CONSOLIDATED ANNUAL REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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Content of the consolidated annual report:

Letter of the Management Board

Management Board's report on the activities of Globe Trade Centre S.A. Capital Group in the financial year ended 31 December 2012

Report on the application of the principles of corporate governance for the financial year ended 31 December 2012

Management Board's representations

Opinion of the independent auditor

Consolidated financial statements for the financial year ended 31 December 2012

Dear Readers,

In 2012, the European economy was still affected by the crisis that had started four years earlier and forced real estate companies to shift their priorities and adjust strategies to the current market situation. In the today's reality, the activity of developers is strongly influenced by limitation of the money supply by banks, reduced investor interest, limited expansion of tenants, and deterioration in the purchasing power of customers in selected countries. GTC Group, linked indissolubly with the international financial markets, has also faced unfavorable external factors. However, thanks to appropriate preventive measures undertaken in due course, the Company achieved to its primary goals set for the year.

GTC's exposure to the markets of South-eastern Europe, adversely reflected in the valuation of selected assets, was partially off-set by a large presence on the stable Polish market. With around half of the property portfolio located in Poland – one of the most stable economies in Europe – our business remains secure. On the other side, the results of GTC have been influenced by a deteriorating economic situation in such countries like Romania or Bulgaria. Nonetheless, the Company believes that SEE region continues to offer growth opportunities in the mid- and long-term perspective.

GTC's management team has been constantly monitoring all the projects of the Company and has prepared a detailed plan with certain targets that helps to overcome the obstacles and improve the operations. The first and one of the most important targets, the rights issue, was achieved in the middle of 2012 and increased cash position by approximately €100m. The subscription for the new shares was more than two times oversubscribed. It indicated very clearly that GTC remains attractive to investors and there is a lot of confidence in the Company's business plan.

Following that, GTC took further steps to improve its balance sheet and operating results. At the end of October the Company finalized the sale of four buildings of Platinium Business Park in Warsaw at the property valuation of €139m, which was one of the largest transactions on the Polish market last year. GTC also managed to extend maturity of €73m of its bonds until 2017-2018 by issuing new bonds in exchange for the existing ones.

The Company took also steps to further improve its operating results concentrating on maximization of the income from its investment properties and minimizing cost of operations. As a result of all the actions taken by the Management the Company was able to improve its cash flow from operating activities from €71 million in 2011 to €79 million in 2012.

In 2012, GTC continued its cautious investment policy while ensuring the maintenance of its credibility among leading banks and the fulfillment of its current liabilities. At the beginning of the year, it resolved in a timely manner some technical issues regarding a reset of covenants in relation to project finance loans with a total amount of €97 million. The successful closing of renegotiations with its lenders resulted in the reclassification of these liabilities to long term liabilities, which improved the Company's cash flow profile.

Last year GTC completed three commercial projects with a total net leasable area of nearly 58,000 sq m in Poland and Bulgaria. Those properties were already significantly leased at the time of completion. In total, as at the end of 2012, GTC owned completed commercial properties with a net area of 561,000 .

GTC has continued to benefit from its ability to deliver high quality space and from its track record of providing tailor-made solutions for companies from various business sectors. In 2012, GTC signed a significant number of new lease agreements and renewals for office and retail space, which improved the overall occupancy and had a

positive impact on cash flow and the valuation of certain assets in the portfolio. The Company also continued to intensify our activities within property management.

In 2012, GTC was able to confirm its leading position in various contests and surveys related to the real estate industry. The Company has been named Best Overall Developer in Romania and Serbia, and Best Mixed Developer in Poland in the Real Estate Survey organized by the international finance magazine Euromoney. The panel of specialist singled out GTC for the quality and scale of its development projects, its skilful assessment, innovations and effective management. On the other hand, placing increasingly greater stress on the sustainable and pro-ecological nature of our properties resulted in three prestigious LEED® Gold for Core and Shell certificates awarded to Platinium Business Park V and Corius office building, as well as to Galleria Burgas, which is the first retail facility in Bulgaria meeting the harsh criteria of LEED certification.

Investment risk in Poland is still lower than in other countries, and financing for development projects is available. These are the key facts that induce us to carry out two retail investments in Warsaw. The planned shopping centres in the Wilanów and Białołęka districts of Warsaw, located in affluent and densely populated neighborhoods 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 are under advanced preparations and will be started as soon as all permits will be obtained. They already enjoy great interest from major international tenants.

GTC is an experienced company with good reputation and long-term relations with leading financial institutions and reputable tenants. By deleveraging and increasing the financial liquidity, GTC demonstrates strong improvement, especially in view of the volatile market environment. GTC is determined to continue the efforts for implementing its business plan including development of its key selected projects. The Management Board assumes that despite turbulent times, opportunities for growth can be found by developers that have interesting projects, hold a sufficient amount of cash, and are capable of raising bank loans, while at the same time holding down the cost of debt financing. Such companies, and we believe that GTC is one them, will also be in a privileged position when the market makes a clear return to the growth path, during the period of increasing demand. With its projects, GTC is well-positioned and prepared to take advantage of macroeconomic improvement and further expansion in selected countries of its activity.

Sincerely,

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

GLOBE TRADE CENTRE S.A.

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP IN THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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Item 1. Introduction

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 in the real estate market for approximately 19 years.

The Group's portfolio comprises: (i) completed office buildings and office parks as well as retail and entertainment centres (commercial real estate); (ii) residential projects; and (iii) undeveloped plots of land (including suspended projects) (landbank).

Since its establishment, the Group has developed approximately 950 thousand sq m of NRA of commercial space (office and retail) and approximately 300 thousand sqm of residential space. The Group has sold approximately 314 thousand sq m of NRA in completed commercial properties and approximately 237 thousand sqm of residential space.

As of the date of this Report the Group's portfolio in Poland Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia and Russia comprises the following properties:

- completed commercial properties with a combined NRA of approximately 613 thousand sq m, of which the Group's proportional interest amounts to 549 thousand sq m of NRA (including assets held for sale);
- inventory of residential units totaling 63 thousand sq m; and
- landbank designated for future development, with approximately 1.2 million sq m NRA designated for commercial use and approximately 618 thousand sq m NRA designated for residential use.

Additionally, the Group conducts operations in the Czech Republic, through its associates. The Group's proportional interest in assets in Czech amounts to approximately 27 thousand sq m of NRA in two office buildings and a shopping mall. The Group is also the co-owner of a 140 thousand sq m land plot located in Ukraine, of which the Group's proportional interest is 70 thousand sq m of NRA.

The Group's commercial properties comprise office and retail properties that account for approximately 72% of the total book value of the Group's portfolio and assets held for sale account for approximately 2% of the total book value of the Group's portfolio as of 31 December 2012. The Group's completed properties in its three most significant markets, i.e. Poland, Romania and Croatia, constitute 42%, 15% and 13% of the total value of the Group's real estate portfolio, respectively.

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.

The Group's headquarters are located in Warsaw, at ul. Wołoska 5.

In the consolidated annual report references to the Company are to Globe Trade Centre S.A. and all references to the Group or the Capital Group are references to Globe Trade Centre S.A. and its consolidated subsidiaries. Expressions such as: "Shares" relate to the shares in Globe Trade Centre S.A., which were introduced to public trading on the Warsaw Stock Exchange in May 2004 and are marked under the PLGTC0000037 code; "Bonds", "Existing Bonds" refers to the bonds issued by Globe Trade Centre S.A. in 2007 and 2008; "New bonds" refers to the bonds issued by Globe Trade Centre S.A. in 2012 and introduced to alternative trading market in December

2012 and January 2013 and marked with the ISIN codes PLGTC0000144 and PLGTC0000151; „the Report" refers to the consolidated annual report 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 conditions of qualifying as equivalent the information required by the provisions of law of a country not being a member state; "Series I shares" refers to the 100,000,000 ordinary bearer series I shares in the Company with a nominal value of PLN 0.10 each issued by the Company pursuant to a resolution of its annual general meeting dated 16 April 2012 and offered under a public offering that took place in June 2012; "CEE" refers to the group of countries that are within the region of Central and Eastern Europe (Czech Republic, Hungary, Poland and Slovakia); "SEE" refers to the group of countries that are within the region of South-eastern Europe (Bulgaria, Croatia, Romania and Serbia); "net rentable area", "NRA", or "net leasable area", "NLA" refer to the metric of the area of a given property as indicated by the real property appraisal experts for the purposes of the preparation of the relevant real property valuations. With respect to commercial properties, net leasable (rentable) area is all the leasable area of a property exclusive of non-leasable space, such as hallways, building foyers, and areas devoted to heating and air conditioning installations, elevators and other utility areas. The specific methods of calculation of NRA may vary among particular properties, which is due to different methodologies and standards applicable in the various geographic markets on which the Group operates.; "Commercial properties" refer to properties with respect to which a real estate company derives revenue from rent and includes both office and retail properties; "EUR", "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.; "PLN" or "zloty" refers to the lawful currency of Poland.

Presentation of financial information

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

All the financial data in this Report is presented in euro and expressed in thousands unless indicated otherwise. Certain financial information in this Report was adjusted by rounding. As a result, certain numerical figures 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 2012.

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 believes that industry publications, surveys and forecasts that it uses to describe the markets on which the Group operates 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 2012 and 2011. 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 2012 (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 2012.

Selected financial data is derived from the consolidated financial statements for the 12-month period ended 31 December 2012 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.

	For the twelve month period ended 31 December			
	2012		2011	
(in thousands)	€	PLN	€	PLN
Consolidated Income Statement				
Revenues from operations	147,591	617,668	153,675	633,110
Cost of operations	(57,174)	(239,273)	(58,444)	(240,778)
Gross margin from operations	90,417	378,395	95,231	392,332
Selling expenses	(3,946)	(16,514)	(7,161)	(29,502)
Administrative expenses	(18,881)	(79,017)	(20,871)	(85,984)
Profit/(loss) from revaluation/impairment of assets, net	(114,661)	(468,757)	(295,969)	(1,290,278)
Share of profit/(loss) in associates	(9,992)	(41,817)	(4,365)	(17,983)
Financial income/(expense), net	(63,931)	(267,551)	(83,976)	(345,965)
Net loss	(132,194)	(541,514)	(337,924)	(1,467,196)
Basic and diluted earnings per share (not in thousands)	(0.36)	(1.46)	(1.23)	(5.35)
Weighted average number of issued ordinary shares (not in thousands)	269,372,990	269,372,990	219,372,990	219,372,990
Consolidated Cash Flow Statement				
Net cash from operating activities	77,070	322,462	67,654	279,409
Net cash used in investing activities	110,464	457,604	(85,597)	(366,548)
Net cash from/(used in) financing activities	(102,083)	(418,599)	(30,386)	(125,185)
Cash and cash equivalents at the end of the period	228,184	932,862	141,720	625,949
Consolidated balance sheet				
Investment property	1,613,745	6,597,312	1,703,889	7,525,737
Inventory	81,916	334,889	107,216	473,552
Cash and cash equivalents	227,897	931,689	141,720	625,949
Total assets	2,152,864	8,801,337	2,309,708	10,201,519
Non-current liabilities	1,083,684	4,430,316	1,238,856	5,471,780
Current liabilities	328,449	1,342,768	347,202	1,533,524
Equity	740,731	3,028,253	723,650	3,196,215
Share capital	7,082	31,937	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 in 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. In particular, several of the Group's financing banks, have ceased to grant new loans to real estate companies. All of these factors impact the real estate market as well as decreased the values of real estate.

The crisis experienced by the financial markets slowed down the general economy in many countries, including Croatia, 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 has 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. Any of these results may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. All such events may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 EU, 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, projects under construction which cannot be accurately valued at fair value are valued at historical cost decreased by impairment, if any. Such properties 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 loss related to the revaluation of its investment properties throughout the financial year ended 31 December 2012.

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. If a substantial decrease in the fair market value of its properties occurs, over the longer term, this may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 Reports were prepared on the basis of certain forecasts and assumptions regarding the real estate market in geographic markets in which the Group operates.

The fair value of investment properties is established semi-annually (i.e. as of 30 June and 31 December of each year) by independent registered valuers based on discounted projected cash flows from the investment properties using discount rates applicable for the relevant local real estate market or, in case of some of the real properties, using the sales comparison approach. The independent registered valuators do not, however, prepare valuations for 31 March and 30 September of each year. Such valuations are reviewed internally and, if necessary, updated by the Company's management.

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, or that such valuations will not be subject to challenge by, among others, regulatory authorities. 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 Reports.

Inaccurate valuations of the Group's properties and fluctuations in valuations may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, a decrease in the value of the real estate properties 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. Each such event 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 substantial leverage and debt service obligations are currently significant and could increase, material adversely affecting its business, financial condition or results of operations

The Group currently is highly leveraged and have significant debt service obligations. As of 31 December 2012, the Group had approximately €1,205,277 of total net current and non-current financial consolidated indebtedness (including hedging instruments).The Group anticipates that its high leverage could continue for the foreseeable future.

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;
- forcing the Group to dispose of its properties in order to enable it to meet its financing obligations, including compliance with certain covenants under loan agreements;
- 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;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business, the competitive environment and the real estate market; and placing the Group at a competitive disadvantage compared to its competitors that are not as highly leveraged.

Any of these or other consequences or events could have a material adverse effect on the Group's ability to satisfy its obligations.

In addition, the Group may incur additional indebtedness in the future. The incurrence of additional indebtedness would increase the leverage-related risks and may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. For example, the Group may wish to sell on short notice if it believes that market conditions are optimal or if it is approached by a party interested in purchasing a particular property on commercially attractive terms. 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 favor 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 favorable 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 favorable economic conditions or mitigate the impact of unfavorable economic conditions should they arise, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group may fail to implement its development and business expansion strategy

The strategy of the Group, as more fully described under, focuses broadly on managing and developing income-producing, high quality, sustainable, environmentally friendly office and retail properties in prime locations, as well as the diversification of the Group's property portfolio, focusing on Poland and key CEE countries as well as selected SEE countries. The Group may fail to achieve its major development objectives in the upcoming years due to difficult market conditions and lack of capital resources needed for expansion, which could lead to the Group losing its established position in the real estate sector in CEE. This could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 favorable 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 neighboring properties and local residents may try to frustrate the obtaining of the necessary permits, consents or approvals. For example, the Group was unable to proceed with the development of a shopping mall in Bucharest due to delays in the process of securing the required zoning permission. As a general rule, the Group purchases land which it designates for a specific purpose and for a specific project.

Nevertheless, there are instances when it is merely a possibility that property acquired thereby will be available for any specific development. In such circumstances, it may be necessary for a new LPZP to be adopted or to obtain a relevant planning permission. 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, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. This is particularly relevant with respect to the Group's large scale commercial properties, such as Galeria Kazimierz, Galeria Jurajska, City

Gate and Avenue Mall. 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. Any such decrease in rental revenue or increase in operating costs could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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

The presence of high caliber 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, which may, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group cannot guarantee that it will continue to generate rental income at current levels

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 cannot be used to predict future rental income. Whereas rental income has generally developed positively in the past, there can be no guarantee that it will continue to do so in the future. The Group's rental income may also decrease as a result of asset disposals. A less positive or negative development of rental income and profits could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group cannot assure profitability of its projects

The Group currently has a number of projects that are not profitable primarily due to insufficient occupancy rates and rent levels, including Galleria Stara Zagora and Galleria Burgas in Bulgaria, Galleria Arad, Galleria Pietra Neamt, Galleria Buzau and Galleria Suceava in Romania, as well as Avenue Mall Osijek in Croatia. The Group is currently unable to attract new tenants or increase rent levels due to factors beyond its control, in particular due to existing market conditions. There can be no assurance that the Group will be able to dispose of such projects in a timely manner or restructure such assets to limit its losses. It cannot be excluded that the Group will not consider the disposal or temporary suspension of such projects as more commercially justifiable; in such cases, there can be no assurance that following such actions the Group will limit its losses on a timely basis. The Group cannot exclude that it will be forced to discontinue the realisation of such projects. Moreover, the Group's other projects may also start generating losses in the future. Any such development may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 the Group's 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. Expected vacancies are reflected in the periodic valuation of the assets that is calculated every quarter . Both the vacant spaces that cannot be immediately rented out again and the fixed costs for maintaining these spaces would have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. Such developments could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group might not receive adequate information on risks 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 a given project 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 occurrence of one or several of such risks could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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

Development of certain of the Group's projects 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 and increased competition,

which could limit the ability of the Group to obtain financing for its projects the construction of which has yet to begin; sudden changes in currency exchange rates, which could materially increase the construction costs associated with such projects; as well as the limited capital resources of the Group. For example, the Group stopped construction of a shopping mall in Varna, Bulgaria due to insufficient demand for retail space, and the Group was unable to proceed with the development of a shopping mall in Bucharest, Romania due to the delays in process of granting the required zoning permits. 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.

Moreover, the value of the land plot may decrease as a result of construction which has been suspended and the ability of the Group to dispose of such land plot may be limited. The inability of the Group to complete these projects on time, or at all, could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. If the Group is unable to enter into contracting arrangements with quality general contractors or subcontractors on commercially reasonable terms, or their performance is substandard, this could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. If the performance of the Group's general contractors or subcontractors is substandard, this could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 following factors over which the Group has limited or no control:

- 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;
- industrial accidents, deterioration of ground conditions (for example, the presence of underground water) and potential liability under environmental laws and other laws related to, for example, ground contamination, archaeological findings or unexploded ordnance;
- acts of terrorism, riots, strikes or social unrest;
- building code violations or as yet undetected existing contamination, soil pollution, or construction materials that are determined to be harmful to health;
- changes in applicable laws, regulations, rules or standards that take effect after the commencement by the Group of the planning or construction of a project that result in the incurrence of costs by the Group or delays in the development of a project; and
- defective building methods or materials.

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, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group is subject to general development risks that may increase costs and/or delay or prevent the development of its projects

Development of certain of the Group's projects has not yet begun and these projects do not currently generate any revenue.

The successful development of these projects is an important factor for the Group's future success, and involves a large number of highly variable factors which are complex and inherently subject to risk. Development risks to which the Group is sensitive include, among others:

- additional construction costs for a development project being incurred in excess of the amount originally agreed with the general contractor;

- changes in existing legislation or the interpretation or application thereof (e.g. an increase of the rate of the goods and services tax, which impacts the demand for housing);

- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements;

- potential defects or restrictions in the legal title to plots of land or buildings acquired by the Group, or defects, qualifications or conditions related to approvals or other authorizations relating to plots of land held by the Group;

- the Group's potential inability to obtain financing on favorable terms or at all for individual projects or in the context of multiple projects being developed at the same time;

- potential liabilities relating to acquired land, properties or entities owning properties with respect to which the Group may have limited or no recourse;

- tenants' unwillingness to vacate a development site;

- obligations regarding the development of adjacent properties;

- inability to receive required zoning permissions for intended use;

- discrepancies between the planned area and the post-construction area of developments; and

- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of Poland and other jurisdictions in which the Group conducts its operations, as well as other social obligations.

These factors, including factors over which the Group has little or no control, may increase costs, give rise to liabilities or otherwise create difficulties or obstacles to the development of the Group's projects. The inability to complete the construction of a property on schedule or at all for any of the above reasons may result in increased costs or cause the projects to be delayed or cancelled, 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 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 authorizations 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 defense 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.

The occurrence of any of the above events may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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.

For example, in 2011 a law amending the terms of a government-sponsored housing loans program called "Rodzina na swoim" was adopted in Poland which limited the maximum price per square metre of the apartments eligible to participate in the program, which is a step towards the gradual termination of the program. A similar effect occurred as the result of the regulatory changes which took place in 2009 in Romania according to which a reduced VAT rate was levied on apartments with a total area of not more than 120 sq m and with a price not higher than 380 thousand Romanian lei, thus curbing demand for larger and more expensive flats. 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.

The high demand and increase in prices of flats and houses in Poland, Slovakia and Romania between 2005 and 2010 was in large measure the effect of low interest rates and an increase in the availability of credit and loans earmarked for financing the purchase of flats and houses. 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, including loans denominated in EUR, 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. This may also reduce demand for new apartments and houses. Such reduced demand may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Without sufficient local infrastructure and utilities, the construction of the Group's projects may be delayed or cancelled, or it may be unable to realize 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. The authorities may also demand that the investor develop technical infrastructure that is not required from the project's perspective, but may be expected by the authorities as a contribution by the investor to the development of the local municipality.

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. As a consequence of this lack of maintenance, for example, the Group may from time to time experience shortages in the availability of energy and other utilities. 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.

This may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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, which may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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

As a result of the Group disposing of certain of its properties, certain properties and qualities of the Group's portfolio may change in terms of geographic split, the ratio of the value of completed properties and the value of properties under construction, as well as the portfolio's split by asset classes (i.e. retail, office, residential and other properties). As a result, various metrics of the Group's business and recurring cash flows derived from rental income may change. This may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 judgment is issued against the Group, the overall consequences of such judgments 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 judgment would not have such material effect.

It is standard practice in real estate transactions for the seller to make representations and warranties in the purchase agreement concerning certain features of the property. Typically, the assurances the seller gives regarding the property in the purchase agreement do not cover all of the risks or potential problems that can arise for the Group in connection with our purchase of the property. In addition, the Group may be unable, for a variety of reasons, including, in particular, the seller's insolvency, to enforce its claims under these assurances. If this were to occur, the Group may suffer a financial loss.

Moreover, the Group may be a party to court proceedings related to technical breaches of the terms and conditions of certain loan facilities, and potential breaches of the terms of other loan facilities or the terms and conditions of its bonds.

Moreover, if the Group's properties 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. Such situations may include, for example, claims from third parties relating to plots of land where the Group has developed and completed a real estate asset which it then intends to sell, as well as claims from third parties relating to specific land plots the Group needs to acquire in order to complete a particular project (for example plots adjoining plots it currently owns), which could delay the acquisition by the Group of such plots.

The occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

When leasing or selling 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 occurrence of one or several of the aforementioned risks could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 properties. 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 properties 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. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. All such factors may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 failure by the Group to recruit and retain appropriate personnel may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

The Group may not be able to realize 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 characterized predominantly by short-term leases, the Group expects that rental rates will decrease promptly in response to a perceived oversupply of lettable commercial space in those markets. If vacancy rates rise and/or market rental rates decrease, the Group may not be able to realize its expected rates of return on its projects or may be unable to let or sell its properties at all, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

Changes in tax laws or their interpretation could affect the Group's financial condition and the cash flows available to the Group

Tax law regulations are complex and unclear, and they are subject to frequent and unforeseeable amendments.

Consequently, controversies and disputes are frequently associated with the application of tax law regulations and are usually finally settled only by administrative (tax) courts. Additionally, tax law practice is not homogenous and there are rather significant discrepancies between the judicial decisions issued by administrative (tax) courts with respect to tax law matters.

Moreover, the tax law regulations do not directly regulate either the ability, the method or the time of recognizing revenues and costs in many events and legal or other actions and issues resulting from the multi-jurisdictional activity of a group of companies, and they do not provide for unambiguous rules of taxation applicable to other taxes, including goods and services tax (VAT).

In light of the above, no assurance may be given that there will be no potential disputes with the tax authorities and, consequently, that the tax authorities will not question the accuracy of the tax settlements of the entities in the Group as regards tax obligations which have not expired in accordance with the statute of limitations as well as the establishment of the tax liabilities of such entities. For instance, changes in tax rates had and may have an influence on the future demand for the Group's properties.

Furthermore, the companies in the Group have executed and continue to implement many transactions with related parties.

Although the companies in the Group take all the measures required to ensure that related-party transactions are executed on an arm's length basis, no assurance may be given that there will be no disputes with the tax authorities in this respect or that the tax authorities will arrive at different conclusions regarding the terms and legal consequences of related-party transactions, thus attempting to establish certain additional tax liabilities, 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 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 properties 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.

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 favorable 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. Restrictions of or delays in the access to sources of external financing

and conditions of such financing that are less favorable than assumed can have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

A breach of covenants under the Group's financing arrangements could entail a forced sale of properties 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 properties 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 properties or procure their sale to the extent that the properties 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. All of the foregoing could have a material adverse effect on the Group's business, financial condition or results of operations.

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, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. Any of the events described above could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 favorable terms

Many of the Group's real estate developments have been financed through loans, which have been provided for a limited term. The Group has a total of €253,450 (including hedging instruments) in current liabilities of a short-term nature in the period until 31 December 2013. The Group might not be able to renew or refinance the remaining obligations in part or at all or might have to accept less favorable 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, which could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 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, labor costs and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including Polish złoty, 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 and could have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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. Changes in interest rates may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares.

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 neighboring 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, labor 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, authorizations, 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 privatization 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 in the real estate market for approximately 19 years.

The Group's portfolio comprises: (i) completed office buildings and office parks as well as retail and entertainment centres (commercial real estate); (ii) residential projects; and (iii) undeveloped plots of land (including suspended projects) (landbank).

Since its establishment, the Group has developed approximately 950 thousand sq m of NRA of commercial space (office and retail) and approximately 300 thousand sqm of residential space. The Group has sold approximately 314 thousand sq m of NRA in completed commercial properties and approximately 237 thousand sqm of residential space.

As of the date of this Report the Group's portfolio in Poland Romania, Hungary, Croatia, Serbia, Bulgaria, Slovakia and Russia comprises the following properties:

- completed commercial properties with a combined NRA of approximately 632 thousand sq m, of which the Group's proportional interest amounts to 549 thousand sq m of NRA (including assets held for sale);
- inventory of residential units totaling 63 thousand sq m; and
- landbank designated for future development, with approximately 1.2 million sq m NRA designated for commercial use and approximately 618 thousand sq m NRA designated for residential use.

Additionally, the Group conducts operations in the Czech Republic, through its associates. The Group's proportional interest in assets in Czech amounts to approximately 27 thousand sq m of NRA in two office buildings and a shopping mall. The Group is also the co-owner of a 140 thousand sq m land plot located in Ukraine, of which the Group's proportional interest is 70 thousand sq m of NRA.

The Group's commercial properties comprise office and retail completed properties that account for approximately 72% of the total book value of the Group's portfolio and assets held for sale account for

approximately 2% of the total book value of the Group's portfolio as of 31 December 2012. The Group's completed properties in its three most significant markets, i.e. Poland, Romania and Croatia, constitute 42%, 15% and 13% of the total value of the Group's real estate portfolio, respectively.

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.

The Group's headquarters are located in Warsaw, at ul. Wołoska 5.

Item 4.2. Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group as at 31 December 2012 is presented in the Consolidated Financial Statements for the year ended 31 December 2012 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 2012:

Światowida Development sp. z o.o was merged with Centrum Światowida sp. z o.o.

On 29 March 2012, the Company purchased a 49.9% non-controlling interest in Sasad Resort Ltd. and Sasad II Kft. from the minority shareholders for consideration of €2. Sasad Resort Kft. and Sasad II Kft. Are the owners of a residential project in Budapest, Hungary. As a result of this transaction the Group owns 100% of the two entities.

On 25 September 2012, the Company purchased from its Joint Venture partner the remaining 50% stake in the company, which holds a land in Wilanów, Warsaw designated for development of commercial centre (Galeria Wilanów)

On 15 October 2012, the Company signed a preliminary agreement with the minority partner in its subsidiary National Commercial Centers B.V. ("NCC") (It controls three shopping centres located in Buzau, Piatra Neamt and Suceava in Romania). Based on which GTC Romania will purchase minority stake in NCC in consideration of €1 (not in ths). As of 31 December 2012 the Group presents the subsidiaries as held for sale.

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 maximize 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 maximize 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) optimizing 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 optimize 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, optimize common areas and utilize space in order to minimize 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).

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 portfolio and may decide to sell certain of its properties, 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.

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. Completed investment properties constitute 72% (by value) of the overall portfolio and land bank constitute 17% (by value). Additionally, the Group has designated some of its assets for sale. Assets held for sale constitute 2% (by value) of the total portfolio. The Group also develops residential units for sale. As at 31 December 2012, the Group held residential inventory of both completed and land bank projects with a total value of €155,141, 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 548,549 sq m. As at 31 December 2012, the book value of the Group's investment property, assets held for sale, residential inventory and land bank amounted to about €1,811,339 (as compared to €2,019,531 on 31 December 2011).

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, Microsoft, Bertelsmann, Hewlett Packard, IBM, KPMG, Lotos, Allianz, Motorola, Noble Bank, Publicis Group companies, Levi's, Honeywell, Roche, State Street, Aviva Group, Exxonmobil, Peugeot, Samsung and Verifone. 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 2012, the Group recognized assets held for sale resulting from a preliminary agreement signed with Allianz Group, represented by Allianz Real Estate Germany Gmbh, on 14 June 2012 in relation to the potential sale of Platinium Business Park V. Assets held for sale include also three assets in Romania (Galleria

Buzau, Galleria Suceava, Galleria Pieatra Neamt) and plots in Konstancin, Poland. The value of the assets held for sale is €42,453.

The following table presents assets held for sale as at 31 December 2012:

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Platinium Business Park V[1]	Warsaw	100%	12,108	12,108	2012
NCC		70%	37,000	37,000	2008/2009
Land plots in Konstancin		100%	-	-	-
		Total	**49,108**	**49,108**	

[1] Asset was sold in 28 February 2013

Item 4.5.1.2. Investment properties

As at 31 December 2012 the Group had 29 properties classified as investment properties.

The book value of the completed investment properties as at 31 December 2012 was €1,308,398, as compared to €1,330,614, as at 31 December 2011; the portfolio was valued based on average yield of 8.3%. The average occupancy rate within the investment portfolio was 91% as at 31 December 2012.

Approximately 41% of the investment properties are located in Poland, 12% is located in Romania, 17% in Hungary, 10% in Serbia and remaining 20% is located in other countries in which the Group operates.

As at 31 December 2012, the Group's investment properties comprised a total net rentable area of 576,221 sq m, of which office properties accounted for around 61% and retail properties accounted for the remaining 39%.

The following table presents completed investment properties as at 31 December 2012 by main usage type:

Usage type	GTC`s consolidated share (sq m)	Total net leasable area (sq m)	%
Office	349,529	349,529	61%
Retail[1]	226,682	245,792	39%
Total	**576,221**	**595,321**	**100%**

[1]Including book value of Avenue Center, Croatia

The following table presents the book value of the Group's completed investment properties as at 31 December 2012 by main usage type:

Usage type	2012 (€)	%
Office	773,740	59%
Retail[1]	534,658	41%
Total	**1,308,398**	**100%**

[1]Including book value of Avenue Center, Croatia

The following table presents completed investment properties as at 31 December 2012 by country in which the Group operates:

Country	GTC`s consolidated share (sq m)	Total net leasable area (sq m)	%
Poland	212,118	231,228	37%
Hungary	91,464	91,464	16%
Serbia	53,335	53,335	9%
Romania	80,200	80,200	14%
Croatia	64,000	64,000	11%
Bulgaria	61,642	61,642	11%
Slovakia	13,452	13,452	2%
Total	**576,221**	**595,321**	**100%**

The following table presents the book value of the Group's completed investment properties as at 31 December 2012 by country in which the Group operates:

Country	2012 (€)	%
Poland	544,316	42%
Hungary	172,500	13%
Serbia	116,500	9%
Romania	199,782	15%
Croatia	172,500	13%
Bulgaria	87,400	7%
Slovakia	15,400	1%
Total	**1,308,398**	100%

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

Item 4.5.1.3. Office segment overview

As at 31 December 2012, the Group office properties comprised of 22 office buildings. Total net rentable office space was 349,529 sq m. Total value of office investment properties as of December 2012 was €773,740 as compared to €771,213 in 2011. The Group's office buildings are located in Poland, Hungary, Serbia, Croatia, Romania and Slovakia. Additionally, the Group holds office properties in the Czech Republic through its associates.

The following table presents completed office space as at 31 December 2012 by country:

Country	GTC`s consolidated share (sq m)	Total net leasable area (sq m)	%
Poland	143,578	143,578	41%
Hungary	91,464	91,464	26%
Serbia	53,335	53,335	15%
Romania	47,700	47,700	14%
Slovakia	13,452	13,452	4%
Subtotal	**349,529**	**349,529**	**100%**
Czech Rep.	10,733	34,072	
Total	**360,262**	**383,601**	

The following table presents book value of the Group's office properties as at 31 December 2012 by country:

Country	2012 (€)	%
Poland	300,866	39%
Romania	168,474	22%
Hungary	172,500	22%
Serbia	116,500	15%
Slovakia	15,400	2%
Total[1]	**773,740**	**100%**

[1]Excluding book value of Avenue Center, Croatia

The Czech Republic is accounted for under the investment in associates and book value of the investment is € 62,248. The Group's proportional interest is €19,608.

Item 4.5.1.4. Retail segment overview

As at 31 December 2012, the Group's retail properties comprised 7 shopping centres with a total net rentable area of 226,682 sq m, of which one centre of 36,831 sq m was completed during 2012 in Bulgaria (Galleria Burgas). The total value of retail investment properties as of December 2012 was €534,658. The Group's retail properties are located in Poland, Bulgaria, Croatia and Romania. Additionally the Group holds through an associate the shopping centres in Prague.

The following table presents completed retail space as at 31 December 2012 by country:

Country	GTC`s consolidated share (sq m)	Total net leasable area (sq m)	%
Poland	68,540	87,650	30%
Bulgaria	61,642	61,642	27%
Romania	32,500	32,500	15%
Croatia	64,000	64,000	28%
Subtotal	**226,682**	**245,792**	**100%**
Czech Republic	16,038	50,914	
Total	**242,720**	**296,706**	

The following table presents the book value of the Group's retail properties as at 31 December 2012 by country:

Country	2012 (€)	%
Poland	243,450	46%
Croatia[1]	172,500	32%
Bulgaria	87,400	16%
Romania	31,308	6%
Total	**534,658**	**100%**

[1]Including book value of Avenue Center, Croatia

The Czech Republic is accounted for under the investment in associates and book value of the investment is € 131,698. The Group's proportional interest is € 41,485.

Item 4.5.2. 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 €155,141 of residential inventory and land bank, the inventory accounted for 35% and the remaining 65% relates to land bank which the Group treats as plans to develop in the future. Currently, the Group holds unsold houses and apartments in Poland, Romania, Czech Republic (through an associate) and Slovakia, but its land bank includes also Croatia.

Item 4.5.3. Segments overview

Item 4.5.3.1. Poland

Office portfolio

The total net rentable area in Poland comprised 143,578 sq m. The average occupancy rate is at the level of 88%. Book value of the office space in Poland amounted to €300,866, as compared to €292,828 in 2011. The difference comes mainly from sale of Platinium Business Park I-IV on 31 October 2012 (€138,840).

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galileo	Kraków	100%	10,337	10,337	2003
Globis Poznan	Poznań	100%	13,947	13,947	2003
Newton	Kraków	100%	10,450	10,450	2007
Edison	Kraków	100%	10,539	10,539	2007
Nothus	Warsaw	100%	9,135	9,135	2007
Zephirus	Warsaw	100%	9,128	9,128	2008
Globis Wroclaw	Wrocław	100%	15,476	15,476	2008
Centrum Biurowe Kazimierz	Kraków	100%	15,666	15,666	2009
University Business Park	Łódź	100%	18,426	18,426	2010
Francuska Office Centre	Katowice	100%	21,504	21,504	2010
Corius	Warsaw	100%	8,970	8,970	2011
		Total	143,578	143,578	

Additionally as at 31 December 2012, the Company owned an office building which was classified as asset held for sale pursuant to the sale agreements with Calobra Investments Sp. z o.o. of the Allianz Real Estate Group signed on 31 October 2012. This asset was sold to Calobra Investments Sp. z o.o. on 28 February 2013.

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Platinium Business Park V	Warsaw	100%	12,108	12,108	2012
		Total	12,108	12,108	

Retail portfolio

The total net rentable area of retail space in Poland comprised 68,540 sq m. The occupancy rate is at the level of 96%. Book value of the Group's retail space in Poland amounted to €243,450, as compared to €243,250 in 2011.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galeria Kazimierz	Kraków	50%	19,110	38,220	2005
Galeria Jurajska	Częstochowa	100%	49,430	49,430	2009
		Total	68,540	87,650	

Item 4.5.3.2. Hungary

Office portfolio

The Group's total net rentable area in Hungary comprises 91,464 sq m. The occupancy rate is at the level of 95%. Book value of the Group's office space in Hungary amounted to €172,500, as compared to €172,791 in 2011.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Center Point I&II	Budapest	100%	42,881	42,881	2004/2006
Spiral I&II	Budapest	100%	31,843	31,843	2009
Metro	Budapest	100%	16,740	16,740	2010
		Total	91,464	91,464	

Item 4.5.4.3. Serbia

Office portfolio

The Group's total net rentable area in Serbia comprised 53,335 sq m. The occupancy rate is at the level of 89%. Book value of the Group's office space in Serbia amounted to €116,500, as compared to €116,800 in 2011.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
GTC House	Belgrade	100%	13,706	13,706	2005
Avenue 19	Belgrade	100%	17,527	17,527	2008
GTC Square	Belgrade	100%	22,102	22,102	2008
		Total	53,335	53,335	

Item 4.5.3.4. Croatia

Office portfolio

The Group's total net rentable area in Croatia comprised 7,067 sq m. The occupancy rate is at the level of 95%. Book value of the Group's office space in Croatia is valued together with 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 consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Avenue Center	Zagreb	70%	4,947	7,067	2007
		Total	4,947	7,067	

Retail portfolio

The Group's total net rentable area of retail space in Croatia comprised 64,000 sq m (including book value of Avenue Center). The occupancy rate is at the level of 95%. Book value of the Group's retail space in Croatia amounted to €172,500 (including book value of Avenue Center) from €194,100 in 2011, which results from a decrease in value of Avenue Mall Osijek due to a decrease in rental rates and expected rental rates.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Avenue Mall Zagreb[1]	Zagreb	70%	36,000	36,000	2007
Avenue Mall Osijek	Osijek	80%	28,000	28,000	2011
		Total	64,000	64,000	

[1]Including NRA of Avenue Center, Croatia

Item 4.5.3.5. Romania

Office portfolio

The Group's total net rentable area in Romania comprised 47,700 sq m. The occupancy rate is at the level of 95%. Book value of the Group's office space in Romania amounted to €168,474, as compared to €173,594 in 2011.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
City Gate	Bucharest	59%	47,700	47,700	2009
		Total	47,700	47,700	

Retail portfolio

The Group's total net rentable area of retail space in Romania comprised 32,500 sq m. The occupancy rate is at the level of 97%. Book value of the Group's retail space in Romania amounted to €31,308, as compared to €84,431 in 2011, which results from reclassification of three malls (Galleria Buzau, Galleria Piatra Neamt and Galleria Suceava) as a assets held for sale in the third quarter of 2012 and decrease in the value of Galleria Arad following 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 consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galleria Arad	Arad	100%	32,500	32,500	2011
		Total	32,500	32,500	

Additionally as at 31 December 2012, the Company owned three shopping malls which ware classified as asset held for sale.

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galleria Suceava	Suceava	70%	10,800	10,800	2009
Galleria Buzau	Buzau	70%	13,400	13,400	2008
Galleria Pieatra Neamt	Pieatra Neamt	70%	12,800	12,800	2009
		Total	37,000	37,000	

Item 4.5.3.6. Bulgaria

Retail portfolio

The Group's properties in Bulgaria include Galleria Stara Zagora and Galleria Burgas that comprises a net rentable area of 61,642 sq m. Occupancy rate is at the level of 89%. Book value of the Group's retail scheme in Bulgaria increased to €87,400 from €37,620 in 2011 which results from completion of Galleria Burgas in 2012 partially offset 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 consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galleria Stara Zagora	Stara Zagora	75%	24,811	24,811	2010
Galleria Burgas	Burgas	80%	36,831	36,831	2012
		Total	61,642	61,642	

Item 4.5.3.6. Slovakia

Office portfolio

The Group's properties in Slovakia include Jarosova office building that comprise a net rentable area of 13,452 sq m. Occupancy rate is at the level of 47%. Book value of the Group's office space in Slovakia amounted to €15,400 from €15,200 in 2011.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Jarosova	Bratislava	70%	13,452	13,452	2010
		Total	13,452	13,452	

Item 4.5.3.7. 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 10,733 sq m. Book value of the Group's office space in the Czech Republic amounted to €62,248. The Group's proportional interest is €19,608. Occupancy rate is at the level of 43%.

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

Property	Location	GTC's share	GTC`s consolidated share	Total net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Prague Marina Office Centre	Prague	32%	4,275	13,572	2009
Sazka Office	Prague	32%	6,458	20,500	2011
		Total	10,733	34,072	

Retail portfolio

Total net rentable area of that retail scheme is 50,914 sq m, of which the Group's share is 16,038 sq m. Occupancy rate is at the level of 95%. Book value of the Group's retail scheme in the Czech Republic amounted to €131,698. The Group's proportional interest is € 41,485.

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

Property	Location	GTC's share	GTC`s consolidated share	GTC's net rentable area	Year of completion
		(%)	(sq m)	(sq m)	
Galeria Harfa	Prague	32%	16,038	50,914	2010
		Total	16,038	50,914	

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

This overview was prepared by the Group based on the publicly available information and is focused on the most important markets on which the Group operates.

Item 4.6.1. Office market

Poland

GTC is present in with its office projects in Warsaw and 5 regional cities. GTC's projects in the regional cities saw an increased demand for space and much of the vacant space has been leased in the course of the year. Rents however remained at unchanged levels with price conscious tenants opting for projects which could offer economic benefits without compromising quality standards.

Warsaw saw another strong year in terms of volume of transactions. It amounted to ca 600,000 throughout 2012. however most of the deals were renewals of leases or relocations. New demand was limited. That combined with strong ongoing development of new space has pushed up the value of incentive packages given to tenants required to induce them to sign leases. More of this phenomenon can be expected in 2013.

Romania

Bucharest had a weaker year in terms of the volume of transactions. A total of 226.000 sqm of office space was transacted in 2012 which is 14% less than 2011. Considering the limited demand and relatively increasing modern office supply by the new investor entries (like Skanska) the competition in the office market has also risen. For 2013, the Group estimates a similar structure and due to lower construction prices, the Group expects more quality projects to be planned. Also, competitive labor costs in Romania comparing other CEE countries are still representing a big potential for new entries and expansions especially in the IT and Telecommunication industries.

Croatia

Although 2012 was another challenging year for the Croatian economy it was an active year for the office market in Zagreb. A number of new class A office buildings were completed offering approximately 80,000 sqm of office space of which 50,000 sqm was leased. As a result of the growing supply of office space the vacancy rate rose from 12% (in 2011) to 15.5% (Q4 2012). The vacancy rate is expected to rise as more projects are completed but it is believed that, with Croatia's accession to the European Union, more international companies will enter the market and take-up will subsequently rise as well.

Serbia

GTC Serbia is present with 3 office building in Belgrade. Total leasing activity in Belgrade increased for 16% in 2012 comparing to 2011 and amounts to 65.500 sq m. However most of the deals were renewals of leases or relocations with Tenants looking for increase of incentive package. Belgrade office stock stay stable as well as rental levels. Vacancy rate remain on the level of 14% beside delivery of two office business centers (24.000 sq

m). Relocations from down town to New Belgrade CBD has been increased in 2012. Significant increase of office building class A stock can not be expected in 2013.

Item 4.6.2. Retail market

Poland
Fashion retail industry is under pressure on their margins. This can be attributed to growth of competition, which is outpacing the growth of consumer spending. This has had a trickle effect on rents, which have gone under pressure in all cities but Warsaw. Warsaw still shows strong sales figures and this is where the focus of new brands entering Poland has landed. Some regional cities – including Wrocław, Poznań, Kraków – are showing signs of oversupply of retail space.

Bulgaria
GTC is present with its shopping centres in secondary cities. The shopping centre market's recovery was marked with three new openings in 2012 and 4 more expected to be delivered in 2013. If delivered on time, these projects will substantially increase the supply of shopping centre retail space, while demand is still weak due to the ongoing economic difficulties resulting in a contraction of purchasing power and consequently of the disposable income and retail spending of the population.

Rental levels may experience some downward pressure due to the new supply but they are expected to stabilize later on. The average rental levels in Bulgaria fell by 8% on a y-o-y basis, reaching €12 per sqm. The rental rate sin the capital city registers a 6% decrease on a y-o-y basis.

The global financial difficulties brought very few new entries to the Bulgarian market in 2012 (H&M, Debenhams, Wok to Walk), thus allowing for very limited leasing activity in the country. The oversupply of retail space resulted in an overlap of shopping centres' catchment areas, allowing retailers room to negotiate more flexible lease terms.

Romania
140.000 sqm of modern shopping center products has been delivered in Romania in 2012 with a 40% decrease comparing to 2011, all being in the secondary cities. Bucharest and the secondary cities have continued to represent significant differences on the retailer demand, rent levels and disposable income levels. Big fashion retailers like Inditex, H&M and C&A continued their expansion with very beneficial conditions by utilizing the vacancies in the secondary cities.

The Group expects that with the economic and political stabilization, 2013 will register an increase in the consumption power and this in return will generate a more positive environment and more expansion appetite for the conservative small and mid-size retailers.

Croatia
The retail market in Zagreb is, by far, the most stable in Croatia as the overall. 2012 vacancy rate decreased and new stores opened in various shopping centers throughout Zagreb. Rents remained relatively stable although the balance of power shifted from landlords to tenants with the latter dominating negotiations and demanding incentives and short term rental concessions. The most successful retail brands, in particular those occupying the lower end of the market, are expected to thrive and expand in 2013 while the future of middle price bracket brands, which were hit the hardest in 2012, continue to face challenging times. The retail market outside Zagreb is facing significant difficulties.

Serbia
Retail market in Belgrade faced the lowest vacancy rate of 9%. Looking at shopping malls only, vacancy rate is almost 0%. New fashion brands entered Serbian market in H2 2012. Shopping mall stock remain unchanged on the level of 200.000 sq m but some development of retail park segment in smaller cities is noticed in 2012 and a

trend will continue in forthcoming period. Any further development of retail market should not have effect on rental levels. Further development of shopping malls in Belgrade should be expected in near future.

Item 4.6.3. Investment market

Poland

Investment market remained relatively strong in 2012, but the focus of investors was mainly on core products with all office, retail and warehouse projects trading actively. However when it comes to office market, Warsaw was the main focus with very little interest in offices outside the capital.

Bulgaria

In line with most CEE countries, the Bulgarian commercial property investment market remained idle throughout 2012. High borrowing costs and a general uncertainty about Europe's economy were among the main reasons for the low market liquidity. It is expected that going into 2013 investors will continue to follow risk-averse strategies favouring stronger economies and prime properties in all business sectors.

Romania

Investment market has remained slow also in 2012 yet registered much higher transactions comparing to 2011. The total transaction volume amounted €153 million while the landmark transaction was represented by NEPI's acquisition of City Business Center in Timisoara. Main interest has been represented by office investments however the market has witnessed less active private equity funds. Even if there was more pressure on yields in 2012 due to a slight decrease in market conditions and buyer demand, the prime yields did not move significantly.

Although not so much transactions closed so far by private equity funds, the market expectation is to see more transactions in 2013 especially with distresses assets and some prime properties.

Croatia

Economic and investment activity continued to be suppressed in 2012 with investors remaining extremely cautious and the commercial banks' conservative lending practices diminishing the financing of real estate properties. The office and retail markets were, by far, the most active in Zagreb as the rest of Croatia continues to struggle with growing unemployment numbers, rising prices and scarce investment.

Serbia

Serbia is still not seen as an institutional investment destination. On the other hand, there are available products on the market which offer risk adjusted returns and opportunities for capital appreciation.

Serbia has shown good organic growth of commercial property products without creating large oversupply. Office properties are gaining the most interest from investors.

Item 4.6.4. Residential market

Poland

GTC is present only in Warsaw residential market in Poland and with a niche product. Sales of new units have slowed down very significantly over the last 6 months of 2012 and prices have come under substantial pressure due to a very limited number of willing buyers. There are no immediate forecasts for improvement of this situation.

Romania

GTC is present only in Bucharest residential market in Romania with two residential complexes, Rose Garden and Felicity. Following the continuous decrease on the prices and number of apartments sold in new projects, 2012 has registered over 13 residential projects' insolvency entrance. Over 80% of the demand represented by end users and this proved once more the dependency of the residential market on the financing conditions of the

buyers. The First House Financing Program of the government and 5% VAT incentive have continued to be the engine of the residential sales. The 2008-20010 completed projects, which represent the major part of the stock, have competed to be able to package their dwellings into this segment.

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 2012 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 2012 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, 2011 and 2012 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, 2011 and 2012 amounting to €643,899 . 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 2011 and 2012, respectively, the Group derived 65% and 67% 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 2011 and 2012, respectively, the Group derived 19% and 20% 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 2011 and 2012 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 recognized 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 of €295,969 in the year ended 31 December 2011 and losses of €114,661 in the year ended 31 December 2012. The main factors influencing the valuation of the Group's properties in 2011 and 2012 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 54% of the Group's loans are hedged or partially hedged. Increases in interest rates generally increase the Group's financing costs. 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 and 0.188% as of 2 January 2013.

Impact of foreign exchange rate movements

Though for the year ended 31 December 2012 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 2011 and 2012, 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.

Item 5.2. Specific factors affecting financial and operating results

Disposals of material assets

On 31 October 2012 the Group, (via its two subsidiaries: GTC Satellite sp. z o.o. and Diego sp. z o.o.), signed final sale agreements with Calobra Investments Sp. z o.o. of the Allianz Real Estate Group, regarding the sale of Platinium Business Park project at ul. Domaniewska in Warsaw, comprising in total of four the Platinium buildings (i.e. buildings I through IV) and the plot of land where they are situated on. Additionally the Group signed a preliminary sale agreement for the fifth building, which was finalized post balance sheet date.

Completion of assets

In the year ended 31 December 2012, the Group completed Galleria Burgas, a shopping centre in Bulgaria and one office building in Poland – Platinium Business Park V. Upon completion, the Group reclassifies completed

projects from “investment properties under construction measured at fair value” to “investment properties”. In the case of Galleria Burgas, the Group incurred losses upon it reclassification due to downward adjustments to the fair value of the property, which were mainly resulted from lower than assumed levels of rent in project.

Other

In June 2012, the Company successfully completed a rights issue of 100,000 shares for an amount of €100,216 (net of expenses). The new shares were registered in court in August 2012.

In October 2012, the Company purchased the remaining 50% of the Galeria Wilanów shopping center project in Warsaw.

In October and November 2012, the company successfully prolonged the maturity of €72,633 of its existing bonds (that were due in 2013 and 2014) by issuing new bonds in exchange for the existing ones as well as redeemed part of the bonds maturing in 2013 and 2014. As a result hedging instruments that related to prolonged and redeemed bonds were ceased to be classified as "perfect hedge" for accounting purposes and impacted income statement in the fourth quarter of 2012, additionally the prolonged bonds bear interest of WIBOR+400bp, (higher by aprox. 1% than the original bonds).

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

The Group did not present forecasts for 2012.

Item 5. 4. Statement of financial position

Item 5.4.1. Key items of the statement of financial position

Investment property

Investment properties that are owned by the Group comprise office and commercial space, including property under construction. Investment property can be split up into: (i) completed investment property; (ii) investment property under construction 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 recognized directly in other comprehensive income and the ineffective portion is recognized in net profit or loss. The classification of hedges in the statement of financial position depends on their maturity. For derivatives that do not qualify for hedge accounting, any gain or losses arising from changes in fair value are recorded directly in net profit and loss for the year. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Item 5.4.2. Financial position as at 31 December 2012 compared to 31 December 2011

Total assets decreased by €156,844 and amounted to €2,152,864 as at 31 December 2012. The decrease was mainly due to a decrease in non-current assets by €104,483 coupled with a decrease in assets held for sale by €91,647, which was partially offset by an increase in current assets of €39,286.

Assets

The value of investment property decreased by 5% (€90,144) to €1,613,745 as at 31 December 2012. An amount of €101,227 of that decrease is attributable to the net loss on the revaluation and impairment of investment properties and an amount of €40,899 results from reclassification of Platinium Business Park V and three shopping malls in Romania (Galleria Pietra Neamt, Galleria Buzau and Galleria Suceava) to assets held for sale. The decrease was partially offset by an increase of €45,997 which constitutes investment in real estate and purchase of shares in subsidiaries of €14,541.

The value of residential land bank and inventory decreased by €26,401 to €155,141 as at 31 December 2012, mainly due to the recognition of loss on impairment of €13,434 and sale of apartments resulting in reclassification of the cost of sold apartments to the income statement of €19,036. The decrease was partially offset by foreign exchange differences.

The value of assets held for sale decreased by 68%, or €91,647 to €42,453 as at 31 December 2012, mostly due to sale of Platinium Business Park I-IV for €138,840 net, partially offset by reclassification of Platinium Business Park V, Galleria Suceava, Galleria Buzau, Galleria Pietra Neamt and certain land plots to assets held for sale.

The value of the cash and cash equivalents increased by €86,177 to €227,897 as at 31 December 2012 from €141,720 as at 31 December 2011, mainly due to proceeds from the rights issue of €100,216 and proceeds from the sale of Platinum Business Park I-IV and related VAT,, partially offset by repayment of debt and investments in real estate properties

Liabilities

The value of derivatives (both current and non-current) decreased by €34,306 to €67,228 as at 31 December 2012 as a result of reclassification of certain part of hedging instruments as non-perfect hedge following prolongation and prepayment of bonds as well as closing of certain hedging instruments following repayment of debt associated with Platinium Business Park I-IV resulting from its sale.

The value of loans and bonds decreased by €182,693 to €1,110,581 as at 31 December 2012, mainly due to repayment of bonds of €25,164 (including accrued interest), repayment of loans in the amount of €80,261 related to Platinium Business Park I-IV and standard loan amortization as well as reclassification of loan related to NCC (Galleria Suceava, Galleria Buzau, Galleria Pietra Neamt) to "liabilities to be repaid upon sale". The decrease was partially offset by a new loan for Corius office building of €12,700 and refinancing of 19 Avenue office building .

Equity

Equity increased by €17,081 to €740,731 as at 31 December 2012 from €723,650 on 31 December 2011 primarily due to an increase in share capital (premium) following rights issue, partially offset by losses recognized in 2012.

Item 5.5. Consolidated income statement

Item 5.5.1. Key items of the consolidated income statement

Revenues from operations

Revenues from operations consist of:

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

Cost of operations

Costs of operations consist of:

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

Gross margin from operations

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

Selling expenses

Selling expenses include:

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

- marketing and advertising costs; and
- payroll and related expenses directly related to leasing or sales personnel.

Administrative expenses

Administration expenses include:

- payroll, management fees and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- provisions made to account for the share-based incentive program that was granted to key personnel;
- costs related to the sale of investment properties;
- costs of audit, legal and other advisors;
- office expenses;
- depreciation and amortization expenses include depreciation and amortization of the Group's property, plant and equipment;
- 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 5.5.2. Comparison of financial results for the twelve months ended 31 December 2012 with the result for the corresponding period of 2011

Revenues from operations

Revenues from operations decreased by €6,084 to €147,591 due to a decrease of €5,587 in residential revenues resulting from a decrease in the number of residential properties sold as well as a decrease in the prices of sold units, which was due to unfavorable economic conditions in Romania.

Rental and service revenues remained fairly stable at €128,562 in 2012 compared to €129,059 in 2011 despite sale of Galeria Mokotów in August 2011 and Platinium Business Park I-IV in October 2012. Loss of revenues following sale of Galeria Mokotów and Platinum Business Park I-IV was partially offset with revenues generated by newly completed properties and increased overall occupancy.

Cost of operations

Cost of operations decreased by €1,270 to €57,174 due to a decrease in residential expenditures recognized in income statement by €3,700 as a result of lower sales of residential units. Service costs increased by €2,430 due to an increase in number of income generating assets and increased occupancy.

Gross margin from operations

The gross margin (profit) from operations decreased by €4,814 to €90,417. The decrease was primarily attributed to the decrease in residential activities.

The gross margin (loss) on residential activities amounted to €7 as compare to profit of €1,880 in 2011.

The gross margin (profit) on rental activities decreased by €2,927 to €90,424 in 2012 from €93,351 in 2011. Gross margin on rental activities was approximately 70% as compared to 72% in 2011.

Selling expenses

Selling expenses decreased by €3,215 to €3,946 in 2012, mainly due to decrease in advertising expenses following improved occupancy and completion of leasing of newly completed assets, as well as sale of Galeria Mokotow.

Administrative expenses

Administrative expenses excluding cost of share base program decreased by €9,990 to €13,845 in 2012 from €23,835 in 2012 mainly due to cost optimization actions that were taken by the management, and also due to fact that in 2011 certain one-ff items were recognized related to sale of Galeria Mokotów.

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 €114,661 in 2012, as compared to a loss from the revaluation and impairment of residential projects amounting to €295,969 in 2011. Loss on investment properties and write down of inventory and land bank to net realizable value have been recognized mostly due to the Eurozone credit crisis that resulted in a decrease in expected rental values and expansion of yields mainly in Bulgaria, Romania and Croatia.

Other expenses

Other expenses increased by €1,659 to €4,595 mainly due to an increase in fees related to perpetual usufruct of land bank properties as well as unrecoverable taxes.

Foreign exchange profit/(loss)

Foreign exchange profit amounted to €2,886 in 2012, as compared to a foreign exchange loss amounting to €8,628 in 2011 mainly due to relatively stable currency markets compared to previous year. Additionally in 2011, the Group recognized one-off loss on sale of Galeria Mokotów.

Financial income/(expense), net

Financial income was fairly stable and amounted to €5,133 in 2012 and €4,850 in 2011.

During the year ended 31 December 2012, financial expenses decreased by €8,248 to €71,950, which was mainly due to a decrease in interest on financial liabilities of €4,522 and change in fair value of hedging instruments of €7,429 related to hedge ineffectiveness resulted from prolongation and repayment of bonds.

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 2012 and the year ended 31 December 2011.

Share of profit (loss) of associates

Share of loss of associates was €9,992 in 2011 as compared to a share of loss of €4,365 in 2011. The share of loss in 2012 resulted mainly from revaluation losses in the Czech Republic and Ukraine.

Taxation

Taxation expense amounted to €6,986 in the year ended 31 December 2012, out of which the current tax expense amounted to €12,248 and deferred tax credit amounted to €6,426. 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.

Net loss

Net loss amounted to €132,194 in the year ended 31 December 2012, as compared to a net loss of €337,924 in the year ended 31 December 2011, mainly due to a loss on the revaluation and impairment of the Group's properties.

Employment

As at 31 December 2012 and 2011 the number of full time equivalent working in the Group companies was 174 and 189 respectively. In addition as at 31 December 2012 and 31 December 2011, the Group hired services of 57 and 30 maintenance staff.

Business 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. CEE 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.

Segment analysis for the year ended 31 December 2012 and 31 December 2011 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011
Rental income	77,084	82,352	23,634	19,194	27,844	27,513	128,562	129,059
Contract income	8,815	11,429	6,108	7,389	4,106	5,798	19,029	24,616
Total income	85,899	93,781	29,742	26,583	31,950	33,311	147,591	153,675
Rental costs	15,840	17,749	12,923	10,048	9,375	7,911	38,138	35,708
Contract costs	6,687	9,954	7,202	8,205	5,147	4,577	19,036	22,736
Total costs	22,527	27,703	20,125	18,253	14,522	12,488	57,174	58,444
Rental result	61,244	64,603	10,711	9,146	18,469	19,602	90,424	93,351

Contract result	2,128	1,475	(1,094)	(816)	(1,041)	1,221	(7)	1,880
Total result	**63,372**	**66,078**	**9,617**	**8,330**	**17,428**	**20,823**	**90,417**	**95,231**
Selling general and other expenses							(27,041)	(30,508)
Revaluation/impairment of investment property and residential	9,954	(37,890)	(97,762)	(190,746)	(26,853)	(67,333)	(114,661)	(295,969)
Profit from continuing operations before tax and financial related income/(expenses)							(51,285)	(231,246)
Foreign currency translation gain (loss), net							2,886	(8,628)
Financial income							5,133	4,850
Financial expense							(71,950)	(80,198)
Share of profit/(loss) of associates							(9,992)	(4,365)
Taxation							(6,986)	(18,337)
Profit for the year							(132,194)	(337,924)
Non-controlling interest							(36,160)	(67,560)
Equity holders of the parent							(96,034)	(270,364)

Segment analysis as of 31 December 2012 and 31 December 2011 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	31 December		31 December		31 December			31 December
	2012	2011	2012	2011	2012	2011	2012	2011
Segment assets								
Allocated assets rental	908,624	905,928	381,934	459,601	404,975	406,424	1,695,533	1,771,953
Allocated assets residential	41,940	53,616	74,783	90,886	45,498	70,610	162,221	215,113
Unallocated assets	276,385	305,578	16,191	11,265	2,534	5,800	295,110	322,642
Total assets	1,226,949	1,265,122	472,908	561,752	453,007	482,834	2,152,864	2,309,708
Segment liabilities								
Allocated liabilities rental	106,740	86,416	284,447	86,184	212,389	67,861	603,576	240,461
Allocated liabilities residential	10,919	26,246	56,945	5,699	4,467	10,574	72,331	42,519
Unallocated liabilities	729,374	873,778	4,831	285,112	2,021	144,188	736,226	1,303,078
Total liabilities	847,033	986,440	346,223	376,995	218,877	222,623	1,412,133	1,586,058
Capital expenditures	24,087	82,634	18,209	63,966	4,998	32,699	47,294	179,299
Depreciation	115	192	188	166	188	199	491	557

Item 5. 6. Consolidated cash flow statement

Item 5.6.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash used in investing activities

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

Net cash from (used in) financing activities

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

Cash and cash equivalents

Cash balance consists of cash in banks. Cash in banks 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 5.6.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of twelve months ended on 31 December 2012 and 2011:

Condensed report	Year ended 31 December 12	Year ended 31 December 11
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	77,070	67,654
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of non-current ass-ets or subsidiaries	(61,251)	(183,949)
Sale of asset or shares in subsidiaries, net of cash disposed of and net of taxes	164,931	97,121
Other dividend, interest and similar costs	6,784	1,231
Net cash used in investing activities	110,464	(85,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of share	104,191	-
Share issuance expenses	(3,975)	
Proceeds from long-term borrowings	133,002	212,203
Repayment of long term borrowings	(276,828)	(176,123)
Repayment of financial liabilities	-	(609)
Interest paid	(68,467)	(61,935)
Loans origination cost	(1,414)	(4,299)
Increase (decrease) in short term deposits	11,408	-232
Net cash from (used in) financing activities	(102,083)	(30,386)
Effect of foreign currency translation	1,013	(1,683)
Net increase/(decrease) in cash and cash equivalents	86,464	(50,012)
Cash and cash equivalents, at the beginning of the year	141,720	191,732
Cash and cash equivalents, at the end of the year	228,184	141,720
Cash classified as part of assets held for sale	(287)	-
Cash and cash equivalents, at the end of the year as per Consolidated Statement of Financial Position	227,897	141,720

Cash flow from operating activities was €77,070 in the year ended 31 December 2012, as compared to €67,654 in the year ended 31 December 2011, which mainly resulted from lower administrative cost.

Investment in real-estate and real estate related amounted to €61,251 in the year ended 31 December 2012 and was related mainly to investment in the Galleria Burgas, Platinum Business Park V, Corius and purchase of land in Wilanów.

Cash flow from the sale of investments amounted to €164,931 (including VAT) in the year ended 31 December 2012 and resulted primarily from the sale of Platinum Business Park I-IV and land in Galati (Romania).

Cash flow used in financing activities amounted to €102,083 in the year ended 31 December 2012, compared to €30,386 for the year ended 31 December 2011, and is mostly composed of the repayment of long-term borrowings, net of proceeds from long-term borrowings of €143,826, proceeds from issuance of shares of €100,216 as well as interest payments of €68,467. During the year, the company repaid the Platinum Business Park I-IV loan and bonds.

Cash and cash equivalents as at 31 December 2012 amounted to €227,897, compared to €141,720 as at 31 December 2011. The Group keeps its cash in the form of bank deposits, mostly in Euro, with various international banks.

Item 5.7. Future liquidity and capital resources

The Group expects that its principal future cash needs will be used for: (i) the development of office investment properties; (ii) the development of retail investment properties; (iii) completion of development of certain residential properties; (iv) debt servicing; (v) operations and (vi) the purchase of plots for office and retail development purposes.

The Management Board is of the opinion that the Group's working capital should be sufficient to cover the Group's present requirements for at least twelve months following the date of this Report.

As at 31 December 2012, the Group's non-current liabilities amounted to €1,083,684, compared to €1,238,856 as at 31 December 2011.

The Group's total debt from long and short-term loans and borrowings as at 31 December 2012 was €1,138,049 , as compared to €1,293,274 as at 31 December 2011. 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 53% as at 31 December 2012, as compared to 60% as at 31 December 2011. The Group's strategy is to keep its loan-to-value ratio at the level of between 40% and 60%.

As at 31 December2012, 54% 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 use of proceeds from the issuance of shares

In June 2012, GTC complete a rights issue by issuing 100,000,000 shares which were offered to its subscribers. The net proceeds from the issuance of the shares amounted to €100,216, after deduction of the costs of the shares offering of €3,975.

The Group intended to use 80% to 100% of the proceeds of the shares issuance to strengthen its capital base by repaying a portion of its debts, depending on the availability of funding from other sources (which includes proceeds from the sales of assets and the proceeds from the new project loans). During the second half of 2012, the Company prepaid approximately €25,000 of its bond maturing originally in 2013 and 2014.

In addition, the Group may use proceeds from the issuance of shares to repay a portion of the €99,000 bonds that mature in May 2013.

Alternatively, a portion of the net proceeds may be used to repay other loans related to existing projects.

Item 7. Information on loans granted with a particular emphasis on related entities

During 2012, the Group did not grant any new loans to its associates or joint ventures.

The following table presents the balance as at 31 December 2012 of long-term loans that have been granted to the Group's subsidiaries and associates:

Associate	Amount of loan (€)	Currency	Interest rate
Lighthouse Holdings Limited S.A.	2,549	Euro	Euribor + margin
Europort Investment Limited	17,096	Euro	Euribor + margin
CID Holding SA	21,851	Euro	Euribor + margin
Vokovice BCP Holding SA	2,052	Euro	Euribor + margin

Item 8. 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 2012 and 31 December 2011, the guarantees granted amounted to €260,000 and €221,000. Additionally, in connection with the sale of its assets (amongst them, Platinium Business Park buildings), the Group gave typical warranties under the sale agreements, which are limited in time and amount.

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

Item 9. Off balance liabilities

As at 31 December 2012 and 31 December 2011, the Group had commitments contracted for in relation to future building construction amounting to €18,000 and €61,000. These commitments are expected to be financed from available cash and current financing facilities, other external financing or future installments 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 2012 and 31 December 2011, the guarantees granted amounted to €260,000 and €221,000. Additionally, in connection with the sale of its assets (amongst them, Platinium Business Park buildings) the Group gave typical warranties under the sale agreements, which are limited in time and amount Following the completion of Avenue 19 and GTC Square in Serbia, two Serbian subsidiaries and the general contractor raised mutual claims. The general contractor initiated arbitration proceedings before the commercial court against the subsidiaries claiming additional payment of €15,800 for both projects. The above subsidiaries refused this payment and filled a counterclaim of €18,600 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.

In relation to Marlera Golf project (Croatia) the land acquisition agreement provided as condition for the sale, a certain deadline for the completion a golf course component in the project. The Group's view, as supported by its legal advisers, is that the completion deadline for the development of the golf course shall due on 14 September 2014. The Group believes that this date is feasible to be met however taking into account macroeconomic situation it has taken steps to achieve extension of the period for completing the project. On 3 January 2013, the Group received a letter from the Ministry of Tourism of Croatia (the former land owner) expressing its good faith and intentions to prolong the abovementioned timeline. Negotiations in this respect are on-going.

Item 10. 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 11. Information on market risks

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 2012	31 December 2011
50bp increase in Euribor rate	€(673)	€ (1,542)
50bp decrease in Euribor rate	€673	€1,542

* Not includes hedges loans

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.

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

€	2012 PLN/Euro				2011 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	5,144	2,572	(2,572)	(5,144)	3,178	1,589	(1,589)	(3,178)
Trade and other receivables	392	196	(196)	(392)	532	266	(266)	(532)
Trade and other payables	(4,592)	(2,296)	2,296	4,592	(738)	(369)	369	738
Hedge	23,790	11,895	(11,895)	(23,790)	31,488	15,744	(15,744)	(31,488)
Bonds	(23,790)	(11,895)	11,895	23,790	(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 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.

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 2012	31 December 2011

First year	254	326
Second year	181	152
Third year	95	258
Fourth year	47	99
Fifth year	91	67
Thereafter	635	662
	1,303	1,564

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.

All derivative instruments mature within 5 years.

Fair value

As of 31 December 2012 and 2011, 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.

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

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

Fair value hierarchy

As at 31 December 2012, 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 2012 and 31 December 2011, 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 of in the real estate markets in which it operates. Please see *Item 3 Risk factors*.

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 2012 and 31 December 2011.

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 2012	31 December 2011
Loans and derivatives, net of cash and deposits	951,426	1,215,927
Investment properties, inventory and assets held for sale	1,8111,339	2,019,531
Gearing ratio	53%	60%

Item 12. 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 13. 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 2012 for the 12 months ended 31 December 2012:

Name	Remuneration (€)	Vested phantom shares (not in thousand)
Piotr Kroenke	449	176,784
Erez Boniel	533	176,784
Yovav Carmi	338	120,372
Hagai Harel	480	176,784
Mariusz Kozłowski	461	176,784
Witold Zatoński	362	138,264
Jacek Wachowicz	255	75,226

Remuneration (or fees to entities in which the holder is a key personel) consists of payment for 2012 and success fee amounts paid for present and past year in addition to Group's phantom shares program vested during 2012, as detailed in Item *14. Stock option plan*. During the year none of the shares were exercised.

The following table presents the remuneration of the members of the Supervisory Board as at 31 December 2012 for the 12 months ended 31 December 2012:

Name	Remuneration (€)	Vested phantom shares (not in thousand)
Alain Ickovics	270	-
Eli Alroy[1]	3,124	-
David Brush	-	-
Krzysztof Gerula[2]	18	-
Mariusz Grendowicz	24	-
Yosef Grunfeld	-	-
Artur Kucharski	24	-
Wojciech Napiórkowski[3]	-	-
Shouky Oren[4]	-	-
Guy Elias[5]	-	-
Jan Slootweg[6]	-	-

[1] For the period between 1 January 2012 and 6 April 2012

[2] For the period between 13 March 2012 and 31 December 2012

[3] For the period between 4 July and 31 December 2012

[4] For the period between 6 April 2012 and 31 December 2012

[5] For the period between 21 December 2012 and 31 December 2012

[6] For the period between 1 January 2012 and 21 December 2012

Remuneration (or fees to entities in which the holder is a key personnel) consists of payment for 2012 and success fee amounts paid for present and past year in addition to Group's phantom shares program vested during 2012, as detailed in Item *14. Stock option plan*. During the year none of the shares were exercised.

Item 14. Stock option plan

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 2012	Year ended 31 December 2011
Expenses arising from equity settled share based payments	138	525
Expenses arising from cash settled share based payments	4,898	(3,489)
	5,036	(2,964)

As at 31 December 2012, phantom shares issued were as follows:

Last exercise date	Amount of phantom shares
31/12/2014	647,568
31/12/2015	5,593,119
29/02/2016	361,068
31/12/2016	1,805,355
Total	8,407,110

Strike price for all phantom shares is a 30-day average of at least PLN/share 10.00, subject to certain adjustments. As at 31 December 2012, the all of the phantom shares are out of money and 4,403,324 shares out of them, are blocked.

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 2012 the average fair value of shares options amount to €0.9 per option (2011: €1.2).

Item 14.1. 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 15. 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	298,811	29,881
Erez Boniel	128,000	12,800
Yovav Carmi	0	0
Hagai Harel	205,470	20,547
Mariusz Kozłowski	0	0
Jacek Wachowicz	0	0
Witold Zatoński	0	0
Total	**632,281**	**63,228**

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)
Alain Ickovics	0	0
Eli Alroy[1]	276.240	27,624
David Brush	0	0
Krzysztof Gerula	2,474	247
Mariusz Grendowicz	7,000	700
Yosef Grunfeld	0	0
Artur Kucharski	0	0
Wojciech Napiórkowski	0	0
Shouky Oren	0	0
Guy Elias	0	0
Jan Slootweg[2]	0	0
Total	**285,714**	**28,571**

[1]As at 6 April 2012

[2] As at 21 December 2012

Item 16. 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 2012 in Note 28 *Related Party Transactions*.

Item 17. Information on signed and terminated loan agreements within a given year

In April 2012, GTC Sigma, entered into a facility agreement with Berlin Hyp, for the purpose of financing Corius office building in Warsaw. In 2012 the Group withdraw the full amount of the loan amounting to €13,000 which is to be repaid within seven years.

In September 2011, GTC Business Park D.O.O, entered into a facility agreement with Erste Gcib Finance I B.V, for the purpose of refinancing its existing loan facility. On February 29, 2012 GTC Business Park D.O.O withdraw the full amount of the loan amounting to €27,000 and repaid existing loan in amount of € 14,000 (19 Avenue).

In October 2012, as a result of sale of Platinum Business Park (buildings I-IV), the Group repaid the related loans in amount of €79,000.

In October 2012, the Company offered selected institutional investors, who were the bondholders of the bonds that mature in 2013 and 2014, to prolong the maturity of some of the existing bonds and to buy some of the existing bonds for redemption purposes. As a result, on 31 October 2012 the Company issued unsecured bonds, which replaced the existing bonds, in the total nominal value of PLN 205,800. The bonds will be redeemed in 3

semi-annual tranches starting from 30 April 2017. The interest on the Bonds payable semi-annually is based on the 6M WIBOR and a 4% p.a. margin. In connection with the above, the Company also bought for redemption purpose, PLN 71,200 for approximately 98% of its nominal value.

In November 2012, the Company offered selected institutional investors, who were the bondholders of the bonds that mature in 2013 and 2014, to prolong the maturity of some of the existing bonds and to buy some of the existing bonds for redemption purposes. As a result, on 4 December 2012 the Company issued unsecured bonds, which replaced the existing bonds, in the total nominal value of PLN 88,400. The bonds will be redeemed in 3 semi-annual tranches starting from 30 April 2017. The interest on the Bonds payable semi-annually is based on the 6M WIBOR and a 4% p.a. margin. In connection with the above, the Company also bought for redemption purpose, PLN 35,400 for approximately 98% of its nominal value.

Item 18. 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 19. 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 20. Material contracts signed during the year, including insurance contracts and co-operation contracts

On 31 October 2012, two subsidiaries of the Company: GTC Satellite sp. z o.o. and Diego sp. z o.o., signed final sale agreements with Calobra Investments Sp. z o.o. of the Allianz Real Estate Group, regarding the sale of Platinium Business Park project at ul. Domaniewska in Warsaw, comprising in total of all the Platinium buildings (i.e. buildings I through IV) and the plot of land where they are situated. The sale price of the above-mentioned assets was agreed at €138,840.

Item 21. Agreements with an entity certified to execute an audit of the financial statements

In February 2013, 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 2012. 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 2012 and 31 December 2011.

	For year ended	
	31 December 2012	31 December 2011
	€	€
Fee for audit and review of financial statements	912	1,218
Tax and other advisory services	172	208
Total	**1,084**	**1,426**

Globe Trade Centre S.A.

Report on the application of the principles of corporate governance for the financial year ended 31 December 2012

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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. Additionally, 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. Such amendment to the WSE Best Practices took effect on 1 January 2012. Furthermore, on 21 November 2012 the Warsaw Stock Exchange supervisory board adopted resolution No. 19/1307/2012, concerning amendments to the WSE Best Practices. Such amendment to the WSE Best Practices took effect on 1 January 2013.

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 2012, 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 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;	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 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	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.

	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.	
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 2012:

Shareholder	Number of shares and rights to the shares held	% of share capital	Number of votes	% of votes
GTC Real Estate Holding B.V. [1]	88,635,914	27.75%	88,635,914	27.75%
ING OFE	47,837,600	14.98%	47,837,600	14,98%
AVIVA OFE	21,895,613	6.86%	21,895,613	6.86%
OFE PZU	21,487,266	6.73%	21,487,266	6.73%
Other shareholders	139,516,597	43.68%	139,516,597	43.68%
Total	**319,372,990**	**100.0%**	**319,372,990**	**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

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

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.

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 six members. The composition of the management board changed in July 2012, when Hagai Harel resigned from his position as a member of the management board and director of international development.

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 2012:

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	2015
Yovav Carmi	Member of the management board	2011	2011	2014
Mariusz Kozłowski	Member of the management board	2001	2009	2015
Piotr Kroenke	Member of the management board	1996	2009	2015
Jacek Wachowicz	Member of the management board	2011	2011	2014
Witold Zatoński	Member of the management board	2007	2013	2016

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 nine members. During 2012, the composition of the supervisory board changed as following:

- in March 2012, Eli Alroy resigned from the supervisory board of the Company with effect as of 6 April 2012
- in March 2012, Krzysztof Gerula was nominated tot eh supervisory board of the Company by ING Powszechne Towarzystwo Emerytalne
- in April 2012, Shouky Oren was nominated tot eh supervisory board of the Company by GTC Real Estate B.V.
- in July 2012, Wojciech Napiórkowski was nominated tot eh supervisory board of the Company by ING Powszechne Towarzystwo Emerytalne
- in December 2012, Jan Slootweg resigned from the supervisory board of the Company and was replaced by Guy Elias, who was nominated by GTC Real Estate B.V.

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 2012:

Name and surname	Function	Year of first appointment	Year of appointment for the current term	Year of expiry of term
Alain Ickovics	Chairman of the supervisory board	2002	2010	2013
David Brush	Member of the supervisory board	2008	2011	2014
Guy Elias	Member of the supervisory board	2012	2012	2015
Krzysztof Gerula	Member of the supervisory board	2012	2012	2015
Mariusz Grendowicz[2]	Independent member of the supervisory board	2000	2010	2013
Yosef Grunfeld	Member of the supervisory board	2009	2012	2015
Artur Kucharski	Member of the supervisory board	2010	2010	2013
Wojciech Napiórkowski	Member of the supervisory board	2012	2012	2015
Shouky Oren	Member of the supervisory board	2012	2012	2015

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.

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

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

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,

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 2012 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, 8 March 2013

ERNST & YOUNG

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INDEPENDENT AUDITORS' OPINION

To the Supervisory Board 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 2012 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.

ERNST & YOUNG W POLSCE JEST CZŁONKIEM GLOBALNEJ PRAKTYKI ERNST & YOUNG
Sąd Rejonowy dla m.st. Warszawy w Warszawie, XII Wydział Gospodarczy Krajowego Rejestru Sądowego, KRS: 0000006468
NIP 526-020-79-76, Kapitał zakładowy: 5 210 500 zł

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 2012, 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, 8 March 2013

ERNST & YOUNG
AUDIT sp. z o.o.
Rondo ONZ 1, 00-124 Warszawa

GLOBE TRADE CENTRE S.A.

IFRS CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012
WITH THE INDEPENDENT AUDITOR'S REPORT

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2012
(in thousands of Euro)

	Note	31 December 2012	31 December 2011
ASSETS			
Non current assets			
Investment property	15	1,613,745	1,703,889
Residential landbank	16	73,225	74,326
Investment in associates	17	42,074	54,471
Loans granted and other receivables	26	21,932	21,707
Plant and equipment	14	1,781	1,840
Deferred tax asset	13	7,334	8,283
Other non-current assets		60	118
		1,760,151	**1,864,634**
Assets held for sale	6, 27	**42,453**	**134,100**
Current Assets			
Inventory	16	81,916	107,216
Debtors		5,318	4,596
Accrued income		867	595
VAT and other tax recoverable		3,938	13,945
Income tax recoverable		1,439	1,229
Prepayments, deferred expenses		2,931	4,512
Short-term deposits	20	25,954	37,161
Cash and cash equivalents	21	227,897	141,720
		350,260	**310,974**
TOTAL ASSETS		**2,152,864**	**2,309,708**

Globe Trade Centre S.A.
Consolidated Statement of Financial Position
as of 31 December 2012
(in thousands of Euro)

	Note	31 December 2012	31 December 2011
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	24	7,082	4,741
Share premium		312,155	214,280
Capital reserve		16,008	18,993
Hedge reserve		(25,068)	(37,265)
Foreign currency translation		5,181	5,361
Accumulated profit		442,105	538,139
		757,463	**744,249**
Non-controlling interest		(16,732)	(20,599)
Total Equity		**740,731**	**723,650**
Non current Liabilities			
Long-term portion of long-term loans and bonds	23	916,961	1,029,212
Deposits from tenants		4,760	4,501
Long term payable		1,737	67
Provision for share based payment	24	5,583	685
Derivatives	18	34,866	80,775
Provision for deferred tax liability	13	119,777	123,616
		1,083,684	**1,238,856**
Current liabilities			
Liabilities to be repaid upon sale	27	27,468	-
Trade and other payables	19	33,688	52,310
Current portion of long-term loans and bonds	23	193,620	264,062
Deposits from tenants		410	-
VAT and other taxes payable		34,532	2,136
Income tax payable		2,380	1,504
Derivatives	18	32,362	20,759
Advances received		3,989	6,431
		328,449	**347,202**
TOTAL EQUITY AND LIABILITIES		**2,152,864**	**2,309,708**

Globe Trade Centre S.A.
Consolidated Income Statement
for the year ended 31 December 2012
(in thousands of Euro)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Revenues from operations	7	147,591	153,675
Cost of operations	8	(57,174)	(58,444)
Gross margin from operations		**90,417**	**95,231**
Selling expenses	9	(3,946)	(7,161)
Administration expenses	10	(18,881)	(20,871)
Profit (loss) from revaluation / impairment of investment properties	15	(101,227)	(234,952)
Impairment of residential projects	16	(13,434)	(61,017)
Other income		381	460
Other expenses	22	(4,595)	(2,936)
Profit (loss) from continuing operations before tax and finance income / (expense)		**(51,285)**	**(231,246)**
Foreign exchange differences profit (loss), net		2,886	(8,628)
Financial income	11	5,133	4,850
Financial expense	11	(71,950)	(80,198)
Share of profit (loss) of associates	17	(9,992)	(4,365)
Profit (loss) before tax		**(125,208)**	**(319,587)**
Taxation	13	(6,986)	(18,337)
Profit (loss) for the year		**(132,194)**	**(337,924)**
Attributable to:			
Equity holders of the parent		(96,034)	(270,364)
Non-controlling interest		(36,160)	(67,560)
Basic earnings per share (Euro) attributable to ordinary equity holders of the parent	25	(0.36)	(1.23)
Diluted earnings per share (Euro) attributable to ordinary equity holders of the parent	25	(0.36)	(1.23)

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 2012
(in thousands of Euro)

	Year ended 31 December 2012	Year ended 31 December 2011
Profit (loss) for the year	**(132,194)**	**(337,924)**
Gain/(loss) on hedge transactions	13,664	3,099
Income tax	(2,697)	(440)
Net gain/(loss) on hedge transactions	10,967	2,659
Exchange differences on translation of foreign operations	(295)	1,678
Total comprehensive income / (loss) for the year, net of tax	**(121,522)**	**(333,587)**
Attributable to:		
Equity holders of the parent	(84,017)	(265,238)
Non-controlling interest	(37,505)	(68,349)

Globe Trade Centre S.A.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2012
(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 2011	**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 year 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**
Other comprehensive income (*)	-	-	-	12,197	(180)	-	12,017	(1,345)	10,672
Profit (loss) for the period ended 31 December 2012	-	-	-	-	-	(96,034)	(96,034)	(36,160)	(132,194)
Total comprehensive income / (loss) for the year	**-**	**-**	**-**	**12,197**	**(180)**	**(96,034)**	**(84,017)**	**(37,505)**	**(121,522)**
Other transactions	-	-	470	-	-	-	470	-	470
Issuance of shares	2,341	97,875					100,216		100,216
Purchase of non controlling interest (see note 6)	-	-	(3,593)	-	-	-	(3,593)	41,372	37,779
Share based payment	-	-	138	-	-	-	138	-	138
Balance as of 31 December 2012	**7,082**	**312,155**	**16,008**	**(25,068)**	**5,181**	**442,105**	**757,463**	**(16,732)**	**740,731**

(*) Includes an amount of Euro 5,655 thousand, resulted from hedge ineffectiveness expensed to income statements due to partial early repayment of bonds (see note 6)

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 2012
(In thousands of Euro)

		Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before tax		(125,208)	(319,587)
Adjustments for:			
Revaluation/Impairment of assets		114,661	295,969
Share of (profit) loss of associates		9,992	4,365
Loss from sale of fixed assets		216	-
Foreign exchange differences loss, net		(3,197)	3,549
Finance income		(5,133)	(4,850)
Finance expenses		71,950	80,198
Share based payment		5,036	(2,964)
Depreciation and amortization		491	557
Operating cash before working capital changes		**68,808**	**57,237**
Decrease in debtors and prepayments and other current assets		1,496	1,852
Decrease in inventory		15,897	11,048
Decrease in advances received		(1,306)	(5,781)
Increase in deposits from tenants		707	-
Increase/(decrease) in trade and other payables		(6,065)	6,271
Cash generated from operations		**79,537**	**70,627**
Tax paid in the period		(2,467)	(2,973)
Net cash from operating activities		**77,070**	**67,654**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of non current assets		(47,294)	(179,299)
Sale of shares in joint venture, net of cash disposed of	(b)	-	133,967
Sale of investment property		142,043	-
Tax/VAT on sale of investment property		22,888	(36,846)
Acquisition of subsidiaries and joint ventures, net of cash acquired	(a)	(13,957)	(4,650)
Dividend received		-	1,682
Interest received		3,973	2,557
Lease origination expenses		(999)	(808)
Loans granted		(563)	(1,811)
Loans repayments		4,571	-
Purchase of shares in associates		(198)	(389)
Net cash from (used in) investing activities		**110,464**	**(85,597)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares		104,191	-
Share issuance expenses		(3,975)	-
Proceeds from long-term borrowings		133,002	212,203
Repayment of long term borrowings		(276,828)	(175,514)
Repayment of financial liability		-	(609)
Interest paid		(68,467)	(61,935)
Loans origination cost		(1,414)	(4,299)
Increase (decrease) in short term deposits		11,408	(232)
Net cash from (used in) financing activities		**(102,083)**	**(30,386)**
Effect of foreign currency translation		**1,013**	**(1,683)**
Net increase/(decrease) in cash and cash equivalents		**86,464**	**(50,012)**
Cash and cash equivalents, at the beginning of the year		**141,720**	**191,732**
Cash and cash equivalents, at the end of the year		**228,184**	**141,720**
Cash classified as part of assets held for sale		**(287)**	**-**
Cash and cash equivalents, at the end of the year as per Consolidated Statement of Financial Position		**227,897**	**141,720**

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

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

	Year ended 31 December 2012	Year ended 31 December 2011
Investment property	(14,541)	(29,251)
Working capital (net of cash acquired)	584	24,601
Purchase of shares in subsidiaries, net of cash acquired	**(13,957)**	**(4,650)**

* Purchase of 50% share in CH Wilanow. Purchas was asset deal (see note 6).

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

	Year ended 31 December 2012	Year ended 31 December 2011
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**

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 2012 and 2011 the number of full time equivalent working in the Group companies was 174 and 189 respectively. In addition as of 31 December 2012 and 2011 the Company hires services of 57 and 30 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 2012 is GTC Real Estate Holding B.V., which holds 88,635,914 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

The Company maintains its books of account in accordance with accounting principles and practices employed by enterprises in Poland as required by Polish accounting regulations. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS as adopted by EU. These consolidated financial statements reflect certain adjustments not reflected in the Company's books to present these statements in accordance with standards issued by the International Accounting Standards Board, and the International Financial Reporting Interpretations Committee (“IFRIC”).

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

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.

3. Basis of preparation (continued)

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 2012 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.

To support the above assumption, the Management runs a cash flow forecast, which is updated from time to time. 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.
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 2011, except for the following amendments to existing standards and new regulations that are effective for financial years beginning on or after 1 January 2012:

Amendment to IFRS 7 Financial Instruments – Disclosures: Transfer of Financial Assets

Amendments to IAS 12 Income Tax: Deferred Tax: Recovery of Underlying Assets – effective for financial years beginning on or after 1 January 2012

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2012.
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.
Amendments to IAS 19 Employee Benefits - effective for financial years beginning on or after 1 January 2013,
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,

Basis of preparation (continued)

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 – in EU effective at the latest for financial years beginning on or after 1 January 2013,
IFRS 10 Consolidated Financial Statements – effective for financial years beginning on or after 1 January 2013, – in EU effective at the latest for financial years beginning on or after 1 January 2014,
IFRS 11 Joint Arrangements – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014,
IFRS 12 Disclosure of Interests in Other Entities – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014,
Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance - 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,
IAS 27 Separate Financial Statements – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014,
IAS 28 Investments in Associates and Joint Ventures – effective for financial years beginning on or after 1 January 2013 – in EU effective at the latest for financial years beginning on or after 1 January 2014,
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013,
Amendments to IFRS 7 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities - effective for financial years beginning on or after 1 January 2013,
Amendments to IAS 32 Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities- effective for financial years beginning on or after 1 January 2014,
Amendments to IFRS 1 First–time Adoption of International Financial Reporting Standards: Government Loans – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
Improvements to IFRSs (issued in May 2012) – 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 10, IFRS 12 and IAS 27 Investment Entities (issued on 31 October 2012) – effective for financial years beginning on or after 1 January 2014 – not endorsed by EU till the date of approval of these financial statements.

Basis of preparation (continued)

As of the balance sheet date, taking into consideration the ongoing process of implementing new IFRS, there are no differences between the IFRS that were endorsed and the IFRS issued by UE. The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective. The management is in process of analyzing impact of those amendments.

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) Plant and Equipment

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

The following depreciation rates have been applied:

	Depreciation rates
Equipment	7 -20 %
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).

4. Accounting Policies (continued)

(i) Completed Investment properties

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

Completed investment properties were externally valued by independent appraiser as of 31 December 2012 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 and short term Loans	Amortised cost
	Credit line	Amortised cost
	Deposits from tenants	Amortised cost
	Long term payables	Amortised cost
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.

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

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

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.

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 2012	31 December 2011
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.	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o. ("GTC GK Office ")	GTC S.A.	Poland	100%	100%
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 Wilson 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	100%	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. („Centrum Światowida")	GTC S.A.	Poland	100%	100%
Światowida Development sp. z o.o. ***	GTC S.A.	Poland	-	100%
Mieszkania Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%
Omega Development Inwestycje Sp. z o.o	GTC S.A.	Poland	100%	100%
Epsilon 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
*** The company was merged with Centrum Światowida

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

Name	Holding Company	Country of incorporation	31 December 2012	31 December 2011
GTC Hungary Real Estate Development Company Ltd. (“GTC Hungary”)	GTC S.A.	Hungary	100%	100%
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	100%	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	100%	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%
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%
GTC Vinohradis Piazza S.R.O	GTC Bratislava	Slovakia	70%	70%
GTC Jarossova S.R.O	GTC Bratislava	Slovakia	70%	70%
GTC Hill S.R.O	GTC Bratislava	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.
** Further described in note 6

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

Name	Holding Company	Country of incorporation	31 December 2012	31 December 2011
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%
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	100%	52%
Mercury Commercial Center S.R.L.	GTC Romania	Romania	100%	100%
Venus Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	100%	84.9%
Mars Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	100%	70%
Beaufort Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	100%	70%
Fajos S.R.L.	National Commercial Centers B.V.	Romania	100%	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 .	GTC Romania	Romania	50.1%	50.1%
Cefin Galati Real Estate S.R.L	GTC Romania	Romania	100%	100%
Operetico Enterprises Ltd.	GTC Romania	Cyprus	66.7%	66.7%
Bucharest Tower Investments B.V.	GTC Romania	Netherlands	100%	100%
Ana Tower Offices S.R.L (*)	Bucharest Tower Investments B.V.	Romania	50%	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.

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

Name	Holding Company	Country of incorporation	31 December 2012	31 December 2011
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%

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

Investment in Associates

Name	Holding Company	Country of incorporation	31 December 2012	31 December 2011
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%
Europort Investment (Cyprus) 1 Limited	GTC Ukraine	Cyprus	49,9%	49,9%
Europort LTD	Emerging investment	Israel	9.9%	9.9%

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6. Events in the period

On 29 March 2012, the Company purchased the 49.9% stake in Sasad Resort Ltd. and Sasad II Ltd. from the minority partner for consideration of EUR 2. All the shareholders' loans provided by the minority were assigned to the Company. The transaction was accounted for as a transaction with non-controlling interest holders ('NCI'). Consequently during 2012, the Company recorded a Euro 2.8 million movement directly in the equity reserve for transactions with NCI.

Consequently, the Company became the sole owner of these subsidiaries.

In June 2012, the company successfully completed a right issue of 100 million shares for an amount of Euro 100.2 million (net of issuance expenses of Euro 4 million). The new shares were registered in court in August 2012.

In June 2012 the Company entered into preliminary sale agreements with Calobra Investments Sp. z o.o. of the Allianz Real Estate Group, regarding the sale of Platinium Business Park project, comprising in total of all the Platinium buildings (i.e. buildings I through V).

On 31 October 2012 the Company signed final sale agreements regarding the sale of Platinium Business Park project (i.e. buildings I through IV). The total price amounted to EUR 138.8 million. On the same day, the Company fully repaid the loans and other related liabilities related to those assets. As of 31 December 2012, Platinum V is presented within assets held for sale (see notes 27, 32).

On 25 September 2012, the Company purchased from its Joint Venture partner the remaining 50% stake in the company, which holds a land in Wilanow, Warsaw designated for development of commercial centre (see Purchase of shares in subsidiaries and joint ventures in cash flow statements) .

In October 2012, the company offered selected institutional investors, who were the bondholders of the bonds that mature in 2013 and 2014, to prolong the maturity of some of the existing bonds and to buy some of the existing bonds for redemption purposes.

As a result, on 31 October and 4 December 2012, the Company issued new unsecured bonds, which replaced the existing bonds, in the total nominal value of PLN 294.2 million. The bonds will be redeemed in 3 semi-annual tranches starting from 30 April 2017. The interest on the Bonds payable semi-annually is based on the 6M WIBOR and a 4% p.a. margin. In connection with the above, the Company also bought for redemption purpose, PLN 106.6 million for approximately 98% of its nominal value (see note 18).

The new bonds start trading on Catalyst from 1 February 2013.

6. Events in the period (continued)

On December 24, 2012, GTC signed final agreement with the minority partner in its subsidiary NCC (It controls three shopping centres located in Buzau, Piatra Neamt and Suceava in Romania). According to the agreement, GTC Romania purchased minority stake in NCC in consideration of Euro 1. As of December 31, 2012 the Company presents the Subsidiaries as held for sale. The transaction was accounted for as a transaction NCI. Consequently during 2012, the Company recorded a Euro 6.4 million negative million movement directly in the equity reserve for transactions with NCI.

7. Revenue from operations

Revenue from operations comprises of the following:

	Year ended 31 December 2012	Year ended 31 December 2011
Rental revenue	98,690	100,195
Service revenue	29,872	28,864
Residential revenue	19,029	24,616
	147,591	**153,675**

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 2012 amounts to approximately Euro 477 million (Euro 509 million as of 31 December 2011), of which approximately Euro 98 million and (Euro 98 million) is due within one year, Euro 267 million and (Euro 275 million) is due within one to five years, and Euro 112 million and (Euro 136 million) is due after five years.

The total rental income that derived from a percentage of the tentats' turnover ("turnover rent") for the year ended 31 December 2012 is approximately Euro 2,755 thousand (for the year ended 31 December 2011-Euro 2,023 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 2012	Year ended 31 December 2011
Service costs	38,138	35,708
Residential costs	19,036	22,736
	57,174	**58,444**

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

9. Selling expenses

Selling expenses comprise of the following:

	Year ended 31 December 2012	Year ended 31 December 2011
Brokerage and similar fees	251	535
Advertising	2,820	5,131
Payroll and related expenses	875	1,495
	3,946	**7,161**

10. Administration expenses

Administration expenses comprise of the following:

	Year ended 31 December 2012	Year ended 31 December 2011
Remuneration, management fees and other expenses	10,106	18,433
Share based payment	5,036	(2,964)
Audit, legal and other advisers	2,538	3,924
Office expenses	849	921
Depreciation and amortisation	352	557
	18,881	**20,871**

11. Financial income and financial expense

Financial income comprise of the following:

	Year ended 31 December 2012	Year ended 31 December 2011
Interest on loans granted to associates	2,078	2,111
Interest on deposits and other	3,055	2,739
	5,133	**4,850**

Financial expense comprise of the following:

	Year ended 31 December 2012	Year ended 31 December 2011
Interest and other expenses:		
Interest expenses (on financial liabilities that are not at fair value through profit or loss) and other charges	(62,579)	(67,101)
Settlement of financial instruments (derivatives)	(770)	(8,921)
Change in fair value of financial instruments and hedge ineffectiveness (derivatives)	(6,406)	1,023
Loan raising expenses	(2,195)	(5,199)
	(71,950)	**(80,198)**

The average interest rate (including hedges) on the Group's loans during the year ended 31 December 2012 was 5% p.a. (5% p.a. in year 2011).

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.

12. Segmental analysis (continued)

Segment analysis for the year ended 31 December 2012 and 31 December 2011 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011
Rental income	77,084	82,352	23,634	19,194	27,844	27,513	128,562	129,059
Contract income	8,815	11,429	6,108	7,389	4,106	5,798	19,029	24,616
Total income	**85,899**	**93,781**	**29,742**	**26,583**	**31,950**	**33,311**	**147,591**	**153,675**
Rental costs	15,840	17,749	12,923	10,048	9,375	7,911	38,138	35,708
Contract costs	6,687	9,954	7,202	8,205	5,147	4,577	19,036	22,736
Total costs	**22,527**	**27,703**	**20,125**	**18,253**	**14,522**	**12,488**	**57,174**	**58,444**
Rental result	61,244	64,603	10,711	9,146	18,469	19,602	90,424	93,351
Contract result	2,128	1,475	(1,094)	(816)	(1,041)	1,221	(7)	1,880
Total result	**63,372**	**66,078**	**9,617**	**8,330**	**17,428**	**20,823**	**90,417**	**95,231**
Selling general and other expenses							(27,041)	(30,508)
Revaluation/impairment of investment property and residential	9,954	(37,890)	(97,762)	(190,746)	(26,853)	(67,333)	(114,661)	(295,969)
Profit from continuing operations before tax and financial related income/(expenses)							(51,285)	(231,246)
Foreign currency translation gain (loss), net							2,886	(8,628)
Financial income							5,133	4,850
Financial expense							(71,950)	(80,198)
Share of profit/(loss) of associates							(9,992)	(4,365)
Taxation							(6,986)	(18,337)
Profit for the year							(132,194)	(337,924)
Non-controlling interest							(36,160)	(67,560)
Equity holders of the parent							(96,034)	(270,364)

12. Segmental analysis (continued)

Segment analysis as of 31 December 2012 and 31 December 2011 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Segment assets								
Allocated assets rental	908,624	905,928	381,934	459,601	404,975	406,424	1,695,533	1,771,953
Allocated assets residential	41,940	53,616	74,783	90,886	45,498	70,610	162,221	215,113
Unallocated assets	276,385	305,578	16,191	11,265	2,534	5,800	295,110	322,642
Total assets	1,226,949	1,265,122	472,908	561,752	453,007	482,834	2,152,864	2,309,708
		-						
Segment liabilities	-		-		-		-	
Allocated liabilities rental	11,669	86,416	138,380	86,184	92,396	67,861	242,445	240,461
Allocated liabilities residential	2,192	26,246	3,295	5,699	4,467	10,574	9,954	42,519
Unallocated liabilities	833,172	873,778	204,548	285,112	122,014	144,188	1,159,734	1,303,078
Total liabilities	847,033	986,440	346,223	376,995	218,877	222,623	1,412,133	1,586,058
Capital expenditures	24,087	82,634	18,209	63,966	4,998	32,699	47,294	179,299
Depreciation	115	192	188	166	188	199	491	557

Unallocated assets include mostly cash deposits, investments in associates and loans granted. Unallocated liabilities include mostly loans received, bonds and hedges.

13. Taxation

The major components of tax expense are as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Current (corporate and capital gain) tax expense	12,248	22,486
Tax related to previous years	984	-
Deferred tax (credit)/expense	(6,246)	(4,149)
	6,986	**18,337**

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.

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

	Year ended 31 December 2012	Year ended 31 December 2011
Accounting profit (loss) before tax	(125,208)	(319,587)
Accounting profit (loss) at the applicable tax rate in each country of activity	**(18,498)**	**(43,218)**
Tax effect of expenses that are not deductible in determining taxable profit	4,540	3,175
Share of profit (loss) in associates	2,131	420
Tax effect of foreign currency differences	(10,489)	10,706
Other	(264)	763
Change of tax rate	3,226	6,606
Previous years tax	984	-
Disposed deferred tax liability	-	(10,193)
Unrecognised deferred tax asset	25,356	50,078
Tax expense / (income)	**6,986**	**18,337**

13. Taxation (continued)

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 2011	Credit / (charge) to income statement	As of 31 December 2011	Credit / (charge) to income statement	As of 31 December 2012
Financial instruments	(848)	1,894	1,046	(1,112)	(66)
Tax loss carry forwards	3,122	453	3,575	1,076	4,651
Basis differences in non-current assets	5,310	(2,018)	3,292	(1,033)	2,259
Other	77	293	370	120	490
Net deferred tax assets	**7,661**	**622**	**8,283**	**(949)**	**7,334**

Net deferred tax liability comprises of the following:

	As of 1 January 2011	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2011	Credit / (charge) to equity	Credit / (charge) to income statement	Foreign exchange differences	As of 31 December 2012
Tax loss carry forwards	7,248	-	(2,835)	-	4,413	-	603	-	5,016
Other	(314)	-	1,361	-	1,047	-	(1,320)	-	(273)
Financial instruments	(2,088)	(440)	(9,446)	359	(11,615)	(2,697)	(4,155)	(659)	(19,126)
Basis differences in non-current assets	(131,908)	-	14,447	-	(117,461)	-	12,067	-	(105,394)
Net deferred tax liability	**(127,062)**	**(440)**	**3,527**	**359**	**(123,616)**	**(2,697)**	**7,195**	**(659)**	**(119,777)**

13. Taxation (continued)

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

Tax rate	Year ended 31 December 2012	Year ended 31 December 2011
Poland	19%	19%
Hungary	10%/19%	10%/19%
Ukraine	25%	25%
Bulgaria	10%	10%
Slovakia	19%	19%
Serbia	15%	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.

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 2012 (2011) available in the amount of Euro 171 million (Euro 158 million). The expiry dates of these tax losses as of 31 December 2012 are as follows: Within one year- Euro 8 million, Between 2-4 years- Euro 114 million, Five years and afterwards – Euro 49 million.

14. Plant and Equipment

The movement in plant and equipment for the periods ended 31 December 2012 and 31 December 2011 was as follows:

	Equipment	Vehicles	Total
Cost			
As of 1 January 2011	**3,131**	**1,271**	**4,402**
Additions	307	290	597
Disposals	(381)	(151)	(532)
Translation 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)
Translation differences			
As at 31 December 2011	**1,801**	**823**	**2,624**
Net book value as at 31 December 2011	**1,253**	**587**	**1,840**
Cost			
As of 1 January 2012	**3,054**	**1,410**	**4,464**
Additions	372	87	459
Disposals and other decreases	(137)	(323)	(460)
Foreign exchange differences	11	9	20
As at 31 December 2012	**3,300**	**1,183**	**4,483**
Accumulated Depreciation			
As of 1 January 2012	**1,801**	**823**	**2,624**
Charge for the period	358	133	491
Disposals	(134)	(287)	(421)
Foreign exchange differences	4	4	8
As at 31 December 2012	**2,029**	**673**	**2,702**
Net book value as at 31 December 2012	**1,271**	**510**	**1,781**

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 2012	Year ended 31 December 2011
Completed investment property	1,308,398	1,330,614
Investment property under construction at fair value (in development process)	-	64,195
Investment property under construction at cost, net of impairment (not in development process)	305,347	309,080
Total	**1,613,745**	**1,703,889**

The movement in investment property for the periods ended 31 December 2012 and 31 December 2011 was as follows:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Carrying amount at beginning of the year	1,703,889	2,117,609
Additions, including:		
Capitalised subsequent expenditure	46,394	154,537
Purchase of shares in subsidiaries	14,541	29,251
Adjustment to fair value	(84,833)	(121,911)
Impairment / reversal of impairment	(20,860)	(105,339)
Reclassified to inventory	(397)	1,989
Reclassified to held for sale	(40,899)	(134,100)
Disposals	(4,079)	(237,565)
Translation differences	(11)	(582)
Carrying amount at the end of the year	**1,613,745**	**1,703,889**

15. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	Year ended 31 December 2012	Year ended 31 December 2011
Fair value of properties completed in prior years	(85,320)	(71,075)
Fair value of newly completed properties	(4,083)	(47,972)
Fair value of property under construction	4,570	(2,864)
Impairment adjustment	(20,860)	(105,339)
Fair value of properties held for sale	4,466	-
Impairment of goodwill, receivable and accruals	-	(7,702)
	(101,227)	**(234,952)**

Assumptions used in the valuations as of 31 December 2012 and 31 December 2011, based on weighted averages are presented below:

	31 December 2012	31 December 2011
Completed assets		
Average rental rate per sqm (Eur) (*)	14.9	15.9
Yield	8.3%	8.1%
ERV per sqm (Eur) (*)	15.5	16.2
Long term Vacancy	0%-5%	0%-5%
Current vacancy	9%	13%
Vacancy duration assumed in valuation (months)	13	24
Assets under construction (only assets at fair value)		
Average yield	-	8.7%
Average % complete	-	53%

Lease incentives to be granted in order to secure new lease contracts were assumed in certain valuation reports, in the amount of up to 8 months rental income, fitout contribution were assumed in certain valuation reports, the range from €35 to €100 per sqm.

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

15. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2012 are presented below:

Country	Book value	NRA Thousand sqm	Ocupancy %	Yield %	Actual rent Euro/sqm	ERV (*) Euro/sqm	Average duration Years
Poland	544,316	212	89%	7.5%	17.8	16.6	3.8
Serbia	116,500	53	89%	8.6%	17.1	14.5	3.6
Croatia	172,500	64	95%	10.2%	15.8	22.2	5.2
Hungary	172,500	91	95%	8.1%	12.5	12.9	2.7
Slovakia	15,400	14	47%	8.8%	9.2	9.3	2.8
Romania	199,782	80	96%	8.1%	14.6	18.2	6.0
Bulgaria	87,400	62	89%	9.1%	7.3	13.1	5.2
Total	1,308,398	576	91%	8.3%	14.9	15.4	4.2

ERV- Estimated Rent Value applicable upon renewals

Assumptions used in the testing for impairment of investment properties under construction valued at cost as of 31 December 2012 are presented below:

	Book value	Estimated building rights Thousand sqm	Book value Euro/sqm
Poland	114,280	436	262
Serbia	31,300	93	337
Croatia	8,475	42	200
Hungary	47,200	315	150
Romania	39,561	120	329
Bulgaria	36,849	126	292
Russia	27,683	55	503
Total	305,348	1,187	257

15. Investment Property (continued)

The table below presents the sensitivity of profit (loss) before tax as of 31 December 2012 and 2011 due to change in underlying assumptions (the values are presented in absolute numbers as a change can either be positive or negative):

	31 December 2012	31 December 2011
Completed investment property		
Change of 25 bp in yield	39,810	41,766
Change of 5% in estimated rental income	58,251	68,468
Investment property under construction at fair value		
Change of 25 bp in yield	-	1,839
Change of 5% in estimated rental income	-	4,665

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.

Completed assets were revalued based on discounted cash flow.

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 7.75%-10% was applied, and a theoretical third-party developers' profit of 12%-24% was deducted .

In SEE real estate markets in which the Company is active there are low levels of liquidity and transactions, resulting in a lack of clarity as to pricing levels (for example, rental rates and yields) and the market drivers.
Prices and values are going through a period of heightened volatility whilst the market absorbs the various issues over a time and reaches its conclusions. This has resulted in a continual reappraisal of SEE commercial property prices. As a result there is less certainty with regard to market values that change rapidly in the current market environment.

15. Investment Property (continued)

Management has assessed the value of its properties portfolio and landbank in the view of the current macroeconomic environment and expectation for future improvements. The assessment was supported and confirmed by external valuers.

Real estate under construction carried at cost includes borrowing costs incurred in connection with the construction of the projects. As of December 31, 2012 borrowing costs capitalized as real estate under construction amounted to € 893 thousand, (2011: € 1,906 thousand). During 2012 (2011) interest was capitalized to real estate under construction carried at cost at an average rate of 5% p.a. (5% p.a.), in accordance with the incurred interest expenses in project under development.

16. Inventory and Residential landbank

Inventory as of 31 December 2012 and 2011 consists of the following:

	31 December 2012	31 December 2011
Completed residential units	56,880	79,821
Landbank (*)	98,261	101,721
	155,141	**181,542**

(*) Within the landbank an amounts of Euro 73,225 (2012) and 74,326 (2011) thousand were presented within non-current assets

Completed inventory as of 31 December 2012 consists of the following:

	Book value	Thousand sqm	Book value/sqm Euro
Poland	7,342	4	1,661
Hungary	988	1	823
Slovakia	3,054	2	1,636
Romania	45,496	56	818
Total	56,880	63	901

Residential Landbank as of 31 December 2012 consists of the following:

	Book value	Estimated building rights Thousand sqm	Book value/sqm Euro
Poland	9,348	37	252
Croatia	15,164	48	316
Hungary	21,362	138	155
Slovakia	23,100	86	269
Romania	29,287	309	95
Total	98,261	618	159

16. Inventory and Residential landbank (continued)

The movement in inventory for the periods ended 31 December 2012 and 31 December 2011 was as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Opening balance	**181,542**	**254,196**
Construction and foreign exchange differences	5,672	13,088
Reclassified from investment property	397	(1,989)
Impairment to net realisable value	(13,434)	(61,017)
Cost of units sold	(19,036)	(22,736)
Closing balance	**155,141**	**181,542**

External valuers have conducted an analysis of net realizable value for each of the residential projects. The analysis of net realizable value 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 €13 million, mainly due to a delay in the projected commencement date and a decrease of the future expected sales' prices.

17. Investment in associates

The investment in associates comprises the following:

	31 December 2012	31 December 2011
Shares	5,846	5,648
Translation differences	674	25
Equity profit, net of dividend	(7,994)	1,998
Investment in shares	(1,474)	7,671
Loans granted	43,548	46,800
Investment in associates	**42,074**	**54,471**

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 2012	31 December 2011
Assets	93,420	107,743
Liabilities	97,080	101,253
	Year ended 31 December 2012	Year ended 31 December 2011
Revenues from operations	5,514	14,621
Profit for the year	(9,992)	(4,365)

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 2012 and 31 December 2011 was as follows:

	31 December 2012	31 December 2011
Fair value as of beginning of the year	(101,534)	(69,295)
Charged to other comprehensive income (*)	13,664	3,099
Charged to income statements (*)	13,034	(37,910)
Disposals	7,608	2,572
Fair value as of end of the year	(67,228)	(101,534)

(*) Includes an amount of Euro 6,981 thousand (Euro 5,655 thousand, after tax), resulted from hedge ineffectiveness expensed to income statements due to partial early repayment of bonds (see note 6)

19. Trade and other payables

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

20. Short term deposits

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

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.

23. Long-term loans

Long-term loans comprise the following:

	31 December 2012	31 December 2011
Bonds seria 0414	85,101	164,823
Bonds seria 2017-2018	72,633	
Bonds seria 0412	-	18,301
Bonds seria 0513	80,163	79,937
Loan from Pekao (GTC Galeria Kazimierz)	41,984	42,806
Loan from WBK (Globis Poznan)	15,927	16,434
Loan from WBK 1 (Galileo)	5,403	5,987
Loan from WBK 2 (Newton)	10,526	11,155
Loan from WBK 3 (Edison)	11,453	11,843
Loan from Pekeo SA 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 Berlin Hyp (Corius)	13,000	-
Loan from ING (Platinium 1)	-	19,770
Loan from ING (Platinium 2)	-	19,770
Loan from Berlin Hyp (Platinium 3)	-	19,400
Loan from ING (Platinium 4)	-	21,321
Loan from Berlin Hyp (Platinium 5)	10,146	2,858
Loan from WBK (Kazimierz office)	28,458	28,913
Loan from Pekao (Galeria Jurajska)	105,904	108,127
Loan from Berlin Hyp (UBP)	19,828	27,827
Loan from ING (Francuska)	17,356	17,895
Loan from MKB (Centre Point I)	23,051	24,501
Loan from MKB (Centre Point II)	27,077	28,702
Loan from CIB (Metro)	21,352	22,192
Loan from MKB (Spiral)	17,482	20,286
Loan from Erste (Reinesance)	6,109	6,109
Loan from MKB (Sasad Resort)	8,727	13,475
Loan from EBRD and Raiffeisen Bank (GTC House)	14,200	15,550
Loan from Erste (19 Avenue)	26,586	14,450
Loan from EBRD and Raiffeisen Bank (Block 41)	19,171	20,746
Loan from Raiffeisen Bank (Green Dream)	-	3,893
Loan from Unicredit (Felicity)	27,203	28,103
Loan from RZBR (Rose Garden)	15,182	20,748
Loan from Erste (Citygate)	96,926	99,428
Loan from EBRD and Raiffeisen Bank (NCC)	-	29,130
Loan from EBRD and Raiffeisen Bank (Arad)	29,203	33,042
Loan from MKB and Zagrabecka Banka (Eurostructor)	34,582	39,036
Loan from EBRD and Raiffeisenbank Austria (Osijek)	17,100	18,000
Loan from MKB and OTP (Galeria Varna)	24,417	24,725
Loan from EBRD and Unicredit (Stara Zagora)	28,282	28,792
Loan from EBRD (Burgas)	25,073	12,386
Loan from VUB Bank (Jarosowa)	2,542	2,938
Loan from Unicredit (Vinyard)	-	6,411
Loans from minorities in subsidiaries	76,437	111,340
Deferred issuance debt expenses	(7,934)	(9,132)
	1,110,581	**1,293,274**

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 2012	31 December 2011
Long term portion of long term loans and bonds:		
Bonds seria 0414	84,194	163,014
Bonds seria 2017-2018	71,963	-
Bonds seria 0412	-	-
Bonds seria 0513	-	79,243
Loan from Pekao (GTC Galeria Kazimierz)	41,124	41,984
Loan from WBK (Globis Poznan)	15,420	15,927
Loan from WBK 1 (Galileo)	4,941	5,515
Loan from WBK 2 (Newton)	10,109	10,742
Loan from WBK 3 (Edison)	11,058	11,453
Loan from Pekeo SA Bank (Globis Wroclaw)	26,097	26,739
Loan from ING (Nothus)	16,170	16,596
Loan from ING (Zefirus)	16,170	16,596
Loan from Berlin Hyp (Corius)	12,700	-
Loan from ING (Platinium 1)		-
Loan from ING (Platinium 2)		-
Loan from Berlin Hyp (Platinium 3)		-
Loan from Berlin Hyp (Platinium 5)		2,858
Loan from WBK (Kazimierz office)	28,063	28,458
Loan from Pekao (Galeria Jurajska)	103,597	105,897
Loan from Berlin Hyp (UBP)	19,428	27,039
Loan from ING (Francuska)	16,816	17,895
Loan from MKB (Centre Point I)	21,551	23,051
Loan from MKB (Centre Point II)	25,451	27,076
Loan from CIB (Metro)	20,480	21,352
Loan from MKB (Sasad Resort)	8,727	-
Loan from MKB (Spiral)	15,718	17,459
Loan from Erste (Reinesance)	4,859	
Loan from EBRD and Raiffeisen Bank (GTC House)	12,700	14,200
Loan from Erste (19 Avenue)	25,854	13,225
Loan from EBRD and Raiffeisen Bank (Block 41)	17,487	19,170
Loan from Erste (Citygate)	94,376	97,028
Loan from EBRD and Raiffeisen Bank (NCC)	-	27,597
Loan from EBRD and Raiffeisen Bank (Arad)	27,367	29,203
Loan from MKB and Zagrabecka Banka (Eurostructor)	30,128	34,582
Loan from EBRD and Raiffeisenbank Austria (Osijek)	15,300	16,650
Loan from MKB and OTP (Galeria Varna)	23,763	-
Loan from EBRD (Burgas)	23,820	12,251
Loan from VUB Bank (Jarosowa)	2,254	2,613
Loans from minorities in subsidiaries	76,437	111,340
Deferred issuance debt expenses	(7,161)	(7,541)
	916,961	**1,029,212**

23. Long-term loans (continued)

	31 December 2012	31 December 2011
Current portion of long term loans and bonds:		
Bonds seria 0414	907	1,809
Bonds seria 0513	80,163	694
Bonds seria 0412	-	18,301
Bonds seria 2017-2018	670	-
Loan from Pekao (GTC Galeria Kazimierz)	860	822
Loan from WBK (Globis Poznan)	507	507
Loan from WBK 1 (Galileo)	462	472
Loan from WBK 2 (Newton)	417	413
Loan from WBK 3 (Edison)	395	390
Loan from Berlin Hyp (UBP)	400	788
Loan from Pekao (Galeria Jurajska)	2,307	2,230
Loan from Pekeo SA Bank (Globis Wroclaw)	642	605
Loan from ING (Nothus)	426	360
Loan from ING (Zefirus)	426	360
Loan from Berlin Hyp (Corius)	300	-
Loan from ING (Platinium 1)	-	19,770
Loan from ING (Platinium 2)	-	19,770
Loan from Berlin Hyp (Platinium 3)	-	19,400
Loan from ING (Platinium 4)	-	21,321
Loan from Berlin Hyp (Platinium 5) (1)	10,146	-
Loan from WBK (Kazimierz office)	395	455
Loan from ING (Francuska)	540	-
Loan from MKB (Centre Point I)	1,500	1,450
Loan from MKB (Centre Point II)	1,626	1,626
Loan from Erste (Reinesance)	1,250	6,109
Loan from MKB (Sasad Resort)		13,475
Loan from CIB (Metro)	872	840
Loan from MKB (Spiral)	1,764	2,827
Loan from EBRD and Raiffeisen Bank (GTC House)	1,500	1,350
Loan from Erste (19 Avenue)	732	1,225
Loan from EBRD and Raiffeisen Bank (Block 41)	1,684	1,576
Loan from EBRD and Unicredit (Stara Zagora) (3)	28,282	28,792
Loan from MKB and OTP (Galeria Varna)	654	24,725
Loan from EBRD (Burgas)	1,253	135
Loan from MKB and Zagrabecka Banka (Eurostructor)	4,454	4,454
Loan from EBRD and Raiffeisenbank Austria (Osijek)	1,800	1,350
Loan from EBRD and Raiffeisen Bank (NCC) (2)	-	1,533
Loan from EBRD and Raiffeisen Bank (Arad)	1,836	3,839
Loan from Erste (Citygate)	2,550	2,400
Loan from RZBR (Rose Garden)	15,182	20,748
Loan from Unicredit (Felicity)	27,203	28,103
Loan from Raiffeisen Bank (Green Dream)	-	3,893
Loan from VUB Bank (Jarosowa)	288	325
Loan from Unicredit (Vinyard)	-	6,411
Deferred issuance debt expenses	(773)	(1,591)
	193,620	**264,062**

23. Long-term loans and bonds (continued)

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

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreements; the main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.
In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. The fair value of the pledged assets exceeds the carrying value of the related loans.

(1) With respect to Euro 10.1 millions loan granted to finance Platinum 5, the Company signed preliminary agreement for the sale of the project. As a result, the building is presented as Assets Held for Sale, and related loan is presented within current portion of long term loans.
(2) Loan is presented within liabilities to be repaid upon sale (see notes 27).
(3) With respect to a Euro 28.3 million loan from EBRD and Unicredit granted to a subsidiary (Stara Zagora Mall, Bulgaria), standard covenants were waived as of the balance sheet date. The waiver is valid until 31 March 2013 or such later date that will be agreed by the parties, in case the covenants will not be met by 31 March 2013. Accordingly, as of the balance sheet date the loan is reclassified as a current liability pending compliance with the covenants or agreement on a later date.

24. Capital and Reserves

As at 31 December 2012, the shares structure was as follows:

Number of Shares	Share series	Total value in PLN	Total value in euro
139,286,210	A	13,928,621	3,153,995
1,152,240	B	115,224	20,253
235,440	B1	23,544	4,443
8,356,540	C	835,654	139,648
9,961,620	D	996,162	187,998
39,689,150	E	3,968,915	749,022
3,571,790	F	357,179	86,949
17,120,000	G	1,712,000	398,742
100,000,000	I	10,000,000	2,341,372
319,372,990		**31,937,299**	**7,082,422**

All shares are entitled to the same rights.

In June 2012, the company successfully completed a right issue of 100 million shares for an amount of Euro 100.2 million (net of issuance expenses of Euro 4 million). The new shares were registered in court in August 2012.

GTC RE holds controlling stake of 27.75%. Other shareholders who as at 31 December 2012 held above 5% of the Company shares were as follows:

- ING OFE
- AVIVA OFE BZ WBK
- OFE PZU

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.

24. Capital and Reserves (continued)

On 16 April 2012, the Company held an ordinary shareholders meeting. The ordinary shareholders meeting decided that the loss for the year 2011 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.

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 2012	Year ended 31 December 2011
Expenses arising from equity settled share based payments	138	525
Expenses arising from cash settled share based payments	4,898	(3,489)
	5,036	**(2,964)**

As at 31 December 2012, phantom shares issued were as follows:

Last exercise date	Amount of phantom shares
31/12/2014	647,568
31/12/2015	5,593,119
29/02/2016	361,068
31/12/2016	1,805,355
Total	8,407,110

Strike price for all phantom shares is a 30-day average of at least PLN/share 10.00, subject to certain adjustments. As at 31 December 2012, 4,403,324 shares were blocked.

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 2012 the average fair value of shares options amount to Euro 0.9 per option (2011: Euro 1.2).

25. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Year ended 31 December	
	2012	2011
Net profit (loss) after tax (EURO) attributable to equity holders	(96,034,000)	(270,364,000)
Weighted average number of shares for calculating basic earnings per share	269,372,990	219,372,990
Basic earnings (loss) per share (EURO)	(0.36)	(1.23)
Weighted average number of shares for calculating diluted earnings per share	269,372,990	219,372,990
Diluted earnings (loss) per share (EURO)	(0.36)	(1.23)

	Year ended 31 December	
	2012	2011
Weighted average number of shares for calculating basic earnings per share	269,372,990	219,372,990
Adjustment for phantom shares	-	-
Weighted average number of shares for calculating diluted earnings per share	269,372,990	219,372,990

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. Assets held for sale/ Liabilities to be repaid upon sale

As of 31 December, 2012 assets and liabilities held for sale includes (see note 6):

Assets held for sale:	
Investment property (*)	40,899
Cash and cash equivalents	287
Trade and other receivables	1,211
Property and equipment	56
Total assets held for sale	**42,453**
Liabilities to be repaid upon sale:	
Loans from Bank	27,027
Trade and other payables	441
Total liabilities to be repaid upon sale	**27,468**

(*) Consists of Platinum 5 Euro 32.5 million, NCC Euro 6.4 million, commercial plot in Konstancin Euro 2 million

28. 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 2012	31 December 2011
Cash	3,117	3,586
Non current assets	135,443	146,448
Current assets (other than cash)	1,687	2,187
Long term liabilities	(111,368)	(111,334)
Current liabilities	(1,608)	(1,725)
Net assets	**27,271**	**39,162**
Income	9,063	79,890
Expenses	(7,110)	(23,052)
Profit for the year	**1,953**	**56,838**

29. 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 2012	Year ended 31 December 2011
Transaction		
Service and consultancy fees from parent/ultimate parent	734	289
Balances		
Loans granted to associates	43,548	46,800
Loans granted to joint ventures	21,932	21,707
Creditors	-	(4,489)
		-

Management and Supervisory Board remuneration for the year ended 31 December 2012, amounted to Euro 6.3 million (an amount of Euro 3.1 million is related to retired key personnel) , and 1,040,998 phantom shares were vested. Management and Supervisory Board remuneration for the year ended 31 December 2011, amounted to Euro 5 million, 1,155,528 phantom shares were vested.

30. Commitments, contingent liabilities and Guarantees

As of 31 December 2012 (31 December 2011), the Group had commitments contracted for in relation to future building construction without specified date, amounting to Euro 18 million (Euro 61 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 2012 and 31 December 2011, the guarantees granted amounted to Euro 260 million and Euro 221 million, respectively. Additionally, in connection with the sale of its assets (amongst them, Platinium buildings) the Company gave typical warranties under the sale agreements, which are limited in time and amount.

Following the completion of Avenue 19 and GTC Square in Serbia, two serbian subsidiaries and the general contractor raised mutual claims. 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.

In relation to Marlera Golf project (Croatia) the land acquisition agreement provided as condition for the sale, a certain deadline for the completion a golf course component in the project. The company's view, as supported by its legal advisers, is that the completion deadline for the development of the golf course shall due on 14 September 2014. The Company believes that this date is feasible to be met however taking into account macroeconomic situation it has taken steps to achieve extension of the period for completing the project. On 3 January 2013, the Company received a letter from the Ministry of Tourism of Croatia (the former land owner) expressing its good faith and intentions to prolong the abovementioned timeline. Negotiations in this respect are on-going.

31. 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 2012	31 December 2011
50bp increase in Euribor rate	(673)	(1,542)
50bp decrease in Euribor rate	673	1,542

(*) Not includes hedged loans

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.

31. Financial instruments and risk management (continued)

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

	2012 PLN/Euro				2011 PLN/Euro			
	+10%	+5%	-5%	-10%	+10%	+5%	-5%	-10%
Cash and cash equivalents	5,144	2,572	(2,572)	(5,144)	3,178	1,589	(1,589)	(3,178)
Trade and other receivables	392	196	(196)	(392)	532	266	(266)	(532)
Trade and other payables	(4,592)	(2,296)	2,296	4,592	(738)	(369)	369	738
Hedge	23,790	11,895	(11,895)	(23,790)	31,488	15,744	(15,744)	(31,488)
Bonds	(23,790)	(11,895)	11,895	23,790	(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 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.

31. 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 2012	31 December 2011
First year	254	326
Second year	181	152
Third year	95	258
Fourth year	47	99
Fifth year	91	67
Thereafter	635	662
	1,303	**1,564**

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.

All derivative instruments mature within 5 years.

31. Financial instruments and risk management (continued)

Fair Value

As of 31 December 2012 and 2011, 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.

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

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

Fair value hierarchy
As at 31 December 2012, 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 2012 and 31 December 2011, there were no transfers between Level 1 and Level 3 fair value measurements.

31. 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 2012 and 31 December 2011.
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 2012	31 December 2011
Loans and derivatives, net of cash and deposits	951,426	1,215,927
Investment properties, inventory and assets held for sale	1,811,339	2,019,531
Gearing ratio	53%	60%

32. Subsequent events

On 28 February 2013, the Company signed final agreement regarding the sale of Platinum V. On the same day, the company fully repaid the loan related to this asset.

33. Approval of the financial statements

The financial statements were authorised for issue by the Management Board on 8 March 2013.