

**CONSOLIDATED INTERIM REPORT  
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP  
FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 2012**

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**REPORT ON THE GROUP'S ACTIVITIES**

**FOR THE THREE AND SIX-MONTH PERIODS ENDED 30 JUNE 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 18 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 930 thousand sqm of NRA of commercial space (office and retail) and approximately 276 thousand sqm of residential space. The Group has sold approximately 260 thousand sqm of NRA in completed commercial properties and approximately 218 thousand sqm of residential space.

As of the date of this Report the Group's portfolio comprises the following properties:

- completed commercial properties with a combined NRA of approximately 691 thousand sqm, of which the Group's proportional interest amounts to 608 thousand sqm of NRA;
- inventory of 73 thousand sqm of which the Group's proportional interest amounts to 49 thousand sqm of residential units; and
- landbank designated for future development, with approximately 874 thousand sqm of plots of land designated for commercial use and approximately 1,815 thousand sqm of plots of land designated for residential use, of which the Group's proportionate interest therein amounts to approximately 800 thousand sqm and approximately 1,427 thousand sqm, respectively..

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 sqm of NRA in two office buildings and a shopping mall. The Group is also the co-owner of a 140 thousand sqm land plot located in Ukraine, of which the Group's proportional interest is 70 thousand sqm of NRA.

The Group's commercial properties comprise office and retail properties that account for approximately 76% of the total book value of the Group's portfolio as of 30 June 2012. The Group's completed properties in its three most significant markets, i.e. Poland, Romania and Croatia, constitute 46%, 15% and 12% 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 interim 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; „the Report” refers to the consolidated interim report prepared pursuant to art 90 section 1 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 the 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.

## Item 2. Selected financial data

The following tables set forth the Group’s selected historical financial data for three and six-month periods ended 30 June 2012 and 30 June 2011. The historical financial data should be read in conjunction with Item 7. “Presentation of operating and financial results” and the interim condensed consolidated financial statements for the six-month period ended 30 June 2012 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the interim condensed consolidated financial statements for the six-month period ended 30 June 2012.

Selected financial data expressed in Polish zloty is derived from the consolidated financial statements for the six-month period ended 30 June 2012 prepared in Polish language and in the Polish zloty.

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

(in thousands)	For the three-month period ended 30 June				For the six-month period ended 30 June			
	2012		2011		2012		2011	
	EUR	PLN	EUR	PLN	EUR	PLN	EUR	PLN
<b>Consolidated Income Statement</b>								
Revenues from operations	37,499	159,623	40,858	161,754	73,984	314,058	75,601	298,907
Cost of operations	(12,931)	(55,056)	(16,219)	(64,201)	(26,538)	(112,652)	(28,640)	(113,235)
Gross margin from operations	24,568	104,567	24,639	97,553	47,446	201,406	46,961	185,672
Selling expenses	(1,292)	(5,506)	(1,818)	(7,198)	(3,058)	(12,981)	(3,318)	(13,119)
Administrative expenses	(5,007)	(21,307)	(8,478)	(33,550)	(9,291)	(39,440)	(13,306)	(52,609)
Loss from revaluation/impairment of assets, net	(12,297)	(52,168)	(51,282)	(204,786)	(9,952)	(42,409)	(37,591)	(149,859)
Share of loss in associates	(4,579)	(19,445)	(99)	(397)	(5,171)	(21,951)	(982)	(3,883)
Financial income/(expense), net	(14,506)	(61,781)	(16,811)	(66,560)	(31,374)	(133,181)	(32,294)	(127,682)
Loss for the period	(21,451)	(90,954)	(46,507)	(185,406)	(18,399)	(78,318)	(38,008)	(151,352)
Basic and diluted earnings per share (not in thousands)	(0.06)	(0.25)	(0.15)	(0.61)	(0.03)	(0.15)	(0.11)	(0.44)
Weighted average number of issued ordinary shares (not in thousands)	219,372,990	219,372,990	219,372,990	219,372,990	219,372,990	219,372,990	219,372,990	219,372,990
<b>Consolidated Cash Flow Statement</b>								
Net cash flow from operating activities	-	-	-	-	34,705	147,239	26,837	96,062
Net cash flow used in investing activities	-	-	-	-	(30,994)	(131,568)	(120,641)	(476,818)
Cash flow used in financing activities	-	-	-	-	61,582	264,089	(4,866)	(19,239)
Cash and cash equivalents at the end of the period	-	-	-	-	207,020	882,174	90,491	360,751

(in thousands)	As of 30 June 2012		As of 31 December 2011		As of 30 June 2011		
	EUR	PLN	EUR	PLN	EUR	PLN	
<b>Consolidated balance sheet</b>							
Investment property		1,690,482	7,203,651	1,703,889	7,525,737	1,947,132	7,762,436
Inventory		98,354	419,116	107,216	473,552	195,360	778,822
Cash and cash equivalents		207,020	882,174	141,720	625,949	90,491	360,751
Total assets		2,384,961	10,163,034	2,309,708	10,201,519	2,694,047	10,740,087
Non-current liabilities		1,176,489	5,013,372	1,238,856	5,471,780	1,349,943	5,381,682
Current liabilities		392,333	1,671,852	347,202	1,533,524	206,867	824,699
Equity		816,139	3,477,810	723,650	3,196,215	1,032,474	4,116,058
Share capital		4,741	21,937	4,741	21,937	4,741	21,937

### Item 3. Presentation of the Group

#### Item 3.1. Structure of the Group

The structure of the Globe Trade Centre Capital Group as at 30 June 2012 is presented in the Interim Condensed Consolidated Financial Statements for the three and six-month periods ended 30 June 2012 in Note 5, "Investment in Subsidiaries, Associates and Joint Ventures".

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.

#### Item 3.2. Changes to the principle rules of management of the Company and the Group

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

### Item 4. Main events

The following events took place during the six months ended 30 June 2012 as well as after the balance sheet date:

- In February 2012, the Company concluded an annex to the loan agreement for the construction of the Varna Mall. The annex resets the loan covenants which result in the reclassification of €24,259 to long term liabilities.
- On 28 February 2012, the Company received from Mr Eli Alroy, a letter of resignation from his position of the Chairman of Supervisory Board of GTC effective as of 6 April 2012. On the same day the Supervisory Board of GTC elected Mr Alain Ickovicks to the position of Chairman of the Supervisory Board effective as of 6 April 2012.
- On 16 April 2012, the Annual Meeting of the Shareholders adopted a resolution on the issuance of up to 100,000,000 shares.
- In April 2012, the Company repaid the first tranche of its bonds of €21,177 (including hedges).
- In April 2012, the Group signed a loan facility agreement for Corius, its office building of the Group located in Warsaw with Berlin-Hannoversche Hypothekenbank AG. The total amount of the loan is €13,000.
- On 15 May 2012, GTC Bulgaria, the subsidiary of GTC, opened its second retail project in Bulgaria. Galleria Burgas is the first modern shopping centre with strong tenant mix in the Southern part of Bulgaria. The mall that attracted many renowned local and international brands is nearly 90% let, with the remaining space under advanced negotiations.
- In June 2012, an occupancy permit was obtained for Platinum V, the fifth building of the complex located at the intersection of Domaniewska and Woloska streets in Warsaw. The building is almost 100% leased.
- In July 2012, two subsidiaries of the Company: GTC Satellite sp. z o.o. and Diego sp. z o.o., entered into preliminary sale agreements with Calobra Investments Sp. z o.o. of the Allianz Real Estate Group, regarding the sale of Platinum Business Park project at ul. Domaniewska in Warsaw, which comprise in total of all the Platinum buildings (i.e. buildings I through V).
- On 26 June 2012, the Series I Shares were allotted to subscribers under the public offering. The issue was more than two times oversubscribed. As a result of the shares issue GTC was able to raise approximately PLN 445 million in equity.
- In July 2012, Corius received the Gold LEED certificate for Core and Shell. Corius is the third building at the Okęcie Business Park located on 17 Stycznia street and adjacent to the Warsaw Chopin Airport.
- On 25 July 2012, Hagai Harel resigned from his function of Member of the Management Board and International Development Manager at the Company.
- On 3 August 2012, the competent registry court registered the increase of GTC's share capital by PLN 10 million by way of the issuance of the Series I Shares.

## Item 5. External and internal factors impacting the Group's business

The key factors affecting the Group's financial and operating results are discussed below. The Group believes that the following factors and important 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 a recession may, however, have a negative impact on the demand for real estate 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 Group'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. 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 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. Consequently, 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.

### Real estate market in CEE and SEE

The Group derives the majority of its revenue from operations from rental activities, including rental and service revenue. For the years ended 31 December 2010 and 2011, respectively, the Group derived 57.6% and 65.2% of its revenues from operations as rental revenue, which greatly depends on the rental rates per sqm 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 local economies. The Group's revenue from rent is particularly affected by the new supply of rental space, 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.

The vast majority of the Group's lease agreements are concluded in Euro and include a clause that provides for the full indexation of the rent linked to the EICP (European Index of Consumer Prices).

The Group also generates part of its revenue from the sale of residential finished units. This revenue is influenced by multiple factors, among others, the overall state of local economies, unemployment rate, the purchasing power of families, availability of retail mortgage financing from the local banks and the fit of each residential development to the key features demanded by the local market.

### Real estate valuation

The Group's results of operations depend heavily on the fluctuation of the value of assets on the property markets. The Group revalues its investment properties at least twice a year. Any change in fair value of 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 landbank additionally depends on the building rights and the expected timing of the projects.

Two significant factors influence the valuation of the Group's finished residential units and residential landbank. The first one is the expected sale price of the final units. The second one is the expected timing of initiation of the development and completion. This second factor depends on several assumptions or facts, including the commercial status of the market (demand, supply, etc.) and the status of urban permits. Residential assets are typically valued by appraisers using the residual or the comparison methodologies. For both of these, the previous key factors apply.

#### Impact of interest rate movements

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

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

#### Impact of foreign exchange rate movements

Even though for the year ended 31 December 2011 more than 80% of the Group's revenues and more than 80% of its costs were incurred or derived in Euro and the Group reports its financial statements in euros, its operations are impacted by the movements in the exchange rates of local currencies against the Euro.

Moreover, 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.

#### Availability of financing

In the CEE and SEE markets, real estate development 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, its 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 main sources of financing for the Group's core business included, apart from proceeds from asset disposals, bank loans and proceeds from bonds issued by the Company.

#### Regulatory environment and taxation

The current state of and changes to the regulatory requirements and applicable laws (including in relation to taxation, planning and zoning) in the jurisdictions in which the Group operates impact the Group's operations.

This is especially true as part of the operations of the Group are in emerging economies with relatively less developed legal systems and whose laws and regulations are generally subject to rapid change. For example, in 2009 amendments to certain Romanian regulations had the effect of curbing demand for larger flats, which affected the Group's revenues from the sale of residential assets in Romania.

Changes in tax rates in the jurisdictions in which the Group conducts its operations may affect its results of operations. For example, the increase of the corporate income tax in Hungary in 2011 resulted in an increase in the Group's income tax expense. Increases in tax rates for individuals, as well as VAT increases, may limit the disposable income of the customers of the Group's retail properties, as was the case in Romania following the increase in the VAT rate in July 2010, or curb demand for the Group's office space. In addition, being a holding company, the Company's liquidity depends upon the ability of its subsidiaries to pay dividends and advance funds to the Company. Depending on a particular jurisdiction, dividend taxation may hinder such payments, thus affecting the Company's results of operations and liquidity.

## Item 6. Specific factors affecting financial and operating results in the six-month period ended 30 June 2012

During the six-month period ended 30 June 2012 the following factors affected financial results:

- Completion of the Corius office building (Warsaw) in January 2012. The building is almost 100% leased.
- Improvement in overall occupancy to 89% as at 30 June 2012 which resulted in an improvement in rental and service revenues.
- Additional sales of residential units in Osiedle Konstancja, a project of villas in Warsaw, made during the six months ended 30 June 2012.
- Opening of Galleria Burgas on 15 May 2012. Galleria Burgas is the first modern shopping centre with a strong tenant mix in the Southern part of Bulgaria. The mall that attracted many renowned local and international brands and is nearly 90% let, with the remaining space under advanced negotiations.
- Completion of Platinum V office building (Warsaw). The building is almost 100% leased.
- Conclusion of preliminary sale agreements with Calobra Investments Sp. z o.o. of the Allianz Real Estate Group, regarding the sale of the Platinum Business Park project at ul. Domaniewska in Warsaw, comprising in total of all of the Platinum buildings (i.e. buildings I through V).
- The allotment of the Series I Shares to subscribers took place on 26 June 2012. The issue was more than two times oversubscribed. As a result of the share issue, GTC was able to raise approximately PLN 445 million in equity.

## Item 7. Operating and financial review

All the financial data in this Report is presented in euro and expressed in thousands unless indicated otherwise.

### Item 7.1. Presentation of differences between achieved financial results and published forecasts

The Group have not presented forecasts for the results for the three and six month periods ended 30 June 2012.

### Item 7.2. Statement of financial position

#### Item 7.2.1. 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 landbank

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 in a period longer than the operating cycle as residential landbank, which is part of its non-current assets.

##### 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.

##### 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 period of one to five years. Residential projects which are active are classified as current inventory.

#### Short-term deposits

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

#### Derivatives

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

### Item 7.2.2. Financial position as at 30 June 2012 compared to 31 December 2011

#### Assets

Total assets increased by €75,253 and amounted to €2,384,961 as at 30 June 2012. Such increase was mainly due to an increase in current assets of €48,512 which was partially offset by a decrease in non-current assets of €14,559. Below are more detailed explanations.

#### Investment property

The value of investment property decreased by €13,407 to €1,690,482 as at 30 June 2012. This is a result of investment in Platinum V, Galeria Burgas and Corius of €38,146. The Group reclassified to assets held for sale an amount of €36,864, which comprised Platinum V of €30,747 and two land plots, one in Poland in the value of €1,873 and one in Romania in the value of €4,244 as well as recognized fair value adjustment of €14,841.

#### Assets held for sale

The value of assets held for sale increased by €41,300 to €175,400 as of 30 June 2012. The amount of €36,864 results from reclassification of Platinum V, and two land plots designated for the commercial use: 32,000 sq m in Galati, Romania, and 10,000 sq m in Konstancin, Poland, to assets held for sale and the amount of €5,553 results from positive revaluation of Platinum Business Park I-IV following terms of signed preliminary agreement.

#### Inventory and residential landbank

The value of inventory and residential land decreased by €5,908, or 3% to €175,634 as of 30 June 2012, mainly due to the sale of apartment and houses, which was partially offset by strategic land acquisition in Marlera project, Croatia.

#### Liabilities

The value of trade and other payables decreased by €4,568 to €47,742 as of 30 June 2012 as a result of payment made during the six months ended 30 June 2012 for the construction of investment properties conducted in the previous periods.

The total value of loans and bonds (both non-current and current) decreased by €9,417 to €1,283,857 as of 30 June 2012, mainly as a result of repayment of bonds in the amount of €21,177, partially offset by a loan drawdown for Corius office building in the amount of €13,000.

The long-term portion of loans and bonds represented 77% of total debt as of 30 June 2012, as compared to 80% as of 31 December 2011.

#### Derivatives

The value of the Group's derivatives decreased by €9,569 to €91,965 as of 30 June 2012 mostly due to repayment of bonds resulting in closing of underlying hedging instruments and a decrease in the EUR/PLN exchange rate from 4.4168 as of 31 December 2011 to 4.2613 as of 30 June 2012.

## Equity

Equity increased by 11%, or €92,489, to €816,139 as of 30 June 2012 from €723,650 as of 31 December 2011 primarily due to a capital increase via issue of 100,000,000 series I shares that the Company conducted in June 2012, partially offset by a decrease in accumulated profits of €8,164 following loss recognised in the six-month period ended 30 June 2012.

## Item 7.3. Consolidated income statement

### Item 7.3.1. Key items of the consolidated income statement

#### Revenues from operations

Revenues from operations consist of:

- (i) 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;
- (ii) service income, which comprises fees paid by the tenants of the Group's investment properties to cover the cost of the services provided by the Group in relation to their leases; and
- (iii) 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:

- (i) 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. Assuming a 100% occupancy rate, service costs should be fully covered by service income; and
- (ii) 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 related to 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:

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

#### Administrative expenses

Administration expenses include:

- (i) payroll, management fees and other expenses that include the salaries of all employees that are not directly involved in sales or rental activities;
- (ii) provisions made to account for the share-based incentive program that was granted to key personnel;
- (iii) costs of audit, legal and other advisors;
- (iv) office expenses;
- (v) depreciation and amortization expenses, which include depreciation and amortization of the Group's property, plant and equipment; and
- (vi) others.

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

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

#### 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 raising expenses, such as arrangement fees or commitment fees. 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 7.3.2. Comparison of financial results for the six month period ended 30 June 2012 with the result for the corresponding period of 2011**

#### Revenues from operations

Revenues from operations decreased by €1,617 to €73,984 in six-month period ended 30 June 2012, mainly due to a decrease of €981 in rental and service revenues and a decrease of €636 in residential revenues. Rental and service revenues decreased as a result of sale of Galeria Mokotów.

#### Cost of operations

Cost of operations decreased by €2,102 to €26,538 in the six-month period ended 30 June 2012, due to a decrease in rental and service costs by €800 and a decrease in the residential expenditures recognized in the income statement by €1,302.

Decline in rental and service costs is mostly due to sale of Galeria Mokotów in August 2011.

Decline in residential expenditure is mostly due to decline in sale of residential units. This is due to the fact that following the sale of residential real estate, which the Group classifies as inventory, the Group recognizes in its income statement the costs which were incurred in connection with the completion of such residential assets but capitalized in the value of inventory.

#### Gross margin from operations

The gross margin (profit) from operations increased by €485 to €47,446 in the six-month period ended 30 June 2012. The increase was primarily attributed to the increase in residential activities. In particular, the gross margin (profit) on residential activities increased to €457 in six-month period ended 30 June 2012 from a loss in the amount of €209 in the six-month period ended 30 June 2011. Gross margin on residential activities for the six-month period ended 30 June 2012 amounted to 5%. The gross margin (profit) on rental activities decreased by €181 to €46,989 for the six-month period ended 30 June 2012 from €47,170 for the six-month period ended 30 June 2011. Gross margin on rental activities for the six-month period ended 30 June 2012 amounted to 73% as compared to 72% for the corresponded period of 2011, mostly due to cost optimization initiatives introduced over last 12 months.

#### Selling expenses

Selling expenses decreased by €260 to €3,058 in the six-month period ended 30 June 2012, mainly due to completion of leasing activities in newly completed assets.

#### Administrative expenses

Administrative expenses decreased by €4,015 to €9,291 in the six-month period ended 30 June 2012, mainly due the fact that in the corresponding period of 2011, the Group recognized costs related to sale of Galeria Mokotów, which were one-off in their nature and as a result of cost optimization actions that were taken by the management.

#### 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 €9,952 in the six-month period ended 30 June 2012, as compared to loss of €37,591 in the six-month period ended 30 June 2011. The loss is attributable mostly to Group's activity in Romania following yield expansion and decline in revenues from retail assets.

#### Financial income/(expense), net

Net financial expense decreased by €920 to €31,374 in the six-month period ended 30 June 2012 vs. €32,294 in the six-month period ended 30 June 2011.

Financial expenses decreased by €490 to €33,901, mainly due to an decrease in the average debt balance, following sale of Galeria Mokotów.

Financial income increased by €430 to €2,527 in the six-month period ended 30 June 2012 mainly due foreign exchange decline.

#### Share in loss of associates

Share in loss of associates amounted to €5,171 for the six-month period ended 30 June 2012, as compared to a share of loss of €982 in the six month period ended 30 June 2011 mainly due to loss that the Group recognized on its Ukrainian investment of €1,360 and loss on its Czech investment of €3,811, resulting mostly from loss on revaluation of assets.

#### Taxation

The accounting provision for taxation amounted to €4,404 in the six-month period ended 30 June 2012, corresponding to an increase in the Polish asset value expressed in PLN.

#### Net loss

Net loss amounted to €18,399 in the six-month period ended 30 June 2012, as compared to a net loss of €38,008 in the six-month period ended 30 June 2011 and is attributable mainly to a loss on revaluation of investment properties combined with recognition of taxation charge..

### Item 7.3.3. Comparison of financial results for the three month period ended 30 June 2012 with the result for the corresponding period of 2011

#### Revenues from operations

Revenues from operations decreased by €3,359 to €37,499 in three-month period ended 30 June 2012, mainly due to a decrease of €1,768 in rental and service revenues and a decrease of €1,591 in residential revenues. Rental and service revenues decreased as a result of sale of Galeria Mokotów, which was not fully offset by revenues from newly completed assets.

#### Cost of operations

Cost of operations decreased by €3,288 to €12,931 in the three-month period ended 30 June 2012, due to an decrease in rental and service costs by €1,483 and an decrease in the residential expenditures recognized in the income statement by €1,805.

Decline in rental and service costs is mostly due to sale of Galeria Mokotów in August 2011.

Decline in residential expenditure is mostly due to decline in sale of residential units. This is due to the fact that following the sale of residential real estate, which the Group classifies as inventory, the Group recognizes in its income statement the costs which were incurred in connection with the completion of such residential assets but capitalized in the value of inventory.

#### Gross margin from operations

The gross margin (profit) from operations decreased by €71 to €24,568 in the three-month period ended 30 June 2012. The decrease was primarily attributed to the decrease in rental activities. In particular, the gross margin (profit) on residential activities increased to €378 in three-month period ended 30 June 2012 from a profit in the amount of €164 in the three-month period ended 30 June 2011. Gross margin on residential activities for the three-month period ended 30 June 2012 amounted to 8%. The gross margin (profit) on rental activities decreased by €285 to €24,190 for the three-month period ended 30 June 2012 from €24,475 for the three-month period ended 30 June 2011. Gross margin on rental activities for the three-month period ended 30 June 2012 amounted to 74% as compare to 71% for the corresponded period in 2011, mostly due to cost optimization initiatives introduced over last 12 months.

### Selling expenses

Selling expenses decreased by €526 to €1,292 in the three-month period ended 30 June 2012, mainly due to completion of leasing activities in newly completed assets.

### Administrative expenses

Administrative expenses decreased by €3,471 to €5,007 in the three month period ended 30 June 2012. Excluding cost of share base program, administrative expenses decreased by €5,010 to €3,103, mainly due the fact that in the corresponding period of 2011, the Group recognized costs related to sale of Galeria Mokotów, which were one-off in their nature and as a result of cost optimization actions that were taken by the management..

### 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 €12,297 in the three-month period ended 30 June 2012, as compared to loss of €51,282 in the three-month period ended 30 June 2011. The loss is attributable mostly to Group's activity in Romania following yield expansion and decline in revenues from retail assets.

### Financial income/(expense), net

Net financial expense decreased by €2,305 to €14,506 in the three-month period ended 30 June 2012 vs. €16,811 in the three-month period ended 30 June 2011.

Financial expenses decreased by €2,166 to €15,641, mainly due to an decrease in the average debt balance, following sale of Galeria Mokotów

Financial income increased by €139 to €1,135 in the three-month period ended 30 June 2012, mainly due to foreign exchange decline.

### Share of profit (loss) of associates

Share of loss of associates amounted to €4,579 for the three-month period ended 30 June 2012, as compared to a share of loss of €99 in the three month period ended 30 June 2011 mainly due to mainly due to loss that the Group recognized on its Ukrainian investment of €1,017 and loss on its Czech investment of €3,561, resulting mostly from loss on revaluation of assets.

### Taxation

The accounting provision for taxation amounted to €5,646 in the three-month period ended 30 June 2012, corresponding to an increase in the Polish asset value expressed in PLN.

### Net loss

Net loss amounted to €21,451 in the three-month period ended 30 June 2012, as compared to a net loss of €46,507 in the three month period ended 30 June 2011 and is attributable mainly to a loss on revaluation of investment properties combined with a recognition of taxation charge.

## Item 7. 4. Consolidated cash flow statement

### Item 7.4.1. 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.

#### 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, as well as the interest paid on financial liabilities.

#### 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 regardless of the amount. Cash equivalents are short-term investments which are highly liquid and readily convertible into a known amount of cash; moreover, they are subject to an insignificant amount of risk of changes in value. All cash and cash equivalents are available for use by the Group. The amounts which are not available for use by the Group or restricted for any is classified in the financial statements as deposits and not as cash and cash equivalents.

#### Item 7.4.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of six months ended on 30 June 2012 and 2011:

	Six months ended	
	30 June 2012	30 June 2011
Cash flow from operating activities	34,705	26,837
Investment in real-estate and related	(30,994)	(103,419)
Cash flow from sale of investment	-	(17,222)
Finance expenses	(31,468)	(32,080)
Proceeds from financing activities, net	93,057	28,446
Net change	65,300	(97,438)
Cash at the beginning of the period	141,720	191,732
Cash at the end of the period	207,020	90,491

Cash flow from operating activities was €34,705 in the six-month period ended 30 June 2012, as compared to €26,837 in the six-month period ended 30 June 2011, which mainly resulted from a decrease in trade payables.

Investment in real-estate and real estate related amounted to €30,994 in the six-month period ended 30 June 2012 and was related mainly to investment in Platinum Business Park V, Corius, and Galleria Burgas.

Cash flow from financing activities amounted to €61,582 in the six-month period ended 30 June 2012, compared to cash flow used in financing activities of €4,866 for the six month period ended 30 June 2011, mostly due share issue of €103,201 partially offset by lower proceeds from long term borrowings and repayment of bonds maturing in 2012.

Cash and cash equivalents as at 30 June 2012 amounted to €207,020, compared to €90,491 as at 30 June 2011. The Group keeps its cash in the form of bank deposits, mostly in Euro, with various international banks.

#### Item 7.5. Future liquidity and capital resources

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

The 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 30 June 2012, the Group's non-current liabilities amounted to €1,176,489, compared to €1,349,943 as at 30 June 2011.

The Group's total debt from long and short-term loans and borrowings as at 30 June 2012 was €1,283,857, as compared to €1,289,953 as at 30 June 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, the 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 55% as at 30 June 2012, as compared to 54% as at 30 June 2011. The Group's strategy is to keep its loan-to-value ratio at the level of between 40% and 60%.



**Item 8. Information on granted and received guarantees with a particular emphasis on guarantees granted to related entities**

During the six-month period ended 30 June 2012 the Group did not grant guarantees of a value that exceeds 10% of its capital.

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

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

**Item 10. Shareholders who, directly or indirectly, have substantial shareholding**

The following table presents the Company's shareholders, that had substantial shareholdings as of 30 June 2012. The table is prepared based on the most recent official information published by the pension funds as well as on information received directly from the shareholders.

Shareholder	Number of shares held	% of share capital	Number of votes	% of votes
GTC Real Estate Holding B.V. <sup>1</sup>	60,882,815	27.75%	60,882,815	27.75%
ING OFE	23,943,177	10.91%	23,943,177	10.91%
AVIVA OFE	15,861,600	7.23%	15,861,600	7.23%
OFE PZU	14,857,380	6.77%	14 857 380	6.77%

On 3 August 2012, the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered the amendment to the Company's articles of association introduced by way of a resolution of the Annual General Meeting of the Company dated 16 April 2012 regarding the increase of the Company's share capital and the amendment of its articles of association, as well as the increase of the Company's share capital from PLN 21,937,299 (not in thousand) to PLN 31,937,299 (not in thousand) through the issuance of 100,000,000 series I ordinary bearer shares in the Company with a nominal value of PLN 0.10 (ten groszy) each.

The following table presents the Company's shareholders, that had substantial shareholdings as of 30 June 2012, including shares and right to the shares that were allotted to the shareholders on 26 June 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. <sup>2</sup>	88,635,914	27.75%	88,635,914	27.75%
ING OFE	41,270,629	12.92%	41,270,629	12.92%
AVIVA OFE	21,895,613	6.86%	21,895,613	6.86%
OFE PZU	21,487,266	6.73%	21,487,266	6.73%

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

<sup>2</sup> GTC Real Estate Holding B.V. is a wholly owned subsidiary of Kardan N.V.

## Item 11. Shares and rights to shares of GTC held by members of the Management Board and the Supervisory Board

### Shares held by members of the Management Board

The following table presents the shares owned directly or indirectly by members of the Company's Management Board as of 16 August 2012, the date of publication of this Report, and changes in their holdings since the date of publication of the Group's last financial report (quarterly report for the three-month period ended 31 March 2012) on 14 May 2012. The information included in the table is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Management Board Member	Balance as of 16 August 2012	Change since 14 May 2012
Piotr Kroenke	298,811	Increase of 93,393
Erez Boniel	128,000	No change
Yovav Carmi	0	No change
Hagai Harel	205,470*	No change
Mariusz Kozłowski	0	No change
Jacek Wachowicz	0	No change
Witold Zatoński	0	No change

\*Balance as of 25 July 2012, i.e. the date of Hagai Harel's resignation from his position as a member of GTC's Management Board.

### Phantom shares held by members of the Management Board

The following table presents the phantom shares owned directly or indirectly by members of the Company's Management Board as of 30 June 2012 compare to 31 March 2012. The phantom shares granted to the members of the Management Board are subject to Supervisory Board's decision on settlement method.

Management Board Member	Balance as of 30 June 2012	Change since 31 March 2012
Piotr Kroenke	591,814	Increase of 38,946 and adjustment for the rights issue
Erez Boniel	591,814	Increase of 38,946 and adjustment for the rights issue
Yovav Carmi	218,394	Increase of 39,399 and adjustment for the rights issue
Hagai Harel*	591,814	Increase of 38,946 and adjustment for the rights issue
Mariusz Kozłowski	303,557	Increase of 38,946 and adjustment for the rights issue
Jacek Wachowicz	100,098	Increase of 4,551 and adjustment for the rights issue
Witold Zatoński	233,663	Increase of 27,297 and adjustment for the rights issue

### Shares of GTC held by members of the Supervisory Board

The following table presents the shares owned directly or indirectly by members of the Company's Supervisory Board as of 16 August 2012, the date of publication of this interim report, and the changes in their holdings since the date of publication of Group's last financial report (quarterly report for the three-month period ended 31 March 2012) on 14 May 2012. The information included in the table is based on information received from members of our Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

Supervisory Board Member	Balance as of 16 August 2012	Change since 14 May 2012
Alain Ickovics	0	No change
David Brush	0	No change
Krzysztof Gerula	2,474	Increase of 774
Mariusz Grendowicz	7,000	No change
Yosef Grunfeld	0	No change
Artur Kucharski	0	No change
Wojciech Napiórkowski	0	No change
Shouky Oren	0	No change
Jan Slootweg	0	No change

## Phantom shares of GTC held by members of the Supervisory Board

The following table presents phantom shares owned directly or indirectly by members of the Company's Supervisory Board as of 30 June 2012 since 31 March 2012.

Supervisory Board Member	Balance as of 30 June 2012	Change since 31 March 2012
Alain Ickovics	0	No change
David Brush	0	No change
Krzysztof Gerula	0	No change
Mariusz Grendowicz	0	No change
Yosef Grunfeld	0	No change
Artur Kucharski	0	No change
Wojciech Napiórkowski	0	No change
Shouky Oren	0	No change
Jan Sloomweg	0	No change

## Item 12. Material transactions with related parties concluded on terms other than market terms

The Group did not conduct any material transactions with related parties that are not based on arms length basis.

## Item 13. Proceedings before a court or public authority of Globe Trade Centre SA or its subsidiaries, with the total value of liabilities or claims of at least 10% of the Company'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, where the total value of liabilities or claims amounting to 10% or more of the Company's equity

## Item 14. Costs of the issuance of the Series I Shares

In connection with current report no 34/2012 dated 29 June 2012, as at the date of the Report the estimated costs of the Company's Series I Shares issue amounted to PLN 19,178,593 (including both invoiced and provisioned costs) and included:

- PLN 14,008,606 for the preparation and completion of the offering;
- PLN 0 for the fees of underwriters, the Company did not enter into any agreements with underwriters;
- PLN 4,985,758 for the drafting of the prospectus, including consultancy fees; and
- PLN 184,219 for the promotion of the offering,

With regard to the method of settlement in the books and the method of presentation in the financial statements, the settlement of estimated costs of the issue of the Series I Shares provided in the "Use of Proceeds" ("Wykorzystanie wpływów z Oferty") section in the Company's prospectus in the books will be done by way of decreasing the surcharge of the issue value of the issued shares over the nominal value thereof. Those costs will be presented in the financial statements in the "Spare Capital" ("Kapitał Zapasowy") line.

## Item 15. 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 Poland, Romania, Bulgaria and other countries in which the Group operates. The economic downturn has resulted in reduced demand for property and has adversely affected the Group's ability to sell or let its completed projects at their expected yields and rates of return.

Furthermore, the reduced demand for property resulting in a drop in sales dynamics on the one hand, and an increase of the vacancy rates and lower rent revenues from leased space on the other, impacted the results of operations of the Group. The deterioration of the general economic conditions and the real estate market in CEE and SEE has adversely affected the willingness and ability of customers to secure financing and purchase or lease property. If such demand continues to fall, the Group may have to sell or let its projects at a loss or may not be able to sell or let its projects at all. A downturn in the general economic conditions and the real estate market in CEE and SEE 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 2011. If market conditions and the prices of comparable commercial real properties continue to be volatile, the Group may continue to have significant revaluation gains or losses from the Group's existing properties in the future. 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 valuers 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 30 June 2012, the Group had approximately €1,375,822 of total net current and non-current financial consolidated indebtedness (including hedging instruments). While the Group intends to use 80% to 100% of the proceeds from the Offering to refinance a portion of its existing debt obligations, 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 cashflows from operations to the payment of the principal of and interest on its indebtedness, meaning that these cashflows 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 described in this Offering Memorandum 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 favour of entities providing external financing, which may further restrict and/or delay their transferability if the lender's consent must first be obtained. Several of the Group's projects are also held through joint ventures with third parties and may, as a result, be subject to legal and/or contractual limitations on transferability, such as first refusal and co-sale rights, or a requirement to obtain joint approval for any such sale. Such limitations could adversely affect the Group's ability to complete a transaction and to generate cash as needed through the timely sale of its projects at favourable prices or to vary its portfolio in response to economic or other conditions impacting the property value. If the Group cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favourable economic conditions or mitigate the impact of unfavourable economic conditions should they arise, 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 favourable planning permission cannot be guaranteed, and the Group has encountered difficulties in the past in effecting changes to LSDPs and in obtaining such permissions. In addition, civic and environmental groups as well as owners of neighbouring properties and local residents may try to frustrate the obtaining of the necessary permits, consents or approvals. 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 calibre tenants, especially anchor tenants, in the Group's retail projects is important for its commercial success. Such tenants play an important part in generating customer traffic and making a building a desirable location for other tenants. It may be more difficult for the Group to attract tenants to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for such tenants from competing developments. In addition, the termination of a lease agreement by any significant tenant may adversely affect the attractiveness of a project. The failure of such tenant to abide by these agreements, or its bankruptcy or economic decline, may cause delays or result in a decrease in rental income (temporary or long-term), the effect of which the Group may not be able to off-set due to difficulties in finding a suitable replacement tenant. If the Group fails to renew the leases of important tenants, or to replace such tenants in a timely manner, the Group may incur material additional costs or loss of revenues, 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 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 authorisations relating to plots of land held by the Group;
- the Group's potential inability to obtain financing on favourable 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 authorisations can be costly and time-consuming. Any of these factors could result in increased costs or delays of future projects, or prevent the completion of projects already begun, resulting in loss of revenue, loss of invested capital or loss of market share. The development and sale of residential properties may also give rise to actions being brought against the Group in connection with materials used or defects in the properties sold, including materials used or defects in properties constructed or sold by the Group or by third parties engaged thereby, such as architects, engineers and construction contractors or sub-contractors. Moreover, even if materials the Group uses in the construction of its developments comply and have complied with all applicable laws and regulations in force at the time of their use, such laws and regulations are subject to change. As a result, some of the materials that were used in the past may no longer be legally permitted for use, which may expose the Group to the risk of claims being raised by individuals who have handled or been exposed to such materials. Any claims brought against the Group relating to such matters could entail investigation and defence costs as well as liability for damages. Potential damages could include, among other things, the costs of remediation, loss of property and health-related bodily injury. The costs of insuring against construction defects and building material product claims and health-related bodily injury are high, and the amount of coverage offered by insurance companies is limited. As a consequence, some or all of the financial risks associated with building material products and construction defects may be the sole obligation of the Group, and the Group may be at risk for losses in amounts that exceed the available limits of their comprehensive general liability policies or that are excluded from coverage.

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

swaim” 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 sqm 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 realise the full expected value of its completed projects**

The Group’s projects can only be carried out if the sites on which they are located have access to the relevant technical infrastructure required by law (e.g. internal roads, utility connections, and fire prevention equipment and procedures). In cases where such sites do not have the required infrastructure, a use permit for the project may not be issued until such infrastructure is assured. It is also possible that the relevant authorities may require the Group to develop the relevant infrastructure as a part of the works related to the project, which may have a significant impact on the costs of the construction works. 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 judgement is issued against the Group, the overall consequences of such judgements may have a material adverse effect on the Group's business, financial condition, results of operations and the price of the Shares, even if any one judgement would not have such material effect.

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 to 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 realise its expected rates of return if the real estate markets in CEE and SEE countries in which the Group operates become saturated and competition increases**

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

In addition, construction loan agreements generally permit the drawdown of the loan funds against the achievement of predetermined construction and space leasing milestones or the sale of a specific number of flats. If the Group fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. Restrictions of or delays in the access to sources of external financing and conditions of such financing that are less favourable 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 favourable 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 €336,825 (including hedging instruments) in current liabilities of a short-term nature in the period until 31 March 2012. The Group might not be able to renew or refinance the remaining obligations in part or at all or might have to accept less favourable terms in respect of such refinancing. If the Group is unable to renew a loan or secure refinancing, the Group could be forced to sell one or more of its office properties in order to procure the necessary liquidity. Any combination of the above would have material adverse effects on the Group's business, cash flows, financial condition and results of operations. The inability to sell a property, if a sale became necessary, could jeopardize the Group's portfolio, 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, labour costs and remuneration for certain general contractors, are incurred in the currencies of the respective geographical markets, including Polish zloty, Bulgarian leva, Czech korunas, Croatian kunas, 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.

**GLOBE TRADE CENTRE S.A.**

**IFRS INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED  
30 JUNE 2012  
TOGETHER WITH INDEPENDENT AUDITORS' REVIEW  
REPORT**



**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Financial Position**  
**as of 30 June 2012**  
**(in thousands of Euro)**

	<u>Note</u>	30 June 2012 <i>(unaudited)</i>	30 June 2011 <i>(unaudited)</i>	<u>31 December 2011</u>
<b>ASSETS</b>				
<b>Non current assets</b>				
Investment property	12	1,690,482	1,947,132	1,703,889
Residential landbank		77,280	56,623	74,326
Investment in associates	11	50,120	55,033	54,471
Loans granted and other receivables		22,062	20,283	21,707
Property, plant and equipment		1,917	1,889	1,840
Deferred tax asset		8,106	12,304	8,283
Derivatives		-	261	-
Goodwill		-	2,741	-
Other non-current assets		108	95	118
		<b>1,850,075</b>	<b>2,096,361</b>	<b>1,864,634</b>
<b>Assets held for sale</b>		<b>175,400</b>	<b>243,803</b>	<b>134,100</b>
<b>Current Assets</b>				
Inventory		98,354	195,360	107,216
Debtors		7,712	6,795	4,596
Accrued income		355	266	595
VAT and other tax recoverable		8,457	30,681	13,945
Income tax recoverable		1,297	1,414	1,229
Prepayments, deferred expenses		4,015	8,864	4,512
Short-term deposits		32,276	20,012	37,161
Cash and cash equivalents		207,020	90,491	141,720
		<b>359,486</b>	<b>353,883</b>	<b>310,974</b>
<b>TOTAL ASSETS</b>		<b>2,384,961</b>	<b>2,694,047</b>	<b>2,309,708</b>

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

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Financial Position**  
**as of 30 June 2012**  
**(in thousands of Euro)**

	<u>Note</u>	30 June 2012 <i>(unaudited)</i>	30 June 2011 <i>(unaudited)</i>	<u>31 December 2011</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Share capital	14	4,741	4,741	4,741
Share premium		214,280	214,280	214,280
Unregistered share capital	14	99,697	-	-
Capital reserve		22,191	18,748	18,993
Hedge reserve		(36,500)	(26,631)	(37,265)
Foreign currency translation		5,979	6,440	5,361
Accumulated profit		529,975	782,270	538,139
		<b>840,363</b>	<b>999,848</b>	<b>744,249</b>
Non-controlling interest		(24,224)	32,626	(20,599)
<b>Total Equity</b>		<b>816,139</b>	<b>1,032,474</b>	<b>723,650</b>
<b>Non current Liabilities</b>				
Long-term portion of long-term loans and bonds	13	991,060	1,169,409	1,029,212
Deposits from tenants		5,703	4,471	4,501
Long term payable		1,655	1,429	67
Provision for share based payment		2,425	4,771	685
Derivatives		47,937	43,107	80,775
Provision for deferred tax liability		127,709	126,756	123,616
		<b>1,176,489</b>	<b>1,349,943</b>	<b>1,238,856</b>
<b>Current liabilities</b>				
<b>Liabilities held for sale</b>				
		-	<b>104,763</b>	-
Trade and other payables		47,742	64,245	52,310
Current portion of long-term loans and bonds	13	292,797	120,544	264,062
Financial liability			200	-
VAT and other taxes payable		1,729	800	2,136
Income tax payable		1,221	1,411	1,504
Derivatives		44,028	10,037	20,759
Advances received		4,816	9,630	6,431
		<b>392,333</b>	<b>206,867</b>	<b>347,202</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,384,961</b>	<b>2,694,047</b>	<b>2,309,708</b>

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

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Income Statement**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

	Note	<u>Six-month period ended</u>		<u>Three-month period</u>		<u>Year ended</u>
		<u>30 June</u>		<u>ended 30 June</u>		<u>31 December</u>
		<i>(unaudited)</i>		<i>(unaudited)</i>		
		<u>2012</u>	<u>2011</u>	2012	<u>2011</u>	<u>2011</u>
Revenues from operations	7	73,984	75,601	37,499	40,858	153,675
Cost of operations	8	(26,538)	(28,640)	(12,931)	(16,219)	(58,444)
<b>Gross margin from operations</b>		<b>47,446</b>	<b>46,961</b>	<b>24,568</b>	<b>24,639</b>	<b>95,231</b>
Selling expenses		(3,058)	(3,318)	(1,292)	(1,818)	(7,161)
Administration expenses	9	(9,291)	(13,306)	(5,007)	(8,478)	(20,871)
Profit (loss) from revaluation/ impairment of assets	12	(9,288)	(35,096)	(11,633)	(49,151)	(234,952)
Impairment of residential projects		(664)	(2,495)	(664)	(2,131)	(61,017)
Other income		243	167	102	-	460
Other expenses		(2,550)	(1,364)	(1,847)	(928)	(2,936)
<b>Profit (loss) from continuing operations before tax and finance income / (expense)</b>		<b>22,838</b>	<b>(8,451)</b>	<b>4,227</b>	<b>(37,867)</b>	<b>(231,246)</b>
Foreign exchange differences		(288)	(1,815)	(947)	(3,619)	(8,628)
Interest income		2,527	2,097	1,135	996	4,850
Financial expense		(33,901)	(34,391)	(15,641)	(17,807)	(80,198)
Share of profit (loss) of associates		(5,171)	(982)	(4,579)	(99)	(4,365)
<b>Profit (loss) before tax</b>		<b>(13,995)</b>	<b>(43,542)</b>	<b>(15,805)</b>	<b>(58,396)</b>	<b>(319,587)</b>
Taxation		(4,404)	5,534	(5,646)	11,889	(18,337)
<b>Profit (loss) for the period</b>		<b>(18,399)</b>	<b>(38,008)</b>	<b>(21,451)</b>	<b>(46,507)</b>	<b>(337,924)</b>
<b>Attributable to:</b>						
Equity holders of the parent		(8,164)	(26,233)	(14,487)	(36,519)	(270,364)
Non-controlling interest		(10,235)	(11,775)	(6,964)	(9,988)	(67,560)
Basic earnings per share (Euro)	15	(0.03)	(0.11)	(0.06)	(0.15)	(1.13)
Diluted earnings per share (Euro)	15	(0.03)	(0.11)	(0.06)	(0.15)	(1.13)

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

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

	<u>Six-month period ended 30</u>		<u>Three-month period ended 30</u>		<u>Year ended</u>
	<u>June</u>		<u>June</u>		<u>31 December</u>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	2011
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	
<b>Profit (loss) for the period/year</b>	<b>(18,399)</b>	<b>(38,008)</b>	<b>(21,451)</b>	<b>(46,507)</b>	<b>(337,924)</b>
Gain/(loss) on hedge transactions	(71)	17,194	1,496	(1,291)	3,099
Income tax	(62)	(3,245)	(327)	250	(440)
Net gain/loss on hedge transactions	(133)	<b>13,949</b>	1,169	<b>(1,041)</b>	2,659
Exchange differences on translation of foreign operations	546	3,035	(1,953)	1,496	1,678
<b>Total comprehensive income for the period/year, net of tax</b>	<b>(17,986)</b>	<b>(21,024)</b>	<b>(22,235)</b>	<b>(46,052)</b>	<b>(333,587)</b>
<b>Attributable to:</b>					
Equity holders of the parent	(6,781)	(9,394)	(14,678)	(36,049)	(265,238)
Non-controlling interest	(11,205)	(11,630)	(7,557)	(10,003)	(68,349)

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

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Changes in Equity**  
**for the six-month period ended 30 June 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
<b>Balance as of 1 January 2011</b>	<b>4,741</b>	<b>214,280</b>	<b>18,300</b>	<b>(40,580)</b>	<b>3,550</b>	<b>808,503</b>	<b>1,008,794</b>	<b>44,064</b>	<b>1,052,858</b>
Other comprehensive income	-	-	-	13,949	2,890	-	16,839	145	16,984
Profit (loss) for the period ended 30 June 2011 (unaudited)	-	-	-	-	-	(26,233)	(26,233)	(11,775)	(38,008)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,949</b>	<b>2,890</b>	<b>(26,233)</b>	<b>(9,394)</b>	<b>(11,630)</b>	<b>(21,024)</b>
Other transactions	-	-	(10)	-	-	-	(10)	192	182
Share based payment	-	-	458	-	-	-	458	-	458
<b>Balance as of 30 June 2011</b>	<b>4,741</b>	<b>214,280</b>	<b>18,748</b>	<b>(26,631)</b>	<b>6,440</b>	<b>782,270</b>	<b>999,848</b>	<b>32,626</b>	<b>1,032,474</b>

	Issued and paid in share capital	Share premium	Unregistered share capital	Capital reserve	Hedge reserve	Foreign currency translation	Accumulated profit	Total	Non-controlling interest	Total
<b>Balance as of 1 January 2011</b>	<b>4,741</b>	<b>214,280</b>		<b>18,300</b>	<b>(40,580)</b>	<b>3,550</b>	<b>808,503</b>	<b>1,008,794</b>	<b>44,064</b>	<b>1,052,858</b>
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)
<b>Total comprehensive income / (loss) for the</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,315</b>	<b>1,811</b>	<b>(270,364)</b>	<b>(265,238)</b>	<b>(68,349)</b>	<b>(333,587)</b>
Other transactions	-	-	-	167	-	-	-	167	192	359
Issuance of shares to non controlling interest	-	-	-	-	-	-	-	-	3,494	3,494
Share based payment	-	-	-	526	-	-	-	526	-	526
<b>Balance as of 31 December 2011</b>	<b>4,741</b>	<b>214,280</b>	<b>-</b>	<b>18,993</b>	<b>(37,265)</b>	<b>5,361</b>	<b>538,139</b>	<b>744,249</b>	<b>(20,599)</b>	<b>723,650</b>
Other comprehensive income	-	-	-	-	765	618	-	1,383	(970)	413
Profit (loss) for the period ended 30 June 2012 (unaudited)	-	-	-	-	-	-	(8,164)	(8,164)	(10,235)	(18,399)
<b>Total comprehensive income / (loss) for the</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>765</b>	<b>618</b>	<b>(8,164)</b>	<b>(6,781)</b>	<b>(11,205)</b>	<b>(17,986)</b>
Other transactions	-	-	-	302	-	-	-	302	-	302
Issuance of right for shares, net of issuance expenses (note 14)	-	-	99,697	-	-	-	-	99,697	-	99,697
Purchase of shares from non controlling interest	-	-	-	2,758	-	-	-	2,758	7,580	10,338
Share based payment	-	-	-	138	-	-	-	138	-	138
<b>Balance as of 30 June 2012</b>	<b>4,741</b>	<b>214,280</b>	<b>99,697</b>	<b>22,191</b>	<b>(36,500)</b>	<b>5,979</b>	<b>529,975</b>	<b>840,363</b>	<b>(24,224)</b>	<b>816,139</b>

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

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Statement of Cash Flows**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

	<u>Six-month period ended 30 June 2012</u>	<u>Six-month period ended 30 June 2011</u>	<u>Year ended 31 December 2011</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit (loss) before tax	(13,995)	(43,542)	(319,587)
<b>Adjustments for:</b>			
Revaluation/Impairment of assets	9,952	37,591	295,969
Share of (profit) loss of associates	5,171	982	4,365
Foreign exchange differences loss, net	(1,644)	-	3,549
Finance income	(2,527)	(2,097)	(4,850)
Finance expenses	33,901	34,391	80,198
Share based payment	1,878	1,054	(2,964)
Depreciation and amortization	351	431	557
<b>Operating cash before working capital changes</b>	<b>33,087</b>	<b>28,810</b>	<b>57,237</b>
Decrease/(increase) in debtors and prepayments and other current assets	971	1,889	1,852
Decrease in inventory	8,377	5,664	11,048
Increase/(decrease) in advances received	(1,053)	(3,174)	(5,781)
Increase/(decrease) in trade and other payables	(5,489)	(5,072)	6,271
<b>Cash generated from/ (used in) operations</b>	<b>35,893</b>	<b>28,117</b>	<b>70,627</b>
Tax paid in the period	(1,188)	(1,280)	(2,973)
<b>Net cash from (used) in operating activities</b>	<b>34,705</b>	<b>26,837</b>	<b>67,654</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of non current assets	(33,224)	(102,105)	(179,299)
Sale of shares in joint venture, net of cash disposed of	(b) -	-	133,967
Acquisition of shares in associates	(198)	(200)	(389)
Acquisition of subsidiaries, net of cash acquired	(a) -	(2,912)	(4,650)
Tax / VAT on sale of investment property	-	(17,222)	(36,846)
Dividend received	-	1,682	1,682
Interest received	2,352	1,180	2,557
Lease origination expenses	(267)	(546)	(808)
Loans granted	(135)	(518)	(1,811)
Loans repayments	478	-	-
<b>Net cash used in investing activities</b>	<b>(30,994)</b>	<b>(120,641)</b>	<b>(85,597)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares	103,201	-	-
Proceeds from long-term borrowings	40,269	66,264	212,203
Repayment of long-term borrowings	(54,816)	(55,815)	(175,514)
Repayment of financial liability	-	(409)	(609)
Interest paid	(31,468)	(32,080)	(61,935)
Loans origination cost	(724)	(271)	(4,299)
Increase (decrease) in short term deposits	5,120	17,445	(232)
<b>Net cash from (used in) financing activities</b>	<b>61,582</b>	<b>(4,866)</b>	<b>(30,386)</b>
<b>Effect of foreign currency translation</b>	<b>7</b>	<b>1,232</b>	<b>(1,683)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>65,300</b>	<b>(97,438)</b>	<b>(50,012)</b>
<b>Cash and cash equivalents, at the beginning of the period/year</b>	<b>141,720</b>	<b>191,732</b>	<b>191,732</b>
<b>Cash and cash equivalents, at the end of the period/year</b>	<b>207,020</b>	<b>94,294</b>	<b>141,720</b>
Cash classified as part of Assets held for sale.	-	(3,803)	-
<b>Cash and cash equivalents, at the end of the period/year as per Interim Condensed Consolidated Statement of Financial Position</b>	<b>207,020</b>	<b>90,491</b>	<b>141,720</b>

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

**Globe Trade Centre S.A.**  
**Interim Condensed Consolidated Cash Flow Statement**  
**for the three-month period ended 30 June 2012**  
**(in thousand of Euro)**

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

	<u>Six-month period ended</u> <u>30 June 2012</u> <i>(unaudited)</i>	<u>Six-month period</u> <u>ended</u> <u>30 June 2011</u> <i>(unaudited)</i>	<u>Year ended</u> <u>31 December 2011</u>
Investment property	-	(23,982)	(29,251)
Working capital (net of cash acquired)	-	21,070	24,601
<b>Purchase of shares in subsidiaries, net of cash acquired (*)</b>	-	<b>(2,912)</b>	<b>(4,650)</b>

\*All purchases were asset deal.

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

	<u>Six-month period</u> <u>ended</u> <u>30 June 2012</u> <i>(unaudited)</i>	<u>Six-month period</u> <u>ended</u> <u>30 June 2011</u> <i>(unaudited)</i>	<u>Year ended</u> <u>31 December</u> <u>2011</u>
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)
<b>Total Carrying Value of Assets sold</b>	-	-	<b>138,977</b>
Cash in subsidiary disposed of	-	-	(5,010)
<b>Total received net of cash disposed of</b>	-	-	<b>133,967</b>

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

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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**1. Principal activities**

Globe Trade Centre S.A. (the “Company”, “GTC”) was registered in Warsaw on December 19, 1996. The Company’s registered office is in Warsaw at Wołoska 5 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.

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

The Group’s business activities are:

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

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 30 June 2012 is GTC Real Estate Holding N.V., which holds 60,882,815 shares (27.75% of total shares) and has an Effective Control over the Company.

**2. Functional and reporting currencies**

The currency of Polish economy is the Polish Zloty.

The functional currency of GTC is Euro. The functional currency of some of GTC’s subsidiaries is a currency different from Euro.

The financial statements of those companies prepared in their functional currencies are included in the interim condensed 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 affecting earnings for the period.



**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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

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

Certain information and footnote disclosures which in accordance with International Financial Reporting Standards adopted by European Union (EU) are normally included in annual financial statements, have been condensed or omitted pursuant to International Accounting Standard No. 34, “Interim Financial Reporting” (IAS 34).

This interim condensed consolidated statement of financial position, interim condensed consolidated statement of income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated cash flow statement and interim condensed consolidated statement of changes in equity are unaudited. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended 31 December 2011. The interim financial results are not necessarily indicative of the full year results.

The interim condensed consolidated financial statements of the Group describe its 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.

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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**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 13, as of 30 June 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 interim condensed 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.

**Impairment of assets**

The carrying value of assets is periodically reviewed by Management to determine whether impairment may exist. Based upon its most recent analysis, management believes that no additional material impairment of assets exists as of 30 June 2012. Goodwill impairment is tested at the year end or when indication for impairment arises. Impairment is determined by assessing the recoverable amount of the cash generating unit or group of cash generated units, to which the goodwill relates.

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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**4. Significant accounting policies, estimates and judgments**

Significant accounting policies

The Polish law requires the Group to prepare its interim condensed consolidated financial statements in accordance with IFRS applicable to interim financial reporting as adopted by European Union (“EU”) (IAS 34). At this particular time, due to the endorsement process of the EU, and activities of the Company, there are no differences in the policies applied by the Company between IFRS and IFRS that have been endorsed by the Commission of the European Communities.

The interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the interim financial reporting (IAS 34) and all applicable IFRS that have been adopted by EU.

These interim condensed 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

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 yet endorsed by EU

Amendment to IFRS 7 Financial Instruments – Disclosures: Transfer of Financial Assets – effective for financial years beginning on or after 1 July 2011,

Amendments to IAS 12 Income Tax: Deferred Tax: Recovery of Underlying Assets – effective for financial years beginning on or after 1 January 2012 – not yet endorsed by EU

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – effective for financial years beginning on or after 1 July 2011 – not yet endorsed by EU

IFRS 10 Consolidated Financial Statements – effective for financial years beginning on or after 1 January 2013 – not yet endorsed by EU

IFRS 11 Joint Arrangements – effective for financial years beginning on or after 1 January 2013 – not yet endorsed by EU

IFRS 12 Disclosure of Interests in Other Entities – effective for financial years beginning on or after 1 January 2013 – not yet endorsed by EU

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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**4. Significant accounting policies, estimates and judgments**

IFRS 13 Fair Value Measurement - effective for financial years beginning on or after 1 January 2013 – not yet endorsed by EU

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013 – not yet endorsed by EU

Amendments to IAS 32 Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities- effective for financial years beginning on or after 1 January 2014 – not yet endorsed by EU

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 yet endorsed by EU

Improvements to IFRSs – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,

IAS 27 Separate Financial Statements – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,

IAS 28 Investments in Associates and Joint Ventures – 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 11 and IFRS 12 Transition Guidance - effective for financial years beginning on or after 1 January 2013 – not endorsed by EU

Amendments to IFRS 7 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities - effective for financial years beginning on or after 1 January 2013– not endorsed by EU

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

**Classification as inventory and residential landbank**

The Company 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.

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

**5. Investment in Subsidiaries, Associates and Joint Ventures**

The interim condensed 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	30 June 2012	30 June 2011	31 December 2011
GTC Konstancja Sp. z o.o. ("GTC Konstancja")	GTC S.A.	Poland	100%	100%	100%
GTC Korona S.A. ("GTC Korona")	GTC S.A.	Poland	100%	100%	100%
Globis Poznań Sp. z o.o. ("Globis Poznan")	GTC S.A.	Poland	100%	100%	100%
GTC Aeropark Sp. z o.o. ("GTC Aeropark")	GTC S.A.	Poland	100%	100%	100%
GTC Topaz Office Sp. z o.o. ("GTC Topaz Office ")	GTC S.A.	Poland	100%	100%	100%
Globis Wrocław Sp. z o.o. ("Globis Wrocław")	GTC S.A.	Poland	100%	100%	100%
GTC Galeria Kazimierz Sp. z o.o. ("GTC Galeria Kazimierz") (*)	GTC S.A.	Poland	50%	50%	50%
GTC Nefryt Sp. z o.o. ("GTC Nefryt ")	GTC S.A.	Poland	100%	100%	100%
GTC Satellite Sp. z o.o. ("GTC Satellite")	GTC S.A.	Poland	100%	100%	100%
GTC Ogrody Galileo Sp. z o.o. Sp. z o.o. (previously GTC Sonata)	GTC S.A.	Poland	100%	100%	100%
GTC GK Office Sp. z o.o. ("GTC GK Office ")	GTC S.A.	Poland	100%	100%	100%
Rodamco CH1 Sp. z o.o. ("Rodamco CH1") (*)	GTC S.A.	Poland	-	50%	-
GTC Com 1 Sp. z o.o. ("GTC Com 1")	GTC S.A.	Poland	100%	100%	100%
GTC Karkonowska Sp. z o.o. (previously GTC Wrocław Office)	GTC S.A.	Poland	100%	100%	100%
GTC Ortal Sp. z o.o. (previously Byrant)	GTC S.A.	Poland	100%	100%	100%
Diego Sp. z o.o. ("Diego")	GTC S.A.	Poland	100%	100%	100%
GTC Francuska Sp. z o.o. (previously GTC Cyril)	GTC S.A.	Poland	100%	100%	100%
GTC UBP Sp. z o.o. (previously GTC Com 3)	GTC S.A.	Poland	100%	100%	100%
GTC Wilason Park Sp. z o.o. (previously GTC Com 4)	GTC S.A.	Poland	100%	100%	100%
GTC Moderna Sp. z o.o. (previously GTC Com 5)	GTC S.A.	Poland	100%	100%	100%
CH Wilanow Sp. z o.o. („CH Wilanow") (*)	GTC S.A.	Poland	50%	50%	50%
Alfa Development Inwestycje sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
GTC Corius sp. z o.o. (previously Sigma development)	GTC S.A.	Poland	100%	100%	100%
Centrum Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
Światowida Development sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
Mieszkania Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
Omega Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
Delta Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
Omikron Development Inwestycje Sp. z o.o.	GTC S.A.	Poland	100%	100%	100%
GTC Galeria CTWA Sp. z o.o. ("Galeria CTWA")	GTC S.A.	Poland	100%	100%	100%

\* Proportionate consolidation.

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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

Name	Holding Company	Country of incorporation	30 June 2012	30 June 2011	31 December 2011
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%	100%
Budapest Investments B.V.	GTC Hungary	Netherland	100%	100%	100%
Budapest Offices B.V.	GTC Hungary	Netherland	100%	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%	100%
Riverside Apartments Kft. ("Riverside")	GTC Hungary	Hungary	100%	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%	100%
Centre Point II. Kft. ("Centre Point II")	GTC Hungary	Hungary	100%	100%	100%
Spiral Holding Kft.	GTC Hungary	Hungary	100%	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%	100%
Spiral II. Kft.	GTC Hungary	Hungary	100%	100%	100%
River Loft Ltd.	GTC Hungary	Hungary	100%	100%	100%
SASAD Resort Kft. (**)	GTC Hungary	Hungary	100%	50.1%	50.1%
Albertfalva Kft. ("Szeremi Gate")	GTC Hungary	Hungary	100%	100%	100%
GTC Metro Kft (formerly "Jazmin Ingatlan Kft.")	GTC Hungary	Hungary	100%	100%	100%
SASAD Resort Offices Kft	GTC Hungary	Hungary	100%	100%	100%
Toborzó Széplak Kft.	GTC Hungary	Hungary	100%	100%	100%
Mastix Champion Kft.	GTC Hungary	Hungary	100%	100%	100%
GTC Renaissance Plaza Kft.	GTC Hungary	Hungary	100%	100%	100%
SASAD II Kft. (**)	GTC Hungary	Hungary	100%	50.1%	50.1%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%	100%
Immo Buda Kft.	GTC Hungary	Hungary	100%	100%	100%
Szemi Ingatlan Ltd.	GTC Hungary	Hungary	100%	100%	100%
Preston Park Kft.	GTC Hungary	Hungary	100%	100%	100%
GTC Real Estate Investments Ukraine B.V. ("GTC Ukraine")	GTC S.A.	Netherlands	90%	90%	90%
Emerging Investments III B.V.	GTC S.A.	Netherlands	100%	100%	100%
GTC Real Estate Management Services Ukraine LLC	GTC Ukraine	Ukraine	90%	90%	90%
GTC Real Estate Investments Russia B.V. ("GTC Russia", formerly GTC Moldova)	GTC S.A.	Netherlands	100%	100%	100%
Yatelsis Viborgskaya Limited of Nicosia ("YVL") (*)	GTC Russia	Cyprus	50%	50%	50%
GTC Development Service Spb	GTC Russia	Russia	100%	100%	100%
OOO Okkerville (*)	YVL	Russia	50%	50%	50%
ZAO Krasny Mayak (*)	YVL	Russia	50%	50%	50%
GTC Real Estate Investments Slovakia B.V. ("GTC Slovakia")	GTC S.A.	Netherlands	100%	100%	100%
GTC Real Estate Developments Bratislava B.V. ("GTC Bratislava")	GTC Slovakia	Netherlands	70%	70%	70%
GTC Real Estate Management s.r.o.	GTC Slovakia	Slovakia	100%	100%	100%
GTC Real Estate Park s.r.o.	GTC Bratislava	Slovakia	70%	70%	70%
SPV Opus S.R.O	GTC Bratislava	Slovakia	70%	70%	70%
GTC Jarossova S.R.O	GTC Bratislava	Slovakia	70%	70%	70%
GTC Hill S.R.O	GTC Slovakia	Slovakia	70%	70%	70%
GTC Vinohradis Villas S.R.O	GTC Slovakia	Slovakia	70%	70%	70%
GTC Real Estate Vinohrady s.r.o. ("GTC Vinohrady")	GTC Bratislava	Slovakia	70%	70%	70%
GTC Real Estate Vinohrady 2 s.r.o. ("GTC Vinohrady 2")	GTC Bratislava	Slovakia	70%	70%	70%

\* Proportionate consolidation.

\*\* Further described in note 6

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

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

Name	Holding Company	Country of incorporation	30 June 2012	30 June 2011	31 December 2011
GTC Real Estate Investments Croatia B.V. ("GTC Croatia")	GTC S.A.	Netherlands	100%	100%	100%
GTC Nekretnine Zagreb d.o.o. ("GTC Zagreb")	GTC Croatia	Croatia	100%	100%	100%
Euro Structor d.o.o.	GTC Croatia	Croatia	70%	70%	70%
Marlera Golf LD d.o.o.	GTC Croatia	Croatia	80%	80%	80%
GTC Center Point Ltd.	GTC Croatia	Croatia	100%	100%	100%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o.	Croatia	80%	80%	80%
GTC Nekretnine Istok d.o.o.	GTC Croatia	Croatia	80%	80%	80%
GTC Nekretnine Jug. d.o.o.	GTC Croatia	Croatia	100%	100%	100%
GTC Sredisnja tocka d.o.o.	GTC Croatia	Croatia	100%	100%	100%
GTC Nekretnine Zapad d.o.o.	GTC Croatia	Croatia	100%	100%	100%
GTC Real Estate Investments Romania B.V. ("GTC Romania")	GTC S.A.	Netherlands	100%	100%	100%
Towers International Property S.R.L.	GTC Romania	Romania	100%	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.")	GTC Romania	Romania	100%	100%	100%
Bucharest Properties B.V.	GTC Romania	Netherlands	100%	100%	100%
Green Dream S.R.L.	GTC Romania	Romania	100%	100%	100%
Titulescu Investments B.V. ("Titulescu")	GTC Romania	Netherlands	100%	100%	100%
Aurora Business Complex S.R.L.	GTC Romania	Romania	71.5%	71.5%	71.5%
Yasmine Residential Complex S.R.L.	GTC Romania	Romania	100%	100%	100%
Bucharest City Gate B.V. ("BCG")	GTC Romania	Netherlands	58.9%	58.9%	58.9%
Bucharest City Gate S.R.L.	BCG	Romania	58.9%	58.9%	58.9%
Mablethompe Investitii S.R.L.	GTC Romania	Romania	100%	100%	100%
National Commercial Centers B.V.	GTC Romania	Netherlands	52%	52%	52%
Mercury Commercial Center S.R.L.	GTC Romania	Romania	100%	100%	100%
Venus Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	84.9%	84.9%	84.9%
Mars Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	70%	70%	70%
Beaufort Commercial Center S.R.L.	National Commercial Centers B.V.	Romania	70%	70%	70%
Fajos S.R.L.	National Commercial Centers B.V.	Romania	70%	70%	70%
City Gate S.R.L.	Bucharest City Gate B.V.	Romania	58.9%	58.9%	58.9%
Brightpoint Investments Limited	GTC Romania	Romania	50.1%	50.1%	50.1%
Complexul Residential Colentina S.R.L.	GTC Romania	Romania	50.1%	50.1%	50.1%
Cefin Galati Real Estate S.R.L.	GTC Romania	Romania	100%	100%	100%
Operetico Enterprises Ltd.	GTC Romania	Cyprus	66.7%	66.7%	66.7%
Bucharest Tower Investments B.V.	GTC Romania	Netherlands	100%	100%	100%
Ana Tower Offices S.R.L. (*)	Bucharest Tower Investments B.V.	Romania	50%	50%	50%
Deco Intermed S.R.L.	Operetico Enterprises Ltd.	Romania	66.7%	100%	66.7%
GML American Regency Pipera S.R.L.	GTC Romania	Romania	66.7%	66.7%	66.7%

\* Proportionate consolidation.

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

Name	Holding Company	Country of incorporation	30 June 2012	30 June 2011	31 December 2011
GTC Real Estate Investments Bulgaria BV („GTC Bulgaria”)	GTC S.A.	Netherlands	100%	100%	100%
Galeria Stara Zagora AD	GTC Bulgaria	Bulgaria	75%	75%	75%
Galeria Burgas JSC	GTC Bulgaria	Bulgaria	80%	80%	80%
Galeria Varna JSC	Galeria Ikonomov GmbH	Bulgaria	65%	65%	65%
GTC Business Park EAD	GTC Bulgaria	Bulgaria	100%	100%	100%
NRL EAD	GTC Bulgaria	Bulgaria	100%	100%	100%
Galeria Ikonomov GmbH	GTC Bulgaria	Austria	65%	65%	65%
GTC Yuzhen Park EAD (“GTC Yuzhen”)	GTC Bulgaria	Bulgaria	100%	100%	100%
GTC Real Estate Investments Serbia B.V. (“GTC Serbia”)	GTC S.A.	Netherlands	100%	100%	100%
City Properties Serbia B.V.	GTC Serbia	Netherlands	100%	100%	100%
GTC Medj Razvoj Nekretnina d.o.o.	GTC Serbia	Serbia	100%	100%	100%
GTC Business Park d.o.o.	GTC Serbia	Serbia	100%	100%	100%
GTC Commercial and Residential Ventures d.o.o.	GTC Serbia	Serbia	100%	100%	100%
GTC Real Estate Developments d.o.o.	GTC Commercial Development d.o.o.	Serbia	95%	95%	95%
Demo Invest d.o.o	City Properties Serbia B.V.	Serbia	100%	100%	100%
Atlas Centar d.o.o.	GTC Serbia	Serbia	100%	100%	100%
GTC Commercial Development d.o.o.	GTC Serbia	Serbia	100%	100%	100%



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

Investment in Associates

Name	Holding Company	Country of incorporation	30 June 2012	30 June 2011	31 December 2011
Lighthouse Holdings Limited S.A. ("Lighthouse")	GTC S.A.	Luxemburg	35%	35%	35%
Vokovice BCP Holding S.A. ("Vokovice")	GTC S.A.	Luxemburg	35%	35%	35%
Holesovice Residential Holdings S.A. ("Holesovice")	GTC S.A.	Luxemburg	35%	35%	35%
CID Holding S.A. ("CID")	GTC S.A.	Luxemburg	35%	35%	35%
ND Holdings S.A. ("ND")	GTC S.A.	Luxemburg	-	35%	-
Europort Investment (Cyprus) I Limited	GTC Ukraine	Cyprus	49.9%	49.9%	49.9%
Europort LTD	Emerging investment	Israel	9.9%	10%	9.9%

**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.

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

On 14 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 Platinum Business Park project, comprising in total of all the Platinum buildings (i.e. buildings I through V. The total price set out in the Preliminary Agreements amounted to EUR 173.4 million and will be subject to adjustment when the final agreements are signed.

In June 2012, the company successfully completed a right issue of 100 million shares for an amount of Euro 99.7 million (net of issuance expenses of Euro 4.5 million). The new shares were registered in court in August 2012.

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**7 Revenue from operations**

Revenue from operations comprises the following:

	Six-month period ended 30 June 2012 <i>(unaudited)</i>	Six-month period ended 30 June 2011 <i>(unaudited)</i>	Three-month period ended 30 June 2012 <i>(unaudited)</i>	Three-month period ended 30 June 2011 <i>(unaudited)</i>	Year ended 31 December 2011
Rental revenue	49,156	50,187	24,642	26,060	100,195
Service revenue	15,053	15,003	7,932	8,282	28,864
Residential revenue	9,775	10,411	4,925	6,516	24,616
	<b>73,984</b>	<b>75,601</b>	<b>37,499</b>	<b>40,858</b>	<b>153,675</b>

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:

	Six-month period ended 30 June 2012 <i>(unaudited)</i>	Six-month period ended 30 June 2011 <i>(unaudited)</i>	Three-month period ended 30 June 2012 <i>(unaudited)</i>	Three-month period ended 30 June 2011 <i>(unaudited)</i>	Year ended 31 December 2011
Service costs	17,220	18,020	8,384	9,867	35,708
Residential costs	9,318	10,620	4,547	6,352	22,736
	<b>26,538</b>	<b>28,640</b>	<b>12,931</b>	<b>16,219</b>	<b>58,444</b>

**9. Administration expenses**

Administration expenses refer to the expenses that the Company incurs in relations to its human resources operations, accounting, information technology, valuations, depreciation expense for equipment, office space usage, office supplies and utilities. The Company incurs administrative expenses in relation to running its development activity, its asset management activity and its general initiations and management activities. Additionally, Administration expenses contains provision (non cash item) for share based payment (see note 14) regardless if the options are in or out of the money and even though such shares may never be exercised.

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**9. Administration expenses (continued)**

Costs of Administration comprise the following:

	Six-month period ended 30 June 2012 <i>(unaudited)</i>	Six-month period ended 30 June 2011 <i>(unaudited)</i>	Three-month period ended 30 June 2012 <i>(unaudited)</i>	Three-month period ended 30 June 2011 <i>(unaudited)</i>	Year ended 31 December 2011
Administrative	7,413	12,252	3,103	8,113	23,835
Provision for Share Based Payment	1,878	1,054	1,904	365	(2,964)
	9,291	13,306	5,007	8,478	20,871

**10 Segmental analysis**

The Group'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 have 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 gross margin on operations of its business units for the purposes of making performance assessment and decision making. Operating segment performance is evaluated based on gross margin from operations.

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

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**10 Segmental analysis (continued)**

Segment analysis for the six-month periods ended 30 June 2012 (unaudited) and 30 June 2011 (unaudited) is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Rental and service income	38,511	42,609	11,475	9,092	14,223	13,489	64,209	65,190
Contract income	5,993	3,999	1,661	3,595	2,121	2,817	9,775	10,411
<b>Total income</b>	<b>44,504</b>	<b>46,608</b>	<b>13,136</b>	<b>12,687</b>	<b>16,344</b>	<b>16,306</b>	<b>73,984</b>	<b>75,601</b>
Rental and service costs	7,426	9,156	5,607	5,374	4,187	3,490	17,220	18,020
Contract costs	4,363	3,792	1,998	4,352	2,957	2,476	9,318	10,620
<b>Total costs</b>	<b>11,789</b>	<b>12,948</b>	<b>7,605</b>	<b>9,726</b>	<b>7,144</b>	<b>5,966</b>	<b>26,538</b>	<b>28,640</b>
Rental and service result	31,085	33,453	5,868	3,718	10,036	9,999	46,989	47,170
Contract result	1,630	207	(337)	(757)	(836)	341	457	(209)
<b>Total result</b>	<b>32,715</b>	<b>33,660</b>	<b>5,531</b>	<b>2,961</b>	<b>9,200</b>	<b>10,340</b>	<b>47,446</b>	<b>46,961</b>

Segment analysis for the three-month periods ended 30 June 2012 (unaudited) and 30 June 2011 (unaudited) is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Rental and service income	19,407	21,796	5,961	5,180	7,206	7,366	32,574	34,342
Contract income	2,397	2,635	1,181	2,773	1,347	1,108	4,925	6,516
<b>Total income</b>	<b>21,804</b>	<b>24,431</b>	<b>7,142</b>	<b>7,953</b>	<b>8,553</b>	<b>8,474</b>	<b>37,499</b>	<b>40,858</b>
Rental and service costs	3,580	4,974	2,812	2,873	1,992	2,020	8,384	9,867
Contract costs	1,600	2,206	1,305	3,158	1,642	988	4,547	6,352
<b>Total costs</b>	<b>5,180</b>	<b>7,180</b>	<b>4,117</b>	<b>6,031</b>	<b>3,634</b>	<b>3,008</b>	<b>12,931</b>	<b>16,219</b>
Rental and service result	15,827	16,822	3,149	2,307	5,214	5,346	24,190	24,475
Contract result	797	429	(124)	(385)	(295)	120	378	164
<b>Total result</b>	<b>16,624</b>	<b>17,251</b>	<b>3,025</b>	<b>1,922</b>	<b>4,919</b>	<b>5,466</b>	<b>24,568</b>	<b>24,639</b>

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**10 Segmental analysis (continued)**

Segment analysis for the six-month period ended 30 June 2012 (unaudited) and year ended 31 December 2011 is presented below:

	Poland and Hungary		Romania and Bulgaria		Other countries		Consolidated	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Rental and service income	38,511	82,352	11,475	19,194	14,223	27,513	64,209	129,059
Contract income	5,993	11,429	1,661	7,389	2,121	5,798	9,775	24,616
<b>Total income</b>	<b>44,504</b>	<b>93,781</b>	<b>13,136</b>	<b>26,583</b>	<b>16,344</b>	<b>33,311</b>	<b>73,984</b>	<b>153,675</b>
Rental and service costs	7,426	17,749	5,607	10,048	4,187	7,911	17,220	35,708
Contract costs	4,363	9,954	1,998	8,205	2,957	4,577	9,318	22,736
<b>Total costs</b>	<b>11,789</b>	<b>27,703</b>	<b>7,605</b>	<b>18,253</b>	<b>7,144</b>	<b>12,488</b>	<b>26,538</b>	<b>58,444</b>
Rental and service result	31,085	64,603	5,868	9,146	10,036	19,602	46,989	93,351
Contract result	1,630	1,475	(337)	(816)	(836)	1,221	457	1,880
<b>Total result</b>	<b>32,715</b>	<b>66,078</b>	<b>5,531</b>	<b>8,330</b>	<b>9,200</b>	<b>20,823</b>	<b>47,446</b>	<b>95,231</b>

**11 Investment in associates**

The investment in associates refers to operation holdings in Czech Republic and Ukraine and comprises the following:

	30 June 2012 <i>(unaudited)</i>	30 June 2011 <i>(unaudited)</i>	31 December 2011
Shares	5,846	5,462	5,648
Dividend distribution		(1,682)	
Translation differences reserve	(2)	816	25
Equity profit, net of dividend	(3,173)	7,063	1,998
<b>Investment in shares</b>	<b>2,671</b>	<b>11,659</b>	<b>7,671</b>
Loans granted	47,449	43,374	46,800
<b>Investment in associates</b>	<b>50,120</b>	<b>55,033</b>	<b>54,471</b>

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**12 Investment Property**

The 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:

	30 June 2012 <i>(unaudited)</i>	30 June 2011 <i>(unaudited)</i>	31 December 2011
Completed investment Property	1,387,579	1,471,224	1,330,614
Investment property under construction at fair value	-	175,638	64,195
Investment property under construction at cost	302,903	300,270	309,080
<b>Total</b>	<b>1,690,482</b>	<b>1,947,132</b>	<b>1,703,889</b>

The movement in investment property for the periods ended 30 June 2012 and 2011 and 31 December 2011 was as follows:

	Six-month period ended 30 June 2012 <i>(unaudited)</i>	Six-month period ended 30 June 2011 <i>(unaudited)</i>	Three-month period ended 30 June 2012 <i>(unaudited)</i>	Three-month period ended 30 June 2011 <i>(unaudited)</i>	Year ended 31 December 2011
Carrying amount at beginning of the year	1,703,889	2,117,609	1,723,174	2,192,349	2,117,609
Additions, including:					
Capitalised subsequent expenditure	38,146	81,884	20,003	42,218	154,537
Purchase of shares in subsidiaries and Joint venture (see note 5)		23,982		2,891	29,251
Adjustment to fair value/impairment	(14,841)	(35,096)	(15,726)	(49,151)	(227,250)
Reclassified to inventory		(1,151)		(1,151)	1,989
Disposals				-	(237,565)
Reclassified as assets held for sale (*)	(36,864)	(237,565)	(36,864)	(237,565)	(134,100)
Translation differences	152	(2,531)	(104)	(2,459)	(582)
Carrying amount at the end of the year	1,690,482	1,947,132	1,690,482	1,947,132	1,703,889

(\*) The company reclassified Platinum 5 office building, Galati land plot in Romania, and part of Konstancin land as assets held for sale base on existing preliminary sale agreements

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**12 Investment Property (continued)**

Fair value and impairment adjustments consists of the following:

	Six-month period ended 30 June 2012 <i>(unaudited)</i>	Six-month period ended 30 June 2011 <i>(unaudited)</i>	Three-month period ended 30 June 2012 <i>(unaudited)</i>	Three-month period ended 30 June 2011 <i>(unaudited)</i>	Year ended 31 December 2011
Fair value of properties completed in prior years	(21,013)	(5,366)	(18,598)	(24,134)	(71,075)
Fair value of newly completed properties	7,447	1,044	7,447	775	(47,972)
Fair value of property under construction	4,570	(8,642)	-	(3,660)	(2,864)
Impairment adjustment	(5,845)	(22,132)	(4,575)	(22,132)	(105,339)
Fair value of assets held for sale and other	5,553	-	4,093	-	(7,702)
	<b>(9,288)</b>	<b>(35,096)</b>	<b>(11,633)</b>	<b>(49,151)</b>	<b>(234,952)</b>

Assumptions used in the valuations as of 30 June 2012 are, presented on the basis of weighted averages, presented below:

	30 June 2012 <i>(unaudited)</i>	30 June 2011 <i>(unaudited)</i>	31 December 2011
<u>Completed assets</u>			
Average rental rate per sqm (Eur) (*)	15.6	18.0	15.9
Yield	8.4%	8%	8.1%
ERV per sqm (Eur) (*)	15.7	17.5	16.2
Current vacancy	12%	16%	13%
<u>Assets under construction (only assets at fair value)</u>			
Average yield	-	8.6%	8.7%
Average % complete	-	68%	53%

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

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**13 Long-term loans and bonds**

Long-term loans and bonds comprise the following:

	30 June 2012	30 June 2011	31 December 2011
Bonds seria 0414	170,821	180,605	164,823
Bonds seria 0412	-	20,067	18,301
Bonds seria 0513	82,869	87,794	79,937
Loan from Pekao (GTC Galeria Kazimierz)	42,396	43,199	42,806
Loan from WBK (Globis Poznan)	16,180	16,687	16,434
Loan from WBK 1 (Galileo)	5,910	5,551	5,987
Loan from WBK 2 (Newton)	11,258	10,124	11,155
Loan from WBK 3 (Edison)	11,649	12,034	11,843
Loan from BPH Bank (Globis Wroclaw)	27,046	27,633	27,344
Loan from ING (Nothus)	16,776	17,136	16,956
Loan from ING (Zefirus)	16,776	17,136	16,956
Loan from Berlin Hyp (Corius)	13,000	-	-
Loan from ING (Platinum 1)	19,557	19,983	19,770
Loan from ING (Platinum 2)	19,557	19,983	19,770
Loan from Berlin Hyp (Platinum 3)	19,200	19,600	19,400
Loan from ING (Platinum 4)	21,052	13,760	21,321
Loan from Berlin Hyp (Platinum 5)	10,001	-	2,858
Loan from WBK (Kazimierz office)	28,690	29,116	28,913
Loan from Pekao (Galeria Jurajska)	107,022	109,204	108,127
Loan from Berlin Hyp (UBP)	27,143	28,121	27,827
Loan from ING (Francuska)	17,626	25,271	17,895
Loan from MKB (Centre Point I)	23,776	25,201	24,501
Loan from MKB (Centre Point II)	27,889	29,515	28,702
Loan from CIB (Metro)	21,776	22,599	22,192
Loan from MKB (Spiral)	18,886	20,588	20,286
Loan from Erste (Reinesance)	6,109	6,109	6,109
Loan from MKB (Sasad Resort)	8,727	16,037	13,475
Loan from EBRD and Raiffeisen Bank (GTC House)	14,875	16,350	15,550
Loan from Erste (19 Avenue)	27,000	15,038	14,450
Loan from EBRD and Raiffeisen Bank (Blok 41)	19,971	21,496	20,746
Loan from Raiffeisen Bank (Green Dream)	3,869	3,893	3,893
Loan from Unicredit (Felicity)	27,203	27,747	28,103
Loan from RZBR (Rose Garden)	19,129	21,948	20,748
Loan from Erste (Citygate)	98,190	79,250	99,428
Loan from EBRD and Raiffeisen Bank (NCC)	28,362	29,864	29,130
Loan from EBRD and Raiffeisen Bank (Arad)	30,100	15,000	33,042
Loan from MKB and Zagabecka Banka (Eurostructor)	36,809	41,262	39,036
Loan from EBRD and Raiffeisenbank Austria (Osijek)	18,000	18,678	18,000
Loan from MKB and OTP (Galeria Varna)	24,725	25,006	24,725
Loan from EBRD and Unicredit (Stara Zagora)	28,554	29,369	28,792
Loan from EBRD (Burgas)	15,093	2,122	12,386
Loan from VUB Bank (Jarosova)	2,742	3,000	2,938
Loan from Unicredit (Vinyard)	3,411	7,411	6,411
Loans from minorities in subsidiaries	102,474	119,888	111,340
Deferred issuance debt expenses	(8,342)	(10,422)	(9,132)
	<b>1,283,857</b>	<b>1,289,953</b>	<b>1,293,274</b>



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**13 Long-term loans and bonds (continued)**

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

	30 June 2012	30 June 2011	31 December 2011
<b>Current portion of long term loans:</b>			
Bonds seria 0414	1,858		1,809
Bonds seria 0513	82,869		694
Bonds seria 0412	-	20,067	18,301
Loan from Berlin Bank (Rodamco CH1)		-	-
Loan from Pekao (GTC Galeria Kazimierz)	841	785	822
Loan from WBK (Globis Poznan)	507	507	507
Loan from WBK 1 (Galileo)	485	421	472
Loan from WBK 2 (Newton)	437	351	413
Loan from WBK 3 (Edison)	393	386	390
Loan from Berlin Hyp (UBP)	788	788	788
Loan from Pekao (Galeria Jurajska)	2,343	2,182	2,230
Loan from BPH Bank (Globis Wroclaw)	614	587	605
Loan from ING (Nothus)	452	360	360
Loan from ING (Zefirus)	452	360	360
Loan from Berlin Hyp (Corius)	100	-	-
Loan from ING (Platinum 1) (2)	19,557	426	19,770
Loan from ING (Platinum 2) (2)	19,557	426	19,770
Loan from Berlin Hyp (Platinum 3) (2)	19,200	400	19,400
Loan from ING (Platinum 4) (2)	21,052	450	21,321
Loan from Berlin Hyp (Platinum 5) (2)	10,001	-	-
Loan from WBK (Kazimierz office)	420	386	455
Loan from ING (Francuska)	540	379	-
Loan from MKB (Centre Point I)	1,475	1,425	1,450
Loan from MKB (Centre Point II)	1,626	1,626	1,626
Loan from Erste (Reinesance)	6,109	6,109	6,109
Loan from MKB (Sasad Resort)		16,037	13,475
Loan from CIB (Metro)	856	824	840
Loan from MKB (Spiral)	1,737	3,923	2,827
Loan from EBRD and Raiffeisen Bank (GTC House)	1,425	1,451	1,350
Loan from Erste (19 Avenue)	701	1,188	1,225
Loan from EBRD and Raiffeisen Bank (Block 41)	1,629	1,525	1,576
Loan from EBRD and Unicredit (Stara Zagora) (1)	28,554	815	28,792
Loan from MKB and OTP (Galeria Varna)	628	560	24,725
Loan from EBRD (Burgas)	349	-	135
Loan from MKB and Zagrabebka Banka (Eurostructor)	4,454	5,171	4,454
Loan from EBRD and Raiffeisenbank Austria (Osijek)	1,800	1,107	1,350
Loan from EBRD and Raiffeisen Bank (NCC)	1,597	1,502	1,533
Loan from EBRD and Raiffeisen Bank (Arad)	1,793	771	3,839
Loan from Erste (Citygate)	2,468	3,000	2,400
Loan from RZBR (Rose Garden)	19,129	4,948	20,748
Loan from Unicredit (Felicity)	27,203	27,747	28,103
Loan from Raiffeisen Bank (Green Dream)	3,869	3,893	3,893
Loan from VUB Bank (Jarosova)	338	250	325
Loan from Unicredit (Vinyard)	3,411	7,411	6,411
Deferred issuance debt expenses	(820)	-	(1,591)
	<b>292,797</b>	<b>120,544</b>	<b>264,062</b>

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

**13 Long-term loans and bonds (continued)**

	30 June 2012	30 June 2011	31 December 2011
Long term portion of long term loans:			
Bonds seria 0414	168,963	180,605	163,014
Bonds seria 0513	-	87,794	79,243
Loan from Pekao (GTC Galeria Kazimierz)	41,555	42,414	41,984
Loan from WBK (Globis Poznan)	15,673	16,180	15,927
Loan from WBK 1 (Galileo)	5,425	5,130	5,515
Loan from WBK 2 (Newton)	10,821	9,773	10,742
Loan from WBK 3 (Edison)	11,256	11,648	11,453
Loan from BPH Bank (Globis Wroclaw)	26,432	27,046	26,739
Loan from ING (Nothus)	16,324	16,776	16,596
Loan from ING (Zefirus)	16,324	16,776	16,596
Loan from Berlin Hyp (Corius)	12,900	-	-
Loan from ING (Platinum 1) (2)	-	19,557	-
Loan from ING (Platinum 2) (2)	-	19,557	-
Loan from Berlin Hyp (Platinum 3) (2)	-	19,200	-
Loan from ING (Platinum 4) (2)	-	13,310	-
Loan from Berlin Hyp (Platinum 5) (2)	-	-	2,858
Loan from WBK (Kazimierz office)	28,270	28,730	28,458
Loan from Pekao (Galeria Jurajska)	104,679	107,022	105,897
Loan from Berlin Hyp (UBP)	26,355	27,333	27,039
Loan from ING (Francuska)	17,086	24,892	17,895
Loan from MKB (Centre Point I)	22,301	23,776	23,051
Loan from MKB (Centre Point II)	26,263	27,889	27,076
Loan from CIB (Metro)	20,920	21,775	21,352
Loan from MKB (Sasad Resort)	8,727	16,665	-
Loan from MKB (Spiral)	17,149	-	17,459
Loan from EBRD and Raiffeisen Bank (GTC House)	13,450	14,899	14,200
Loan from Erste (19 Avenue)	26,299	13,850	13,225
Loan from EBRD and Raiffeisen Bank (Block 41)	18,342	19,971	19,170
Loan from RZBR (Rose Garden)	-	17,000	-
Loan from Erste (Citygate)	95,722	76,250	97,028
Loan from EBRD and Raiffeisen Bank (NCC)	26,765	28,362	27,597
Loan from EBRD and Raiffeisen Bank (Arad)	28,307	14,229	29,203
Loan from MKB and Zagrabebka Banka (Eurostructor)	32,355	36,091	34,582
Loan from EBRD and Raiffeisen Bank Austria (Osijek)	16,200	17,571	16,650
Loan from MKB and OTP (Galeria Varna)	24,097	24,446	-
Loan from EBRD and Unicredit (Stara Zagora) (1)	-	28,554	-
Loan from EBRD (Burgas)	14,744	2,122	12,251
Loan from VUB Bank (Jarosova)	2,404	2,750	2,613
Loans from minorities in subsidiaries	102,474	119,888	111,340
Deferred issuance debt expenses	(7,522)	(10,422)	(7,541)
	<b>991,060</b>	<b>1,169,409</b>	<b>1,029,212</b>

(1) With respect to a €28.6 million loan from EBRD and Unicredit granted to a subsidiary (Stara Zagora Mall, Bulgaria), covenants relating to project completion of the financed project were not met as of the balance sheet date. As a result, as of the balance sheet date the loan is reclassified as a current liability. In July 5, 2012, the Company received a waiver from the bank postponing the project completion date until March 2013.

(2) With respect with Euro 89.4 millions loans granted to finance Platinum 1-5, the Company signed preliminary agreement for the sale of the project (see note 6). As a result, the buildings are presented as Assets Held for Sale, and related loans are presented within current portion of long term loans.

**Globe Trade Centre S.A.**  
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**(in thousands of Euro)**

**14. Capital and Reserves**

As at 30 June 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
<b>219,372,990</b>		<b>21,937,299</b>	<b>4,741,050</b>
<b>100,000,000</b>	I (pending registration)	<b>10,000,000</b>	<b>2,341,372</b>

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 99.7 million (net of issuance expenses of Euro 4.5 million). The new shares were registered in court in August 2012.

Other shareholders who as at 30 June 2012 held above 5% of the Company shares were as follows:

- ING OFE
- AVIVA OFE BZ WBK (previously Commercial Union OFE BPH CU WBK)
- Powszechnie Towarzystwo Emerytalne PZU S.A.

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

On 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.

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
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**14. Capital and Reserves (continued)**

Phantom shares

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

The Phantom Shares grant the entitled persons a right for a settlement from the Company in the amount equal to the difference between the average closing price for the Company's shares on the Warsaw Stock Exchange during the 30-day period prior to the date of delivery to the Company of the exercise notice, and settlement price ("strike") amount per share (adjustable for dividend).

In April 2012, new phantom shares were granted to new key management personnel, and conditions of existing shares were changed.

As of 30 June 2012, liability have been provided for assuming cash payments will be effected for all existing phantom shares, as the Company assesses that it is more likely to be settled in cash.

Expenses recognized during the period is shown below:

	Six-month period ended 30 June 2012 (unaudited)	Six-month period ended 30 June 2011 (unaudited)	Three-month period ended 30 June 2012 (unaudited)	Three-month period ended 30 June 2011 (unaudited)	Year ended 31 December 2011
Expenses arising from equity settled share based payments (provision) (*)	138	458	-	272	525
Expenses arising from cash settled share based payments (provision)	1,740	596	1,904	93	(3,489)
	<u>1,878</u>	<u>1,054</u>	<u>1,904</u>	<u>365</u>	<u>(2,964)</u>

(\*) Modified to cash settled. For details of previous program please refer to annual financial statements

As at 30 June 2012, phantom shares issued were as follows:

Last exercise date	Amount of phantom shares
31/12/2015	8,242,991
29/02/2016	2,183,767
31/12/2016	436,753
<b>Total</b>	<b>10,863,511</b>

Strike price for all phantom shares is PLN/share 8.36. As at 30 June 2012, the entire phantom shares are out of money and 7,274,619 shares out of them, are currently blocked.

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

**15. Earnings per share**

Basic and diluted earnings per share were calculated as follows:

	<u>Six-month period ended 30</u>		<u>Three-month period ended 30 June</u>		<u>Year ended</u>
	<u>June</u>				<u>31 December</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	
Profit for the period attributable to shareholders (Euro)	(8,164,000)	(26,233,000)	(14,487,000)	(36,519,000)	(270,364,000)
Weighted average number of shares for calculating basic earnings per share	219,372,990	219,372,990	219,372,990	219,372,990	219,372,990
Basic earnings per share (Euro)	(0.04)	(0.12)	(0.07)	(0.17)	(1.23)
Adjustment factor due to issue of rights	1.09	1.09	1.09	1.09	1.09
Adjusted basic earnings per share	(0.03)	(0.11)	(0.06)	(0.15)	(1.13)
Weighted average number of shares for calculating diluted earnings per share	219,372,990	219,695,076	219,372,990	219,598,727	219,372,990
Diluted earnings per share (Euro)	(0.04)	(0.12)	(0.07)	(0.17)	(1.23)
Adjustment factor due to issue of rights	1.09	1.09	1.09	1.09	1.09
Adjusted diluted earnings per share	(0.03)	(0.11)	(0.06)	(0.15)	(1.13)

	<u>Six-month period ended 30 June</u>		<u>Three-month period ended 30</u>		<u>Year ended</u>
			<u>June</u>		<u>31 December</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	
Weighted average number of shares for calculating basic earnings per share	219,372,990	219,372,990	219,372,990	219,372,990	219,372,990
Adjustment for phantom shares	-	322,086	-	225,737	-
Weighted average number of shares for calculating diluted earnings per share	219,372,990	219,695,076	219,372,990	219,598,727	219,372,990

**Globe Trade Centre S.A.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**for the six-month period ended 30 June 2012**  
**(in thousands of Euro)**

**16. 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:

	<b>30 June 2012</b> <i>(unaudited)</i>	<b>30 June 2011</b> <i>(unaudited)</i>	<b>31 December</b> <b>2011</b>
Cash	2,720	3,264	3,586
Non current assets	147,811	147,165	146,448
Current assets (other than cash)	1,729	2,242	2,187
Long term liabilities	(112,441)	(108,456)	(111,334)
Current liabilities	(2,025)	(1,940)	(1,725)
<b>Net assets</b>	<b>37,794</b>	<b>42,275</b>	<b>39,162</b>
Income (1)	4,499	47,245	79,890
Expenses (1)	(8,145)	(15,009)	(23,052)
<b>Profit for the year/period</b>	<b>(3,646)</b>	<b>32,236</b>	<b>56,838</b>

(1) Includes profit (loss) from revaluation

**17 Subsequent events**

On 3 August 2012 the District Court for the Capital City of Warsaw in Warsaw, registered the increase of the Company's share capital, from PLN 21,937,299 to PLN 31,937,299 through the issuance of 100,000,000 shares with a nominal value of PLN 0.10 (ten grosz) each.

**18 Other**

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 14 August 2012.

**Report on review of interim condensed consolidated financial statements  
to the Supervisory Board of Globe Trade Centre S.A.**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Globe Trade Centre S.A. ('the Company') as at 30 June 2012 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes ('the interim condensed consolidated financial statements').

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union ('IAS 34'). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

*Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

We also reported on 14 August 2012 separately on the interim condensed consolidated financial statements of Globe Trade Centre S.A. for the same period prepared in accordance with IAS 34 using PLN as the presentation currency.

Ernst & Young Audit sp. z o.o.

*Ernst & Young Audit Sp z o.o.*

Warsaw, 14 August 2012