law of a country not being a member state the Management Board of Globe Trade Centre S.A. represented by:

Piotr Kroenke, Member of the Management Board,

Erez Boniel, Member of the Management Board,

Yovav Carmi, Member of the Management Board,

Hagai Harel, Member of the Management Board,

Mariusz Kozłowski, Member of the Management Board,

Jacek Wachowicz, Member of the Management Board,

Witold Zatoński, Member of the Management Board

hereby represents that:

- to the best of its knowledge the consolidated financial statements for twelve months ended 31 December 2011 and the comparable data were prepared in accordance with the prevailing accounting principles, and they truly, reliably, and clearly reflect the asset and financial standing of the Group and its financial result, and the annual Management Board's activity report contains a true image of the Group's development and achievements and its standing, including the description of basic risks and threats;

- the entity authorized to audit the financial statements, which has audited the consolidated financial statements, was selected in accordance with the regulations of law. That entity as well as the auditor who has carried out the audit fulfilled the conditions for expressing an unbiased and independent opinion about the audit pursuant to relevant provisions of the national law and industry norms.

Warsaw, 5 March 2012

GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2011
WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2011
(in thousands of Euro)

	Note	31 December 2011	31 December 2010
ASSETS			
Non current assets			
Investment property	15	1,703,889	2,117,609
Residential landbank	16	74,326	52,389
Investment in associates	17	54,471	56,346
Loans granted and other receivables	26	21,707	19,644
Property, plant and equipment	14	1,840	2,025
Deferred tax asset	13	8,283	7,661
Long-term deposits		-	625
Goodwill	15	-	2,741
Other non-current assets		118	73
		1,864,634	**2,259,113**
Assets held for sale	6	**134,100**	-
Current Assets			
Inventory	16	107,216	201,807
Advances to contractors		-	2,116
Debtors		4,596	7,874
Accrued income		595	1,038
VAT and other tax recoverable		13,945	22,085
Income tax recoverable		1,229	1,321
Prepayments, deferred expenses		4,512	3,146
Short-term deposits	20	37,161	38,196
Cash and cash equivalents	21	141,720	191,732
		310,974	**469,315**
TOTAL ASSETS		**2,309,708**	**2,728,428**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2011
(in thousands of Euro)

	Note	31 December 2011	31 December 2010
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	24	4,741	4,741
Share premium		214,280	214,280
Capital reserve		18,993	18,300
Hedge reserve		(37,265)	(40,580)
Foreign currency translation		5,361	3,550
Accumulated profit		538,139	808,503
		744,249	**1,008,794**
Non-controlling interest		(20,599)	44,064
Total Equity		**723,650**	**1,052,858**
Non current Liabilities			
Long-term portion of long-term loans and bonds	23	1,029,212	1,294,879
Deposits from tenants		4,501	5,861
Long term payable		67	546
Provision for share based payment	24	685	4,174
Derivatives	18	80,775	54,223
Financial liability	-	-	200
Provision for deferred tax liability	13	123,616	127,062
		1,238,856	**1,486,945**
Current liabilities			
Trade and other payables	19	52,310	56,606
Current portion of long-term loans and bonds	23	264,062	83,229
Financial liability	-	-	200
VAT and other taxes payable		2,136	19,989
Income tax payable		1,504	1,427
Derivatives	18	20,759	15,072
Advances received		6,431	12,102
		347,202	**188,625**
TOTAL EQUITY AND LIABILITIES		**2,309,708**	**2,728,428**

The accompanying notes are an integral part of this Consolidated Statement of Financial Position

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2011
(in thousands of Euro)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
Revenues from operations	7	153,675	169,008
Cost of operations	8	(58,444)	(72,314)
Gross margin from operations		**95,231**	**96,694**
Selling expenses	9	(7,161)	(6,297)
Administration expenses	10	(20,871)	(21,681)
Profit (loss) from revaluation / impairment of investment properties	15	(234,952)	46,668
Impairment of residential projects	16	(61,017)	(3,501)
Other income		460	604
Other expenses	22	(2,936)	(1,889)
Profit (loss) from continuing operations before tax and finance income / (expense)		**(231,246)**	**110,598**
Foreign exchange differences profit (loss), net		(8,628)	(1,629)
Financial income	11	4,850	4,924
Financial expense	11	(80,198)	(72,815)
Share of profit (loss) of associates		(4,365)	4,667
Profit (loss) before tax		**(319,587)**	**45,745**
Taxation	13	(18,337)	(17,113)
Profit (loss) for the year		**(337,924)**	**28,632**
Attributable to:			
Equity holders of the parent		(270,364)	41,936
Non-controlling interest		(67,560)	(13,304)
Basic earnings per share (Euro) attributable to ordinary equity holders of the parent	25	(1.23)	0.19
Diluted earnings per share (Euro) attributable to ordinary equity holders of the parent	25	(1.23)	0.19

The accompanying notes are an integral part of this Consolidated Income Statement

Globe Trade Centre S.A.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011
(in thousands of Euro)

	Year ended 31 December 2011	Year ended 31 December 2010
Profit (loss) for the year	**(337,924)**	**28,632**
Gain/(loss) on hedge transactions	3,099	(3,470)
Income tax	(440)	697
Net gain/(loss) on hedge transactions	2,659	(2,773)
Exchange differences on translation of foreign operations	1,678	3,372
Total comprehensive income / (loss) for the year, net of tax	**(333,587)**	**29,231**
Attributable to:		
Equity holders of the parent	(265,238)	42,570
Non-controlling interest	(68,349)	(13,339)

The accompanying notes are an integral part of this Consolidated Statement of Comprehensive Income

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2011
(In thousands of Euro)

	Issued and paid in share capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2010	**4,741**	**214,280**	**16,296**	**(37,807)**	**143**	**766,567**	**964,220**	**46,511**	**1,010,731**
Other comprehensive income				(2,773)	3,407		634	(35)	599
Profit (loss) for the year ended 31 December 2010						41,936	41,936	(13,304)	28,632
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**(2,773)**	**3,407**	**41,936**	**42,570**	**(13,339)**	**29,231**
Acquisition of shares in subsidiaries								(5,203)	(5,203)
Transactions with non controlling interest			253				253	16,095	16,348
Share based payment			1,980				1,980		1,980
Exercised share based payment			(229)				(229)		(229)
Balance as of 31 December 2010	**4,741**	**214,280**	**18,300**	**(40,580)**	**3,550**	**808,503**	**1,008,794**	**44,064**	**1,052,858**
Other comprehensive income	-	-		3,315	1,811	-	5,126	(789)	4,337
Profit (loss) for the period ended 31 December 2011	-	-	-	-	-	(270,364)	(270,364)	(67,560)	(337,924)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**3,315**	**1,811**	**(270,364)**	**(265,238)**	**(68,349)**	**(333,587)**
Other transactions	-	-	167	-	-	-	167	192	359
Issuance of shares to non controlling interest	-	-		-	-	-	-	3,494	3,494
Share based payment	-	-	526	-	-	-	526	-	526
Balance as of 31 December 2011	**4,741**	**214,280**	**18,993**	**(37,265)**	**5,361**	**538,139**	**744,249**	**(20,599)**	**723,650**

The accompanying notes are an integral part of this Consolidated Statement of Changes in Equity

Globe Trade Centre S.A.
Consolidated Statement of Cash Flow
for the year ended 31 December 2011
(In thousands of Euro)

		Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before tax		(319,587)	45,745
Adjustments for:			
Revaluation/Impairment of assets		295,969	(43,167)
Share of (profit) loss of associates		4,365	(4,667)
Foreign exchange differences loss, net		3,549	1,057
Finance income		(4,850)	(4,924)
Finance expenses		80,198	72,815
Share based payment		(2,964)	6,154
Depreciation and amortization		557	547
Operating cash before working capital changes		**57,237**	**73,560**
Decrease in debtors and prepayments and other current assets		1,852	2,479
Decrease in inventory		11,048	17,924
Decrease in advances received		(5,781)	(5,734)
Increase/(decrease) in trade and other payables		6,271	(1,970)
Cash generated from operations		**70,627**	**86,259**
Tax paid in the period		(2,973)	(8,629)
Net cash from in operating activities		**67,654**	**77,630**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of non current assets		(179,299)	(135,167)
Sale of shares in joint venture, net of cash disposed of	(b)	133,967	-
Sale of investment property		-	95,943
Acquisition of subsidiaries and joint ventures, net of cash acquired	(a)	(4,650)	(9,393)
Tax/VAT on sale of investment property		(36,846)	(5,447)
Dividend received		1,682	-
Interest received		2,557	2,968
Lease origination expenses		(808)	(806)
Loans granted		(1,811)	(978)
Loans repayments		-	989
Purchase of shares in associates		(389)	-
Net cash used in investing activities		**(85,597)**	**(51,891)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of share to non-controlling interest		-	759
Proceeds from long-term borrowings		212,203	188,397
Repayment of long term borrowings		(175,514)	(129,737)
Repayment of financial liability		(609)	-
Interest paid		(61,935)	(67,963)
Loans origination cost		(4,299)	(3,841)
Increase (decrease) in short term deposits		(232)	(8,273)
Net cash from (used in) financing activities		**(30,386)**	**(20,658)**
Effect of foreign currency translation		**(1,683)**	**1,003**
Net increase/(decrease) in cash and cash equivalents		**(50,012)**	**6,084**
Cash and cash equivalents, at the beginning of the year		**191,732**	**185,648**
Cash and cash equivalents, at the end of the year		**141,720**	**191,732**

The accompanying notes are an integral part of this Consolidated Statement of Cash Flow

(In thousands of Euro)

(a) Purchase of shares in subsidiaries and joint ventures, net of cash acquired

	Year ended 31 December 2011	Year ended 31 December 2010
Investment property	(29,251)	(60,275)
Working capital (net of cash acquired)	24,601	(483)
Interest bearing loans and borrowings	-	30,502
Long term receivables	-	28,807
Goodwill	-	(2,741)
Non controlling interests	-	(5,203)
Purchase of shares in subsidiaries, net of cash acquired	**(4,650)**	**(9,393)**

(b) Selling of shares in joint venture, net of cash disposed of

	Year ended 31 December 2011	Year ended 31 December 2010
Investment property	237,565	-
Other assets (net of cash)	2,412	-
Cash	5,010	-
Derivatives	(2,572)	-
Interest bearing loans and borrowings	(99,640)	-
Provision for deferred tax liability	(674)	-
Other liabilities	(3,124)	-
Total Carrying Value of Assets sold	**138,977**	-
Cash in subsidiary disposed of	(5,010)	-
Total received net of cash disposed of	**133,967**	-

*All purchases were asset deal.

1. Principal activities

Globe Trade Centre S.A. (the "Company", "GTC") was registered in Warsaw on 19 December 1996. The Company's registered office is in Warsaw at 5 Wołoska Street. 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 Company is developing, and leasing or selling space to commercial and individual tenants, through its directly and indirectly owned subsidiaries.

GTC is the parent company of the capital group Globe Trade Centre (the "Group" or "GTC 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 31 December 2011 and 2010 the number of full time equivalent working in the Group companies was 189 and 163 respectively. In addition as of 31 December 2011 the company hires services of 24 maintenance staff.

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

GTC is listed on the Warsaw Stock exchange.

The major shareholder of the Company as of 31 December 2011 is GTC Real Estate Holding N.V., which holds 60,882,815 shares (27.75% of total shares) and has an Effective Control over the Company.

2. Functional and reporting currencies

The currency of Polish economy is the Polish Zloty.

The functional currency of GTC 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 the closing rate method 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

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS", "IFRSs"), in particular in accordance with IFRSs endorsed by the European Union. At the date of authorisation of these consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRSs applied by the Group and the IFRSs endorsed by the European Union.
IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC", "IFRICs").

The consolidated financial statements of the Group describe it's business activities as well as financial position, cash flow, liquidity position and borrowing facilities. The Group's objectives, policies and processes are aimed at managing its capital and financial and liquidity risks on a sound basis. The Group meets its day to day working capital requirements through the generation of cash inflow from rental income and sale activity.

The Group's financial operations are based on centralized treasury process implemented in the whole capital group. GTC S.A., the parent company manages the capital inflows (other than working capital) from the subsidiaries and makes capital available to the subsidiaries. The management after review of the group's policy and consultations with directors of the subsidiaries, believes that the centralized policy allows for the most effective and elastic management of group's cash flow and shall continue. Support to the subsidiaries, shall be made on the basis of the financing and capital requirements of the subsidiaries taking into account the subsidiaries particular working capital needs.

The current macroeconomic conditions create uncertainty about market conditions and in particular over the level of demand for company's commercial space and residential units, that may influence the operating costs and the availability of bank finance in the foreseeable future.

Except for some facilities, described in note 23, as of 31 December 2011 the Group's entities are not in breach of loan covenants.

The management has analyzed the timing, nature and scale of potential financing needs of particular subsidiaries.

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.

3. Basis of preparation (continued)

In connection with the above assumption, the Company’s Management has prepared a cash flow forecast for the next three years. This forecast indicates that the Company will be able to meet its financial obligations and continue as a going concern. However, the forecast has been prepared on the basis of various assumptions, amongst others, a rights issue in the amount of Eur 100 mln, and, over the next three years, sales of assets that are expected to generate free cash in the amount of approximately Eur 180 mln, as well as the raising of new project loans in the amount of approximately Eur 80 mln, or an alternative split thereof. Certain of these assumptions are based on factors, which are beyond the Company's control, including the environment in which the Company operates. As the forecast relates to future events inherently it is subject to uncertainties and therefore, the Management cannot guarantee that all such assumptions will materialize, however it believes that as of the date of the financial statements these assumptions are reasonably achievable.

The Company's Supervisory Board has resolved unanimously to support the rights issue plan proposed by the Management.

These consolidated financial statements are prepared based on the same accounting policies as for the consolidated financial statements of the Company for the year ended 31 December 2010, except for the amendments to existing standards and new regulations that are effective for financial years beginning on or after 1 January 2011.

3. **Basis of preparation (continued)**

In 2011, the Group adopted the following new standards, amendments to standards and new interpretations:

- Amendment to IAS 32 “Financial Instruments: Presentation. Classification of Rights Issues” applicable for annual periods beginning on or after February 1, 2010. The amended standard clarifies the classification of rights issues;

- Revised IAS 24 “Related Party Disclosures” applicable for annual periods beginning on or after January 1, 2011. The revised standard simplifies the definition of a related party, clarifies its intended meaning and eliminates inconsistencies from the definition.

- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective for annual periods beginning on or after July 1, 2010. This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability.

- Amendments to IFRIC 14 ”Prepayments of a Minimum Funding Requirement”, effective for annual periods ending on or after January 1, 2011. The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset.
- Amendment to IFRS 1 ”Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters” , effective for annual periods beginning on or after July 1, 2010. The amendment applies the same transition provisions for first-time adopters as for existing preparers of financial statements included in Amendments to IFRS 7 “Improving Disclosures about Financial Instruments”;

- Amendments to IFRS resulting from the annual improvements project, issued in May 2010 and effective for annual periods beginning the earliest on or after July 1, 2010, depending on which IFRS the amendment relates to.

Adoption of other amendments and interpretations listed above did not have any effect on the financial position of the Group’s operations.

3. Basis of preparation (continued)

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2011.

- The first phase of IFRS 9 Financial Instruments: Classification and Measurement – effective for financial years beginning on or after 1 January 2015 – not endorsed by EU till the date of approval of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- Amendment to IFRS 7 Financial Instruments – Disclosures: Transfer of Financial Assets – effective for financial years beginning on or after 1 July 2011,
- Amendments to IAS 12 Income Tax: Deferred Tax: Recovery of Underlying Assets – effective for financial years beginning on or after 1 January 2012 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for
- First–time Adopters – effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements.
- IFRS 10 Consolidated Financial Statements – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 11 Joint Arrangements – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 12 Disclosure of Interests in Other Entities – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- IFRS 13 Fair Value Measurement - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 19 Employee Benefits - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income - effective for financial years beginning on or after 1 July 2012 – not endorsed by EU till the date of approval of these financial statements,

3. Basis of preparation (continued)

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 7 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities - effective for financial years beginning on or after 1 January 2013– not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities- effective for financial years beginning on or after 1 January 2014 – not endorsed by EU till the date of approval of these financial statements.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

4. Accounting Policies

(a) Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments that have been measured at fair value.

(b) Property, Plant and Equipment

Property, plant and equipment consist of vehicles and equipment. Property, 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 %
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).

(i) Completed Investment properties

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

4. Accounting Policies (continued)

Completed investment properties were externally valued by independent appraiser as of 31 December 2011 based on open market values. Completed properties are either valued on the basis of Discounted Cash Flow or - as deemed appropriate – on basis of the Income Capitalisation or Yield method.

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

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

(ii) Investment property under construction

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

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

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

4. Accounting Policies (continued)

The fair values of IPUC were determined, as at their stage at the end of the reporting period (first implementation as of 31 December 2008). Valuations were performed in accordance with RICS and IVSC Valuation Standards using either the residual method approach or DCF, 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 expected future completion risk is above average (as deemed appropriate by the valuer), also a developer profit margin of unexecuted works, was deducted from the value.

(d) Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is not amortized.

For the purpose of impairment testing goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment write-down is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

4. Accounting Policies (continued)

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(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 jointly controlled entities

The interest in a jointly controlled entity is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint ventures assets, liabilities, income and expenses with similar items in the consolidated financial statement on a line-by-line basis.

(g) Put option granted to minority

Put option granted to minority is recognised as financial liability.

Financial liability is recognized at its estimated fair value. Any subsequent effects of re-measurement of the financial liability are accounted for through the income account.

(h) 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.

4. Accounting Policies (continued)

(i) 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.

(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 4(m).

(k) Rental revenue

Rental revenues result from operating leases and are recognised as income over the lease term.

(l) Interest and dividend income

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

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

4. Accounting Policies (continued)

(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 are accrued and expensed in the period in which they are incurred except to the extent they are directly attributable to construction. In such a case, borrowing costs are capitalised as part of the cost of the asset. Borrowing costs include interest and foreign exchange differences to the extent that they are regarded as an adjustment to interest cost.

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.

4. Accounting Policies (continued)

(o) Share issuance expenses

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

(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:

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

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

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

Deferred tax assets and liabilities are measured using the tax rates enacted to taxable income in the years in which these temporary differences are expected to be recovered or settled.
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which each company of the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

4. Accounting Policies (continued)

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.

(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.

4. Accounting Policies (continued)

(r) 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 measurement categorisation of financial assets and liabilities:

Category	**Statement of financial position item**	**Measurement**
Financial assets/liabilities (excluding derivatives)		
Held for trading	Cash and cash equivalent	Fair value – adjusted to income statements
Loans and receivables	Short-term deposits	Amortised cost
Loans and receivables originated by the enterprise	Debtors	Amortised cost
Other financial liabilities	Trade and other payables	Amortised cost
	Long term Loans	Amortised cost
	Credit line	Amortised cost
	Deposits from tenants	Amortised cost
	Long term payables	Amortised cost
	Financial liability	Re-estimated amortised cost. (see note 4 (g))
Derivatives		
Held for trading	Interest Rate Swap	Fair value – adjusted to income statements
Hedging (cash flow hedges)	Interest Rate Swaps	Fair value – adjusted to other comprehensive income (effective portion) / adjusted to income statements (ineffective portion)
Held for trading	Interest Rate Collars	Fair value – adjusted to income statements

4. Accounting Policies (continued)

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 asset is transferred when, and only when the contractual rights to the cash flows from the financial asset expired, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows under an arrangement. 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.

(s) 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.

(t) Trade and other receivables

Short term trade receivables are carried at original invoice amount less an allowance for any uncollectible amounts. 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. Long term trade receivables are presented at amortised cost.

(u) Impairment of assets

The carrying value of assets is periodically reviewed by the Management to determine whether impairment may 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.
Accounting policy related to Goodwill impairment is described in note 4(d).

4. Accounting Policies (continued)

(w) Purchase of shares of minority

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

(x) Derivatives

The Group uses interest rate swaps and collars to hedge its risks associated with interest rate volatility (cash flow hedges).

In relation to the instruments, which meet the conditions of cash flow hedges, the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised in net profit or loss. Classification of hedges in the statement of financial position depends on their maturity.

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 interest rate swap contracts is determined by reference to market values for similar instruments.

(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.

4. Accounting Policies (continued)

(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.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit.

Investment property represents property held for long-term rental yields. Investment property is carried at fair value which is established 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 judgement. The changes in the fair value of investment property are included in the profit or loss for the period in which it arises.

Significant accounting judgements related to investment property under construction are presented in note 4 c) (ii).

The group uses estimates in determining the amortization rates used.

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 uses judgements in determining the settlement of share based payment in equity.

4. Accounting policies (continued)

(aa) Basis of Consolidation

The consolidated financial statements comprise the financial statements of GTC S.A and its subsidiaries prepared using consistent accounting policies.
Control is presumed to exist when the Company owns, directly or indirectly through its subsidiaries, more than half of the voting rights of a given entity, unless it can be clearly demonstrated that such ownership does not constitute control. Control is also exercised where the Group has power to govern the financial and operating policies of an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.
All inter-company balances and transactions are eliminated upon consolidation.

(ab) Provisions

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

(ac) Share-based payment transactions

Amongst others, the Company gives shares or rights to shares to key management personnel in exchanges for services.

The cost of equity-settled transactions with employees is measured by reference to the share value at the date at which they were granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired.

The cost of cash-settled transactions with employees is measured initially at fair value at the grant date. The fair value is expensed over period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up and including the settlement date, with changes in fair value recognised in employee benefits expense.

(ad) Leases
Lessor:
Leases where the group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases.

(in thousand of Euro)

4. Accounting policies (continued)

Lessee:
Operating lease payments are recognising as an expense in the income statement on the straight line basis over the lease term.

5. Investment in Subsidiaries, Associates and Joint Ventures

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

Name	Holding Company	Country of incorporation	31 December 2011	31 December 2010
GTC Konstancja Sp. z o.o. ("GTC Konstancja")	GTC S.A.	Poland	100%	100%
GTC Korona S.A. ("GTC Korona")	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o ("Globis Poznan")	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o. ("GTC Aeropark")	GTC S.A.	Poland	100%	100%
GTC Topaz Office Sp. z o.o. ("GTC Topaz Office ")	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o ("Globis Wrocław")	GTC S.A.	Poland	100%	100%
GTC Galeria Kazimierz Sp. z o.o ("GTC Galeria Kazimierz") (*)	GTC S.A.	Poland	50%	50%
GTC Nefryt Sp. z o.o. ("GTC Nefryt ")	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o. ("GTC Satellite")	GTC S.A.	Poland	100%	100%
GTC Ogrody Galileo Sp. z o.o. Sp. z o.o. (previously GTC Sonata)	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o. ("GTC GK Office ")	GTC S.A.	Poland	100%	100%
Rodamco CH1 Sp. z o.o. ("Rodamco CH1") (*) (**)	GTC S.A.	Poland	-	50%
GTC Com 1 Sp. z o.o. ("GTC Com 1")	GTC S.A.	Poland	100%	100%
GTC Karkonowska Sp. z o.o. (previously GTC Wroclaw Office)	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o. (previously Byrant)	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o. ("Diego")	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o (previously GTC Cyril)	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o. (previously GTC Com 3)	GTC S.A.	Poland	100%	100%
GTC Wilason Park Sp. z o.o (previously GTC Com 4)	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o. (previously GTC Com 5)	GTC S.A.	Poland	100%	100%
CH Wilanow Sp. z o.o. („CH Wilanow") (*)	GTC S.A.	Poland	50%	50%
Alfa Development Inwestycje sp. z o.o	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o (previously Sigma development)	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o. (**)	GTC S.A.	Poland	100%	-
Światowida Development sp. z o.o. (**)	GTC S.A.	Poland	100%	-
Mieszkania Światowida sp. z o.o. (**)	GTC S.A.	Poland	100%	-
Omega Development Inwestycje Sp. z o.o	GTC S.A.	Poland	100%	100%
Delta Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%
Omikron Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o. ("Galeria CTWA")	GTC S.A.	Poland	100%	100%

* Proportionate consolidation.
** Further described in note 6.

(in thousand of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2011	31 December 2010
GTC Hungary Real Estate Development Company Ltd. (“GTC Hungary”)	GTC S.A.	Hungary	100%	100%
Budapest Properties B.V.	GTC Hungary	Netherland	-	-
Budapest Investments B.V.	GTC Hungary	Netherland	100%	100%
Budapest Offices B.V.	GTC Hungary	Netherland	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartments Kft. (“Riverside”)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. (“Centre Point I”)	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft. (“Centre Point II”)	GTC Hungary	Hungary	100%	100%
Spiral Holding Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Ltd.	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft.	GTC Hungary	Hungary	50.1%	50.1%
Albertfalva Kft. (“Szeremi Gate”)	GTC Hungary	Hungary	100%	100%
GTC Metro Kft (formerly "Jazmin Ingatlan Kft.”)	GTC Hungary	Hungary	100%	100%
SASAD Resort Offices Kft	GTC Hungary	Hungary	100%	100%
Toborzó Széplak Kft.	GTC Hungary	Hungary	100%	100%
Mastix Champion Kft.	GTC Hungary	Hungary	100%	100%
GTC Renaissance Plaza Kft.	GTC Hungary	Hungary	100%	100%
SASAD II Kft.	GTC Hungary	Hungary	50.1%	50.1%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%
Immo Buda Kft.	GTC Hungary	Hungary	100%	100%
Szemi Ingatlan Ltd.	GTC Hungary	Hungary	100%	100%
Preston Park Kft.	GTC Hungary	Hungary	100%	100%
GTC Real Estate Investments Ukraine B.V. (“GTC Ukraine”)	GTC S.A.	Netherlands	90%	90%
Emerging Investments III B.V.	GTC S.A.	Netherlands	100%	100%
GTC Real Estate Management Services Ukraine LLC	GTC Ukraine	Ukraine	90%	90%
GTC Real Estate Investments Russia B.V. (“GTC Russia”, formerly GTC Moldova)	GTC S.A.	Netherlands	100%	100%
Yatelsis Viborgskaya Limited of Nicosia (“YVL”) (*)	GTC Russia	Cyprus	50%	50%
GTC Development Service Spb	GTC Russia	Russia	100%	100%
OOO Okkerville (*)	YVL	Russia	50%	50%
ZAO Krasny Mayak (*)	YVL	Russia	50%	50%
GTC Real Estate Investments Slovakia B.V. (“GTC Slovakia”)	GTC S.A.	Netherlands	100%	100%
GTC Real Estate Developments Bratislava B.V. (“GTC Bratislava”)	GTC Slovakia	Netherlands	70%	70%
GTC Real Estate Management s.r.o.	GTC Slovakia	Slovakia	100%	100%
GTC Real Estate Park s.r.o.	GTC Bratislava	Slovakia	70%	70%
SPV Opus S.R.O	GTC Bratislava	Slovakia	70%	70%
GTC Jarossova S.R.O	GTC Bratislava	Slovakia	70%	70%
GTC Hill S.R.O	GTC Slovakia	Slovakia	70%	70%
GTC Vinohradis Villas S.R.O	GTC Slovakia	Slovakia	70%	70%
GTC Real Estate Vinohrady s.r.o. (“GTC Vinohrady”)	GTC Bratislava	Slovakia	70%	70%
GTC Real Estate Vinohrady 2 s.r.o. (“GTC Vinohrady 2”)	GTC Bratislava	Slovakia	70%	70%

* Proportionate consolidation.

(in thousand of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2011	31 December 2010
GTC Real Estate Investments Croatia B.V. (“GTC Croatia”)	GTC S.A.	Netherlands	100%	100%
GTC Nekretnine Zagreb d.o.o.(“GTC Zagreb”)	GTC Croatia	Croatia	100%	100%
Euro Structor d.o.o.	GTC Croatia	Croatia	70%	70%
Marlera Golf LD d.o.o	GTC Croatia	Croatia	80%	80%
GTC Center Point Ltd.	GTC Croatia	Croatia	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Nekretnine Istok d.o.o	GTC Croatia	Croatia	80%	80%
GTC Nekretnine Jug. d.o.o	GTC Croatia	Croatia	100%	100%
GTC Sredisnja tocka d.o.o.	GTC Croatia	Croatia	100%	100%
GTC Nekretnine Zapad d.o.o	GTC Croatia	Croatia	100%	100%
GTC Real Estate Investments Romania B.V. (“GTC Romania”)	GTC S.A.	Netherlands	100%	100%
Towers International Property S.R.L	GTC Romania	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly “International Hotel and Tourism S.R.L”)	GTC Romania	Romania	100%	100%
Bucharest Properties B.V	GTC Romania	Netherlands	100%	100%
Green Dream S.R.L	GTC Romania	Romania	100%	100%
Titulescu Investments B.V. (“Titulescu”)	GTC Romania	Netherlands	100%	100%
Aurora Business Complex S.R.L	GTC Romania	Romania	71.5%	71.5%
Yasmine Residential Complex S.R.L	GTC Romania	Romania	100%	100%
Bucharest City Gate B.V. ("BCG”)	GTC Romania	Netherlands	58.9%	58.9%
Bucharest City Gate S.R.L	BCG	Romania	58.9%	58.9%
Mablethompe Investitii S.R.L.	GTC Romania	Romania	100%	100%
National Commercial Centers B.V.	GTC Romania	Netherlands	52%	52%
Mercury Commercial Center S.R.L.	GTC Romania	Romania	100%	100%
Venus Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	84.9%	84.9%
Mars Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	70%	70%
Beaufort Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	70%	70%
Fajos S.R.L.	National Commercial Centers B.V.	Romania	70%	70%
City Gate S.R.L	Bucharest City Gate B.V.	Romania	58.9%	58.9%
Brightpoint Investments Limited	GTC Romania	Romania	50.1%	50.1%
Complexul Residential Colentina S.R.L .	Brightpoint Investments Limited	Romania	50.1%	50.1%
Cefin Galati Real Estate S.R.L	GTC Romania	Romania	100%	85%
Operetico Enterprises Ltd.	GTC Romania	Cyprus	66.7%	66.7%
Bucharest Tower Investments B.V.	GTC Romania	Netherlands	100%	-
Ana Tower Offices S.R.L (*)	Bucharest Tower Investments B.V.	Romania	50%	-
Deco Intermed S.R.L	Operetico Enterprises Ltd.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L	GTC Romania	Romania	66.7%	66.7%

* Proportionate consolidation.

(in thousand of Euro)

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

Name	Holding Company	Country of incorporation	31 December 2011	31 December 2010
GTC Real Estate Investments Bulgaria BV („GTC Bulgaria")	GTC S.A.	Netherlands	100%	100%
Galeria Stara Zagora AD	GTC Bulgaria	Bulgaria	75%	75%
Galeria Burgas JSC	GTC Bulgaria	Bulgaria	80%	80%
Galeria Varna JSC	Galeria Ikonomov GmbH	Bulgaria	65%	65%
GTC Business Park EAD	GTC Bulgaria	Bulgaria	100%	100%
NRL EAD	GTC Bulgaria	Bulgaria	100%	100%
Galeria Ikonomov GmbH	GTC Bulgaria	Austria	65%	65%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC Bulgaria	Bulgaria	100%	100%
GTC Real Estate Investments Serbia B.V. ("GTC Serbia")	GTC S.A.	Netherlands	100%	100%
City Properties Serbia B.V.	GTC Serbia	Netherlands	100%	100%
GTC Medj Razvoj Nekretnina d.o.o.	GTC Serbia	Serbia	100%	100%
GTC Business Park d.o.o.	GTC Serbia	Serbia	100%	100%
GTC Commercial and Residential Ventures d.o.o.	GTC Serbia	Serbia	100%	100%
GTC Real Estate Developments d.o.o.	GTC Commercial Development d.o.o.	Serbia	95%	95%
Demo Invest d.o.o	City Properties Serbia B.V.	Serbia	100%	100%
Atlas Centar d.o.o.	GTC Serbia	Serbia	100%	100%
GTC Commercial Development d.o.o.	GTC Serbia	Serbia	100%	100%

(in thousand of Euro)

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

Investment in Associates

Name	Holding Company	Country of incorporation	31 December 2011	31 December 2010
Lighthouse Holdings Limited S.A. ("Lighthouse")	GTC S.A.	Luxemburg	35%	35%
Vokovice BCP Holding S.A. ("Vokovice")	GTC S.A.	Luxemburg	35%	35%
Holesovice Residential Holdings S.A. ("Holesovice")	GTC S.A.	Luxemburg	35%	35%
CID Holding S.A. ("CID")	GTC S.A.	Luxemburg	35%	35%
ND Holdings S.A ("ND")	GTC S.A.	Luxemburg	35%	35%
Europort Investment (Cyprus) 1 Limited	GTC Ukraine	Cyprus	49,9%	49,9%
Europort LTD	Emerging investment	Israel	9.9%	10%

.

6. Events in the period

In 2011, the company acquired 100% of the shares of three subsidiaries that owns and co-owns land located in Bialoleka district in Warsaw. The master plan approved for the site allows development of a large retail project. The Company plans , after completing acquisition of some additional land and obtaining relevant administrative decisions, to start on the site construction of a modern shopping centre with net rentable area of approx. 60 000 sqm.

In March 2011, the Company completed Galeria Osijek shopping centre. The shopping centre was opened to the public in April 2011.

On 1 August 2011 the Company signed the final agreement for sale of shares in Rodamco CH1, the owner of the Galeria Mokotow Shopping Center in Warsaw. The sale price of the above mentioned shares was EUR Euro 139 million is based on the balance sheet of Rodamco CH1 as of 31 July 2011 and on the agreed value of Galeria Mokotów of EUR 475 million. An expense in amount of Euro 3.5 million, which relates to this transaction, is included within administration expenses.

On September 9, 2011, the Company signed with Erste Group Bank AG a facility for the purpose of refinancing Block 19a office Building's (Belgrade) existing loan. In February 2012, the Company withdraw the full amount of the loan amounting to Euro 27 million.

In September 2011, the Company signed with Erste Group Bank AG a facility for the purpose of refinancing Citigate's existing loan. Under the facility agreement, Erste fund EUR 100 million. As of 31 December 2011, the Company withdraw the full amount.

In October 2011, the Company completed Arad shopping centre and opened it to the public

As of 31 December 2011, the Platinum Business Park office buildings, which were recognized so far as Investment Property, are presented as “Assets held for sale”, and the related loans and hedges are presented within current liabilities. An amount of Euro 6.8 million representing hedge related to "Asset held for sale" was recognized as expense in the period.

(in thousand of Euro)

7. Revenue from operations

Revenue from operations comprises of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Rental revenue	100,195	97,406
Service revenue	28,864	26,714
Residential revenue	24,616	44,888
	153,675	**169,008**

The Company has entered into various operational lease contracts with tenants related to properties in Poland, Romania, Croatia, Serbia, and Hungary. The aggregate amount of contracted future rental income as of 31 December 2011 amounts to approximately Euro 509 million and (Euro 566 million as of 31 December 2010), of which approximately Euro 98 million and (Euro 108 million) is due within one year, Euro 275 million and (Euro 314 million) is due within one to five years, and Euro 136 million and (Euro 144 million) is due after five years.

The total rental income that derived from a percentage of the tentats' turnover ("turnover rent") as at 31 December 2011 is approximately Eur 2,023 thousand (as at 31 December 2010-Eur 4,204
thousand).

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.

8. Cost of operations

Costs of operations comprise the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Service costs	35,708	29,708
Residential costs	22,736	42,606
	58,444	**72,314**

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

(in thousand of Euro)

9. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Brokerage and similar fees	535	1,200
Advertising	5,131	4,013
Payroll and related expenses	1,495	1,084
	7,161	**6,297**

10. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Remuneration, management fees and other expenses	15,612	16,721
Office expenses	778	839
Audit, legal and other advisers	3,924	3,574
Depreciation and amortisation	557	547
	20,871	**21,681**

(in thousand of Euro)

11. Financial income and financial expense

Financial income comprise of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Interest on loans granted to associates	2,111	2,014
Interest on deposits and other	2,739	2,910
	4,850	**4,924**

Financial expense comprise of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Interest and other expenses:		
Interest expenses (on financial liabilities that are not at fair value through profit or loss) and other charges	(67,101)	(64,514)
Settlement of financial instruments (derivatives)	(8,921)	(5,195)
Change in fair value of financial instruments (derivatives)	1,023	40
Loan raising expenses	(5,199)	(3,146)
	(80,198)	**(72,815)**

The average interest rate (including hedges) on the Group's loans during the year ended 31 December 2011 was 5% p.a. (5% p.a. in year 2010).

12. Segmental analysis

The Company's operating segments are carried out through subsidiaries that develop real estate projects.
The operating segments are aggregated into reportable segments, taking into consideration the nature of the business, operating markets and other factors. Reportable segments are divided into two main segments:

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

The activities carried out in the above mentioned operating segments are conducted in the following geographical zones, which has common characteristics:

a. CE3 countries (Poland and Hungary),
b. Romania and Bulgaria,
c. Other CEE countries (Serbia, Croatia, Ukraine, Slovakia, and Russia).

Management monitors the operating results of its business units for the purposes of making performance assessment and decision making. Operating segment performance is evaluated based on gross margin from operations.
The resource allocation decisions made by the management are based on analysis of the same segments as for financial reporting purposes.

(in thousand of Euro)

12. Segmental analysis (continued)

Segment analysis for the year ended 31 December 2011 and 31 December 2010 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010	Year 2011	Year 2010
Rental income	82,352	86,077	19,194	11,496	27,513	26,547	129,059	124,120
Contract income	11,429	11,566	7,389	16,117	5,798	17,205	24,616	44,888
Total income	**93,781**	**97,643**	**26,583**	**27,613**	**33,311**	**43,752**	**153,675**	**169,008**
Rental costs	17,749	16,600	10,048	6,863	7,911	6,245	35,708	29,708
Contract costs	9,954	10,815	8,205	16,127	4,577	15,664	22,736	42,606
Total costs	**27,703**	**27,415**	**18,253**	**22,990**	**12,488**	**21,909**	**58,444**	**72,314**
Rental result	64,603	69,477	9,146	4,633	19,602	20,302	93,351	94,412
Contract result	1,475	751	(816)	(10)	1,221	1,541	1,880	2,282
Total result	**66,078**	**70,228**	**8,330**	**4,623**	**20,823**	**21,843**	**95,231**	**96,694**
Selling general and other expenses							(30,508)	(29,263)
Revaluation/impairment of investment property and residential	(37,890)	44,701	(190,746)	5,232	(67,333)	(6,766)	(295,969)	43,167
Profit from continuing operations before tax and financial related income/(expenses)							(231,246)	110,598
Foreign currency translation gain (loss), net							(8,628)	(1,629)
Financial income							4,850	4,924
Financial expense							(80,198)	(72,815)
Share of profit/(loss) of associates							(4,365)	4,667
Taxation							(18,337)	(17,113)
Profit for the year							(337,924)	28,632
Non-controlling interest							(67,560)	(13,304)
Equity holders of the parent							(270,364)	41,936

(in thousand of Euro)

12. Segmental analysis (continued)

Segment analysis as of 31 December 2011 and 31 December 2010 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Segment assets								
Allocated assets rental	905,928	1,194,889	459,601	532,264	406,424	457,761	1,771,953	2,184,914
Allocated assets residential	53,616	68,259	90,886	144,388	70,610	77,168	215,113	289,815
Unallocated assets	305,578	227,764	11,265	10,028	5,800	15,907	322,642	253,699
Total assets	**1,265,122**	**1,490,912**	**561,752**	**686,680**	**482,834**	**550,836**	**2,309,708**	**2,728,428**
	-							
Segment liabilities								
Allocated liabilities rental	86,416	153,426	86,184	20,334	67,861	22,994	240,461	196,754
Allocated liabilities residential	26,246	35,429	5,699	7,571	10,574	10,630	42,519	53,630
Unallocated liabilities	873,778	445,037	285,112	580,444	144,188	399,705	1,303,078	1,425,186
Total liabilities	**986,440**	**633,892**	**376,995**	**608,349**	**222,623**	**433,329**	**1,586,058**	**1,675,570**
Capital expenditures	82,634	59,075	63,966	40,614	32,699	35,478	179,299	135,167
Depreciation	192	167	166	105	199	275	557	547

(in thousand of Euro)

13. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Current (corporate and capital gain) tax expense	22,486	9,306
Deferred tax (credit)/expense	(4,149)	7,807
	18,337	**17,113**

The Group companies pay 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.

(in thousand of Euro)

13. Taxation (continued)

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

	Year ended 31 December 2011	Year ended 31 December 2010
Accounting profit (loss) before tax	(319,587)	45,745
Accounting profit (loss) at the applicable tax rate in each country of activity	**(35,599)**	**11,963**
Tax effect of expenses/(income) that are not deductible in determining taxable profit	3,175	2,815
Share of profit (loss) in associates	420	(928)
Tax effect of foreign currency differences	3,087	1,051
Other	763	339
Change of tax rate	6,606	(6,145)
Previous years tax	-	1,728
Disposed deferred tax liability	(10,193)	-
Unrecognised deferred tax asset	50,078	6,290
Tax expense / (income)	**18,337**	**17,113**

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

Net deferred tax assets comprise the following:

	As of 1 January 2010	Credit / (charge) to income statement	As of 31 December 2010	Credit / (charge) to income statement	As of 31 December 2011
Financial instruments	-	(848)	(848)	1,894	1,046
Tax loss carry forwards	2,371	751	3,122	453	3,575
Basis differences in non-current assets	3,049	2,261	5,310	(2,018)	3,292
Other	-	77	77	293	370
Net deferred tax assets	**5,420**	**2,241**	**7,661**	**622**	**8,283**

(in thousand of Euro)

13. Taxation (continued)

Net deferred tax liability comprises of the following:

	As of 1 January 2010	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2010	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2011
Tax loss carry forwards	6,544		704		7,248		(2,835)		4,413
Other	(2,087)		1,773		(314)		1,361		1,047
Financial instruments	1,083	697	(3,496)	(372)	(2,088)	(440)	(9,446)	359	(11,615)
Basis differences in non-current assets	(122,879)		(9,029)		(131,908)		14,447		(117,461)
Net deferred tax liability	**(117,339)**	**697**	**(10,048)**	**(372)**	**(127,062)**	**(440)**	**3,527**	**359**	**(123,616)**

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

Tax rate	Year ended 31 December 2011	Year ended 31 December 2010
Poland	19%	19%
Hungary	19%	10%
Ukraine	25%	25%
Bulgaria	10%	10%
Slovakia	19%	19%
Serbia	10%	10%
Croatia	20%	20%
Russia	20%	20%
Romania	16%	16%
Cyprus	10%	10%
The Netherlands	25.5%	25.5%

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.

13. Taxation (continued)

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 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 the Group's countries than in countries that have a more established taxation system.

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 2011 (2010) available in the amount of Euro 128 million (Euro 132 million). The expiry dates of these tax losses as of 31 December 2011 are as follows: Within one year- Euro 4 million, Between 2-4 years- Euro 25 million, Five years and afterwards – Euro 99 million.

(in thousand of Euro)

14. Property, Plant and Equipment

The movement in property, plant and equipment for the periods ended 31 December 2011 and 31 December 2010 was as follows:

	Equipment	Vehicles	Total
Cost			
As of 1 January 2010	1,771	1,216	2,987
Additions	1,374	94	1,468
Disposals	(27)	(35)	(62)
Translation differences	13	(4)	9
As at 31 December 2010	**3,131**	**1,271**	**4,402**
Accumulated Depreciation			
As of 1 January 2010	1,192	676	1,868
Charge for the period	360	187	547
Disposals	(24)	(10)	(34)
Translation differences	(1)	(3)	(4)
As at 31 December 2010	**1,527**	**850**	**2,377**
Net book value as at 31 December 2010	**1,604**	**421**	**2,025**
Cost			
As of 1 January 2011	**3,131**	**1,271**	**4,402**
Additions	307	290	597
Disposals and other decreases	(381)	(151)	(532)
Foreign exchange differences	(3)	-	(3)
As at 31 December 2011	**3,054**	**1,410**	**4,464**
Accumulated Depreciation			
As of 1 January 2011	**1,527**	**850**	**2,377**
Charge for the period	304	253	557
Disposals	(30)	(280)	(310)
Foreign exchange differences	-	-	-
As at 31 December 2011	**1,801**	**823**	**2,624**
Net book value as at 31 December 2011	**1,253**	**587**	**1,840**

(in thousand of Euro)

15. 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:

	Year ended 31 December 2011	Year ended 31 December 2010
Completed investment property	1,330,614	1,617,397
Investment property under construction at fair value	64,195	201,223
Investment property under construction and Landbank at cost, net of impairment	309,080	298,989
Total	**1,703,889**	**2,117,609**

The movement in investment property for the periods ended 31 December 2011 and 31 December 2010 was as follows:

	Year ended 31 December 2011	**Year ended 31 December 2010**
Carrying amount at beginning of the year	2,117,609	1,971,915
Additions, including:		
Capitalised subsequent expenditure	154,537	114,477
Purchase of shares in subsidiaries	29,251	60,275
Adjustment to fair value	(121,911)	44,105
Impairment / reversal of impairment	(105,339)	2,563
Reclassified to inventory	1,989	-
Reclassified to held for sale	(134,100)	-
Disposals	(237,565)	(78,900)
Translation differences	(582)	3,174
Carrying amount at the end of the year	**1,703,889**	**2,117,609**

During the three months period ended 31 December 2011, the fair value adjustments and impairments amounted to Euro 98.5 million.

(in thousand of Euro)

15. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Fair value of properties completed in prior years	(71,075)	38,161
Fair value of newly completed properties	(47,972)	(4,089)
Fair value of property under construction	(2,864)	10,033
Impairment adjustment	(105,339)	2,563
Impairment of goodwill, receivable and accruals	(7,702)	-
	(234,952)	**46,668**

Assumptions used in the valuations as of 31 December 2011 and 31 December 2010, based on weighted averages are presented below:

	31 December 2011	31 December 2010
Completed assets		
Average rental rate per sqm (Eur) (*)	15.9	19.7
Yield	8.1%	7.8%
ERV per sqm (Eur) (*)	16.2	19.1
Long term Vacancy	0%-5%	0%-5%
Current vacancy	13%	17%
Vacancy duration assumed in valuation (months)	24	23
Assets under construction (only assets at fair value)		
Average yield	8.7%	9%
Average % complete	53%	62%

In the Valuation reports of the properties, the valuer assumed a potential impact due to future lease incentives to be granted in order to secure new lease contracts, in the amount to up to 8 months rental income and fitout contribution ranging from €35 to €100 per sqm. All these estimates are based on average conditions applicable in the various local markets in which the Company operates.

(*) Apart from basic rent, includes income from parking, add-on factors, and other income.

(in thousand of Euro)

15. Investment Property (continued)

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2011 and 2010 due to change in underlying assumptions (the values are presented in absolute numbers as a change can either be positive or negative):

	31 December 2011	31 December 2010
Completed investment property		
Change of 25 bp in yield	41,766	52,079
Change of 5% in estimated rental income	68,468	81,378
Investment property under construction		
Change of 25 bp in yield	1,839	18,479
Change of 5% in estimated rental income	4,665	10,200

In order to estimate the impact of the yield change on the profit, the Company has considered the ratio between the yield change and average yield in the portfolio. This ratio was then multiplied by the total value of investment property.

In order to estimate the impact of the estimated rental income change on the profit, the Company has considered the ratio between the yield estimated rental income and average estimated rental income in the portfolio. This ratio was then multiplied by the total value of investment property.

Management is following closely the continuation of European debt crisis and impact that it has on European financial markets.

In the second half of 2011, contradictory to earlier expectations and forecasts, the macro economic situation in Europe has worsened further, which resulted in significant deterioration of purchasing power and contraction of consumption of households. Management has observed international retailers stopping their expansion plans and large corporations reducing their work force, in particular in Hungary, Romania, Bulgaria, Slovakia and Croatia.

At the beginning of 2011 the Management assumed, based on market improvements, that macroeconomic situation will recover. This assumption has been revised in the second half of the year. The Management now assumes that the expected horizon for such recovery is now uncertain.

Management has taken a prudent view and took a proactive role in assessing the value of its properties portfolio and landbank in the view of the current macroeconomic environment, applying an utmost care to that process. The assessment was supported and confirmed by external valuers.

15. Investment Property (continued)

Management, has conducted a thorough, asset by asset, review of the whole portfolio, in parallel to its decision to focus the Company's new developments efforts, solely on the strongest markets, whilst supporting only the projects, which give the strongest mid-term upside potential. Concurrently, the Management decided to reduce the cash allocation towards projects that has longer term investment horizon.
The above implied re-assessment of some of GTC's landbank projects development timetable, and rescheduling them to a later stage.

Additionally, in some cases, due to the decline in consumption and deteriorating of purchasing power in relevant catchment areas around certain completed and cash generating assets in SEE, the timetable for stabilization of had to be re-assessed, and consequently expectations for stabilized income were deferred.

Moreover these conditions create increased valuation uncertainty as ongoing economic uncertainty further weakened commercial and residential real estate market in Europe during the year 2011.

Completed assets were revalued based on Discounted cash flow or - as deemed appropriate – on basis of the Income Capitalisation or Yield method. Assets under construction and impaired assets were revalued based on Residual method.

Certain properties under construction are carried at cost, as pre-letting and / or construction has not yet started. Accordingly, those assets are not yet qualified as assets to be presented at fair value. For those assets, an impairment test was performed by external valuers. The impairment test was conducted on the basis of the Residual value or Comparison methods. In Residual method, an average yield of 7.5%-9.75% was applied, and a theoretical third-party developers' profit of 15%-27% was deducted . There is no reason to believe that any further impairment has arisen as of the balance sheet date.

Real estate under construction carried at cost includes borrowing costs incurred in connection with the construction of the projects. As of December 31, 2011 borrowing costs capitalized as real estate under construction amounted to € 1,906 thousand, (2010: € 2,483 thousand). During 2011 (2010) interest was capitalized to real estate under construction carried at cost at an average rate of 5% p.a. (5% p.a.).

(in thousand of Euro)

16. Inventory and Residential landbank

Inventory as of 31 December 2011 and 2010 consists of the following:

	31 December 2011	31 December 2010
Completed residential units	79,821	74,550
Under construction	-	70,542
Landbank (*)	101,721	109,104
	181,542	**254,196**

(*) Within the landbank an amounts of Euro 74,326 (2011) and 52,389 (2010) thousand were presented within non-current assets

The movement in inventory for the periods ended 31 December 2011 and 31 December 2010 was as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Opening balance	**254,196**	**270,848**
Project Construction	13,088	29,455
Reclassified to investment property	(1,989)	-
Write down to net realisable value	(61,017)	(3,501)
Cost of units sold	(22,736)	(42,606)
Closing balance	**181,542**	**254,196**

External valuers have conducted an impairment test for each of the residential projects. The impairment test was conducted using the Residual method or Comparison method. In Residual method, a third-party theoretical developers' profit of 15%-20% was deducted. These impairment tests indicated an impairment of approximately €61 million, mainly due to a delay in the projected commencement date and a decrease of the future expected sales' prices. During the three months period ended 31 December 2011, the write down adjustments of residential inventory and landbank amounted to Euro 20 million.

Borrowing costs related directly to residential developments were capitalized during the years 2011 and 2010 in the amount of Euro 600 and Euro 2,708 respectively.

(in thousand of Euro)

17. Investment in associates

The investment in associates comprises the following:

	31 December 2011	31 December 2010
Shares	5,648	5,259
Translation differences	25	(90)
Equity profit, net of dividend	1,998	8,045
Investment in shares	7,671	13,214
Loans granted	46,800	43,132
Investment in associates	**54,471**	**56,346**

The loans finance investments in those associates. The loans and interest do not have specified maturity date and are denominated in EUR with the interest based on EURIBOR plus margin. The maturity of loans is expected to be over one year.

Selected financial information of the associates comprises of the following (Group share):

	31 December 2011	31 December 2010
Assets	107,743	113,442
Liabilities	101,253	99,096
	Year ended 31 December 2011	Year ended 31 December 2010
Revenues from operations	14,621	20,786
Profit for the year	(4,666)	4,667

(in thousand of Euro)

18. Derivatives

The Company holds instruments that hedge the risk involved in fluctuations of interest rate and currencies rates.
The movement in derivatives for the periods ended 31 December 2011 and 31 December 2010 was as follows:

	31 December 2011	31 December 2010
Fair value as of beginning of the year	(69,295)	(76,775)
Charged to other comprehensive income	3,099	(3,470)
Charged to income statements	(37,910)	10,950
Disposals	2,572	-
Fair value as of end of the year	(101,534)	(69,295)

19. Trade and other payables

The majority of trade creditors and accruals relates to payables due to construction activity.

20. Short and long term deposits

Short-term and long-term deposits can be used only for certain operating activities as determined by underlying contractual commitments.

21. 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.

22. Other expenses

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

(in thousand of Euro)

23. Long-term loans

Long-term loans comprise the following:

	31 December 2011	31 December 2010
Bonds seria 0414	164,823	181,805
Bonds seria 0412	18,301	20,201
Bonds seria 0513	79,937	88,377
Loan from Berlin Bank (Rodamco CH1)	-	100,593
Loan from Pekao (GTC Galeria Kazimierz)	42,806	43,590
Loan from WBK (Globis Poznan)	16,434	16,940
Loan from WBK 1 (Galileo)	5,987	11,152
Loan from WBK 2 (Newton)	11,155	6,248
Loan from WBK 3 (Edison)	11,843	12,224
Loan from BPH Bank (Globis Wroclaw)	27,344	27,914
Loan from ING (Nothus)	16,956	17,316
Loan from ING (Zefirus)	16,956	17,316
Loan from ING (Platinium 1)	19,770	20,196
Loan from ING (Platinium 2)	19,770	20,196
Loan from Berlin Hyp (Platinium 3)	19,400	19,800
Loan from ING (Platinium 4)	21,321	-
Loan from Berlin Hyp (Platinium 5)	2,858	-
Loan from WBK (Kazimierz office)	28,913	29,309
Loan from Pekao (Galeria Jurajska)	108,127	110,269
Loan from Berlin Hyp (UBP)	27,827	28,046
Loan from ING (Francuska)	17,895	25,007
Loan from MKB (Centre Point I)	24,501	25,901
Loan from MKB (Centre Point II)	28,702	30,328
Loan from CIB (Metro)	22,192	20,980
Loan from MKB (Spiral)	20,286	21,254
Loan from Erste (Reinesance)	6,109	6,109
Loan from MKB (Sasad Resort)	13,475	18,708
Loan from EBRD and Raiffeisen Bank (GTC House)	15,550	16,879
Loan from EBRD and Raiffeisen Bank (19 Avenue)	14,450	15,613
Loan from EBRD and Raiffeisen Bank (Block 41)	20,746	22,221
Loan from Raiffeisen Bank (Green Dream)	3,893	3,891
Loan from Unicredit (Felicity)	28,103	28,523
Loan from RZBR (Rose Garden)	20,748	23,448
Loan from Alpha (Citygate)	99,428	80,000
Loan from EBRD and Raiffeisen Bank (NCC)	29,130	30,619
Loan from EBRD and Raiffeisen Bank (Arad)	33,042	8,743
Loan from MKB and Zagrabecka Banka (Eurostructor)	39,036	43,868
Loan from EBRD and Raiffeisenbank Austria (Osijek)	18,000	6,247
Loan from MKB and OTP (Galeria Varna)	24,725	25,006
Loan from EBRD and Unicredit (Stara Zagora)	28,792	28,894
Loan from EBRD (Burgas)	12,386	999
Loan from VUB Bank (Jarosowa)	2,938	-
Loan from Unicredit (Vinyard)	6,411	18,809
Loans from minorities in subsidiaries	111,340	116,063
Deferred issuance debt expenses	(9,132)	(11,494)
	1,293,274	**1,378,108**

(in thousand of Euro)

23. Long-term loans (continued)

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

	31 December 2011	31 December 2010
Long term portion of long term loans:		
Bonds seria 0414	163,014	181,805
Bonds seria 0412	-	20,201
Bonds seria 0513	79,243	88,377
Loan from Berlin Bank (Rodamco CH1)	-	99,231
Loan from Pekao (GTC Galeria Kazimierz)	41,984	42,805
Loan from WBK (Globis Poznan)	15,927	16,433
Loan from WBK 1 (Galileo)	5,515	5,911
Loan from WBK 2 (Newton)	10,742	10,695
Loan from WBK 3 (Edison)	11,453	11,840
Loan from BPH Bank (Globis Wroclaw)	26,739	27,344
Loan from ING (Nothus)	16,596	16,956
Loan from ING (Zefirus)	16,596	16,956
Loan from ING (Platinium 1)	-	19,770
Loan from ING (Platinium 2)	-	19,770
Loan from Berlin Hyp (Platinium 3)	-	19,400
Loan from Berlin Hyp (Platinium 5)	2,858	
Loan from WBK (Kazimierz office)	28,458	28,923
Loan from Pekao (Galeria Jurajska)	105,897	108,192
Loan from Berlin Hyp (UBP)	27,039	28,046
Loan from ING (Francuska)	17,895	25,007
Loan from MKB (Centre Point I)	23,051	24,501
Loan from MKB (Centre Point II)	27,076	28,702
Loan from CIB (Metro)	21,352	20,171
Loan from MKB (Spiral)	17,459	16,993
Loan from EBRD and Raiffeisen Bank (GTC House)	14,200	15,305
Loan from EBRD and Raiffeisen Bank (19 Avenue)	13,225	14,450
Loan from EBRD and Raiffeisen Bank (Block 41)	19,170	20,783
Loan from Unicredit (Felicity)	-	28,523
Loan from RZBR (Rose Garden)	-	22,000
Loan from Alpha (Citygate)	97,028	77,750
Loan from EBRD and Raiffeisen Bank (NCC)	27,597	29,181
Loan from EBRD and Raiffeisen Bank (Arad)	29,203	8,561
Loan from MKB and Zagrabecka Banka (Eurostructor)	34,582	38,293
Loan from EBRD and Raiffeisenbank Austria (Osijek)	16,650	6,247
Loan from MKB and OTP (Galeria Varna)	-	24,732
Loan from EBRD and Unicredit (Stara Zagora)	-	26,456
Loan from EBRD (Burgas)	12,251	-
Loan from VUB Bank (Jarosowa)	2,613	-
Loans from minorities in subsidiaries	111,340	116,063
Deferred issuance debt expenses	(7,541)	(11,494)
	1,029,212	**1,294,879**

(in thousand of Euro)

23. Long-term loans (continued)

	31 December 2011	**31 December 2010**
Current portion of long term loans:		
Bonds seria 0414	1,809	-
Bonds seria 0513	694	-
Bonds seria 0412	18,301	-
Loan from Berlin Bank (Rodamco CH1)	-	1,362
Loan from Pekao (GTC Galeria Kazimierz)	822	785
Loan from WBK (Globis Poznan)	507	507
Loan from WBK 1 (Galileo)	472	457
Loan from WBK 2 (Newton)	413	337
Loan from WBK 3 (Edison)	390	384
Loan from Berlin Hyp (UBP)	788	-
Loan from Pekao (Galeria Jurajska)	2,230	2,077
Loan from BPH Bank (Globis Wroclaw)	605	570
Loan from ING (Nothus)	360	360
Loan from ING (Zefirus)	360	360
Loan from ING (Platinium 1)	19,770	426
Loan from ING (Platinium 2)	19,770	426
Loan from Berlin Hyp (Platinium 3)	19,400	400
Loan from ING (Platinium 4)	21,321	-
Loan from WBK (Kazimierz office)	455	386
Loan from MKB (Centre Point I)	1,450	1,400
Loan from MKB (Centre Point II)	1,626	1,626
Loan from Erste (Reinesance)	6,109	6,109
Loan from MKB (Sasad Resort) (3)	13,475	18,708
Loan from CIB (Metro)	840	809
Loan from MKB (Spiral)	2,827	4,261
Loan from EBRD and Raiffeisen Bank (GTC House)	1,350	1,574
Loan from EBRD and Raiffeisen Bank (19 Avenue)	1,225	1,163
Loan from EBRD and Raiffeisen Bank (Block 41)	1,576	1,438
Loan from EBRD and Unicredit (Stara Zagora) (2)	28,792	2,438
Loan from MKB and OTP (Galeria Varna) (1)	24,725	274
Loan from EBRD (Burgas)	135	999
Loan from MKB and Zagrabecka Banka (Eurostructor)	4,454	5,575
Loan from EBRD and Raiffeisenbank Austria (Osijek)	1,350	-
Loan from EBRD and Raiffeisen Bank (NCC)	1,533	1,438
Loan from EBRD and Raiffeisen Bank (Arad)	3,839	182
Loan from Alpha (Citygate)	2,400	2,250
Loan from RZBR (Rose Garden)	20,748	1,448
Loan from Unicredit (Felicity)	28,103	-
Loan from Raiffeisen Bank (Green Dream)	3,893	3,891
Loan from VUB Bank (Jarosowa)	325	-
Loan from Unicredit (Vinyard)	6,411	18,809
Deferred issuance debt expenses	(1,591)	-
	264,062	**83,229**

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.

23. Long-term loans and bonds (continued)

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. The fair value of the pledged assets exceeds the carrying value of the related loans.

As of 31 December, 2011 the borrowing companies meet the financial covenants, unless specified herein:

(1) With respect to a €24.7 million loan from MKB and OTP granted to a subsidiary (Varna Mall, Bulgaria), covenants relating to DSCR ratio and time schedule of the financed project were not met as of the balance sheet date. As a result, the Company reclassified the loan as a current liability. Nevertheless, in March 2012, the Company signed an annex with the bank that refrained from demanding an early repayment.

(2) With respect to a €28.8 million loans from EBRD and Unicredit granted to a subsidiary (Stara Zagora Mall, Bulgaria), covenants relating to DSCR ratio of the financed project were not met as of the balance sheet date. As a result, the Company reclassified the loan as a current liability. The Company and the subsidiary currently conduct discussions with the lending Banks for possible amendments to the loan agreement.

(3) Loans borrowed from MKB Bank to finance Sasad Resort Residential project("SR1" and "SR2" loans), were scheduled for repayment on December 15, 2011, however, were not paid as the maturity date was under negotiations. Prior to the balance sheet date, MKB Bank and the Management have agreed in a form of a term sheet that the maturity dates of the loans shall be amended as following: Eur 3,000 shall be repaid within 60 days from signing the amendment to the Loan; Eur 1,734 shall be repaid until 30 June, 2012; and Eur 8,741 shall be repaid until 31 December 2014.

(in thousand of Euro)

(4)

24. Capital and Reserves

As at 31 December 2011, the shares structure was as follows:

Number of Shares	Share series	Total value In PLN	Total value in Euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
219,372,990		**21,937,299**	**4,741,050**

All shares are entitled to the same rights.

The number of shares in the reported period has not been changed.

In January 2011, GTC Real Estate Holding sold 16.00% of the Company's share capital. In the third quarter of 2011, GTC Real Estate Holding bought 0.6% of the Company's share capital. As of 31 December 2011, GTC Real Estate Holding held 60,882,815 shares, which constitute 27.75% of total shares.

Other shareholders who as at 31 December 2011 held above 5% of the Company shares were as follows:

- ING OFE
- AVIVA OFE BZ WBK (previously Commercial Union OFE BPH CU WBK)

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

On 5 May 2011, the Company held an annual shareholders meeting. The annual shareholders meeting decided that the profit for the year 2010 presented in the financial statements of Globe Trade Centre S.A. prepared in accordance with the Polish Accounting Standards shall be presented under Retained earnings.

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

(in thousand of Euro)

24. Capital and Reserves (continued)

Phantom shares

Certain key management personnel are entitled to the Company Phantom Shares.

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 settlement price ("strike") amount per share (adjustable for dividend).

The expense recognized during the period is shown below:

	Year ended 31 December 2011	Year ended 31 December 2010
Expenses arising from equity settled share based payments	525	1,980
Expenses arising from cash settled share based payments	(3,489)	4,174
	(2,964)	**6,154**

Scheme 1- As at 31 December 2011, phantom shares issued were as follows:

Grant Date (*)	Lst.Ex.Date	Strike (PLN/share)		Total units
		18.15	22.50	
17/03/2009	31/12/2012	1,200,000	700,000	1,900,000
17/03/2009	31/12/2014	225,000	225,000	450,000
05/01/2009	31/12/2015	1,104,000	-	1,104,000
	Total	**2,529,000**	**925,000**	**3,454,000**

(*) Original grant date was 2007; however in 2009 there were changes in the scheme

The Phantom shares (as presented in above mentioned table) have been provided for assuming equity payments will be effected, as the Company assesses that Scheme 1 is more likely to be settled in equity.

(in thousand of Euro)

24. Capital and Reserves (continued)

Scheme 2- As at 31 December 2011, phantom shares issued were as follows:

Grant Date	Lst.Ex.Date	Strike (PLN/share)			Total units
		20.00	22.00	22.50	
15/08/2010	31/12/2013	-		100,000	100,000
29/11/2010	30/06/2014	-	621,000	-	621,000
29/11/2010	31/12/2014	-	1,125,000	-	1,125,000
09/11/2010	31/12/2015	200,000		-	200,000
29/11/2010	31/12/2015	-	2,062,000	-	2,062,000
13/07/2011	31/12/2016	-	300,000	-	300,000
	Total	**200,000**	**4,108,000**	**100,000**	**4,408,000**

The Phantom shares (as presented in above mentioned table) have been provided for assuming cash payments will be effected, as the Company assesses that Scheme 2 is more likely to be settled in cash.

In October 2011, a key management personnel has forgiven 2,992,000 phantom options with a fair value of Euro 616 thousand as of 31 December 2011.

The Company uses Whaley model to calculate the value of options as of the granting date. In the valuation the Company uses half year volatility. As of 31 December 2011 the average fair value of shares options amount to Euro 1.2 per option (2010: Euro 2.2).

(in thousand of Euro)

25. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
Net profit (loss) after tax (EURO) attributable to equity holders	(270,364,000)	41,936,000
Weighted average number of shares for calculating basic earnings per share	219,372,990	219,372,990
Basic earnings (loss) per share (EURO)	(1.23)	0.19
Weighted average number of shares for calculating diluted earnings per share	219,372,990	220,031,748
Diluted earnings (loss) per share (EURO)	(1.23)	0.19

	Year ended 31 December 2011	Year ended 31 December 2010
Weighted average number of shares for calculating basic earnings per share	219,372,990	219,372,990
Adjustment for phantom shares	-	658,758
Weighted average number of shares for calculating diluted earnings per share	219,372,990	220,031,748

(in thousand of Euro)

26. Loans granted

The loans finance investments in Joint Ventures. The loans and interest do not have specified maturity date and are denominated in EUR with the interest based on EURIBOR plus margin. The maturity of loans is expected to be over one year.

27. Proportionate consolidation

The Company proportionally consolidated assets and liabilities where it has joint control (see note 5).

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

:

	31 December 2011	31 December 2010
Cash	3,586	11,298
Non current assets	146,448	345,869
Current assets (other than cash)	2,187	3,407
Long term liabilities	(111,334)	(233,703)
Current liabilities	(1,725)	(5,707)
Net assets	**39,162**	**121,164**
Income	79,890	46,839
Expenses	(23,052)	(22,207)
Profit for the year	**56,838**	**24,632**

(in thousand of Euro)

28. Related party transactions

Service and consultancy fees relate to management services provided by GTC Holdings, and Kardan Real Estate, for the benefit of the Group companies.

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

The transactions and balances with related parties are presented below:

	Year ended 31 December 2011	Year ended 31 December 2010
Transaction		
Service and consultancy fees from parent/ultimate parent	289	308
Balances		
Receivable in relation with Supervisory board member	-	11
Loans granted to associates	46,800	43,132
Loans granted to joint ventures	21,707	19,644
Loans granted to management board members	-	25
Creditors	(4,489)	(970)
Financial liability	-	(400)

Management and Supervisory Board remuneration for the year ended 31 December 2011, amounted to Euro 4,956 thousand, and 1,155,528 phantom shares were vested. Management and Supervisory Board remuneration for the year ended 31 December 2010, amounted to Euro 2,500 thousand, 490,000 phantom shares were vested.

29. Commitments, contingent liabilities and Guarantees

As of 31 December 2011 and 31 December 2010, the Group had commitments contracted for in relation to future building construction, amounting to Euro 61 million and 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.

GTC gave guarantees to third parties in order to secure construction cost-overrun and loans of its subsidiaries. As of 31 December 2011 and 31 December 2010, the guarantees granted amounted to Euro 221 million and Euro 183 million, respectively.

In 2006 two of the Serbian subsidiaries ("the subsidiaries") have engaged a general contractor for constructing two of its projects, Avenue 19 and GTC Square, both located in Belgrade. Following issuance of take over certificate and completion of works for the two projects, the general contractor filed a claim for additional costs and which the subsidiaries rejected and counterclaimed damages for delay and general damages from the contractor.

Further on, the general contractor initiated arbitration proceedings before the commercial court against the subsidiaries claiming additional payment of € 15.8 millions for both projects. The above subsidiaries refused this payment and filled a counterclaim of € 18.6 millions in respect of amounts overpaid, contractual penalties and additional damages for delay of the construction. The independent supervisory engineer that has been appointed in accordance with the original agreement between the parties supports the position taken by the subsidiaries. As the independent supervisory engineer is supporting the subsidiaries claim and based on the assumption that the supervisory engineer is best placed to assess the positions of the parties, we and our legal advisers believe that the subsidiaries are more likely to prevail in arbitration proceedings.

City Gate SRL and City Gate Bucharest SRL filed a VAT reimbursement claim for the period up to September 30, 2009, in the amount of approximately € 14 million. The VAT authorities in Romania rejected an amount of € 8.2 million. Based on the fiscal code, both companies filed an appeal against the VAT authorities' decision claiming to full reimbursement of the VAT receivables. In December 2010, the VAT authorities sent a letter to both companies stating that they canceled the initial decision and will re-audit the related invoices during 2011.
During July 2011 the appeal of both subsidiaries was accepted. Accordingly during 2011 the entire VAT receivable was reimbursed.

(in thousand of Euro)

30. 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 raise finance for 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 collar transactions.

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

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

	31 December 2011	31 December 2010
50bp increase in Euribor rate	(1,542)	(2,665)
50bp decrease in Euribor rate	1,542	2,665

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 income with that of the expenditures or obtaining an appropriate currency hedge instruments.

(in thousand of Euro)

30. Financial instruments and risk management (continued)

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

	2011 PLN/Euro				2010 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	3,178	1,589	(1,589)	(3,178)	7,494	3,747	(3,747)	(7,494)
Trade and other receivables	532	266	(266)	(532)	450	225	(225)	(450)
Trade and other payables	(738)	(369)	369	738	(3,446)	(1,723)	1,723	3,446
Hedge	31,488	15,744	(15,744)	(31,488)	31,488	15,744	(15,744)	(31,488)
Bonds	(31,488)	(15,744)	15,744	31,488	(31,488)	(15,744)	15,744	31,488

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

Credit risk

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

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

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

The maximum exposure to credit risk as of the reporting date, without taking into account collateral is the full amount presented. The Company cooperates with reputable banks.

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

30. Financial instruments and risk management (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding its investments and timely servicing its debt and maintaining sufficient working capital resources.

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

	31 December 2011	**31 December 2010**
First year	326	145
Second year	152	159
Third year	258	175
Fourth year	99	346
Fifth year	67	78
Thereafter	662	823
	1,564	**1,726**

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

30. Financial instruments and risk management (continued)

Fair Value

As of 31 December 2011 and 2010, all loans bear floating interest rate (however, the majority are hedged).
Therefore, the fair value of the loans which is related to the floating component of the interest equals to the market rate.

As it is impractical to measure the fair value of the loans' component which is related to the fixed interest margin, the Company presents the sensitivity of the profit (loss) before tax as of 31 December 2011 and 2010 to change in interest margin.

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

Fair value of other financial assets and liabilities approximates their book value presented in these financial statements.

Fair value hierarchy
As at 31 December 2011, 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 2011 and 31 December 2010, there were no transfers between Level 1 and Level 3 fair value measurements.

(in thousand of Euro)

30. Financial instruments and risk management (continued)

Market risk

The Group operates in the real estate development industry in several countries in CEE. The group is exposed to fluctuations of in the real estate markets in which it operates. These can have an effect on the Company's results.

Capital management

The primary objective of the Group's capital management is to ensure capital preservation and maintaining healthy capital ratios in order to support its business and maximise shareholder value.
The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment of loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 31 December 2010.
The Group monitors capital using a gearing ratio, which is net loans divided by its investment in real estates. The Group's policy is to keep the gearing ratio between 40% and 60%.

	31 December 2011	31 December 2010
Loans and derivatives, net of cash and deposits	1,215,927	1,217,475
Investment properties, inventory and assets held for sale	2,019,531	2,371,805
Gearing ratio	60%	51%

31. Subsequent events

There were no subsequent events.

32. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 2 March 2012.

Ernst & Young Audit sp. z o.o.
Rondo ONZ 1
00-124 Warszawa
Tel. +48 22 557 70 00
Faks +48 22 557 70 01
warszawa@pl.ey.com
www.ey.com/pl

INDEPENDENT AUDITORS' OPINION

To the Shareholders of Globe Trade Centre S.A.

We have audited the attached consolidated financial statements of Globe Trade Centre Group ('the Group'), for which the holding company is Globe Trade Centre S.A. ('the Company'), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements ("the attached consolidated financial statements").

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of the attached consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the attached consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the attached consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the attached consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

We also reported separately on the consolidated financial statements of Globe Trade Centre S.A. for the same period prepared in accordance with the International Financial Reporting Standards, as adopted by the EU using Polish zloty as the presentation currency.

Ernst & Young Audit sp z o.o.

Ernst &Young Audit sp. z o.o.

Warsaw, 2 March 2012