

# PRESS RELEASE

14 May 2013



*Publication of the first quarter 2013 results*

## **Further improvement of financial and operational results but more devaluation of investment portfolio**

Globe Trade Centre S.A. (GTC) released its first quarter 2013 results today. The results have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in Euro.

### **Q1 2013 Financial Highlights**

- **Gross margin from rental activity back to 70% (63% in Q4 2012)**
- **Earnings before taxes and revaluations up to €5m (-€1m in Q1 2012) from increased efficiency in asset management**
- **Rental and service revenues at €30m (€32m in Q1 2012) reflecting sale of Platinum Business Park**
- **Net revaluation of investment properties and impairment of €25m mainly related to change of zoning of Galleria Bucharest land site following changes in law and expansion of yields in Romania;**
- **Loan to value ratio improved to 55% (60% in Q1 2012)**
- **Cash flow from operations after interest payment up to €5m (€3m in Q1 2012)**
- **Cash and cash equivalents and deposits of €230m.**

### **Q1 2013 Operating Highlights**

- **New leases of over 5,000 sqm**
- **Significant lease renewals and extensions of 4,400 sqm office space**
- **Occupancy at 91% (91% in Q1 2012).**

"First quarter 2013 was another busy quarter for the Company. In addition to two projects in Warsaw, Galeria Wilanów and Galeria Białołęka, that keep us busy, we also put a lot of attention to the improvement of our retail properties in Bulgaria, Croatia and Romania. We also realized our assets disposal plan by selling the fifth building in Platinum Business Park which improved our cash position by €16m." – **said Alain Ickovics, Chairman of the Supervisory Board of GTC S.A.** "We entered 2013 stronger and confident that we can further increase liquidity via the asset disposal program and decrease leverage in order to meet our financial obligations and finance new properties development, including three new shopping malls, two in Warsaw and one in Belgrade as well as planning an office building in Bucharest. " – **added Alain Ickovics.**

## **Financial overview**

**Rental and service revenues** decreased by €1m to **€30m in Q1 2013** from **€32m in Q1 2012**, as a result of disposal of Platinum Business Park project in Warsaw. The margin on rental revenues was stable at **70% in Q1 2013** (72% in Q1 2012). As of March 2013, GTC's completed buildings were leased in 91%, therefore further rental revenue growth is probable.

**Revenues from the sale of residential properties** decreased to **€3m** in Q1 2013 from **€5m** in Q1 2012 mostly due to a decrease in available inventory and softer demand in various markets.

**Gross profit from operations** was **€21m** in Q1 2013 compared to €23m in Q1 2012 mostly due to the disposal of Platinum Business Park.

**Selling expenses** decreased by 52% y-o-y to **€1m** in Q1 2013 mainly due to a decrease in sale and leasing activities.

**Administrative expenses** decreased by **€4m** to **€0.5m** in Q1 2013, due to reversal of provision for mark-to-market of phantom shares project (€2m) and cost cutting (€1m). Excluding stock based program provision, administrative expenses decreased by **34%** to **€3m** from **€4m** due to cost cutting initiatives.

**Net loss on revaluations of investment property and impairments of residential projects** was **€25m** in Q1 2013 and is attributable to a change of designation of Galleria Bucharest land following a change of law in Romania and expansion of yield in Bucharest.

**Financial expenses** decreased to **€13m**, which was mainly due to a decrease in interest on financial liabilities following a decrease in the debt level due to repayment of loans and bonds.

**Net loss amounted to €26m** in Q1 2013. This is attributable mainly to a loss on revaluation of investment properties and impairment of residential projects.

The value of the property portfolio was at the level of **€1,753m** as at 31 March 2013 (including €8m of assets held for sale). The next review of the value of completed assets and the land bank will be conducted as of 30 June 2013 by the external valuers.

NAV per share stood at **€2.5** as at 31 March 2013 compared to **€2.7** as at 31 December 2012.

## **Key achievements**

### **Important leases improved occupancy**

GTC's continues to benefit from its ability to deliver high quality space and from its ability to provide tailor-made solutions for companies from various business sectors. In the first quarter of 2013, GTC signed a number of new lease agreements for office space (over 5,000 sq m), mainly in University Business Park in Łódź. It will improve its overall occupancy and, as a result, have a positive impact on cash flow and the valuation of certain assets in its portfolio:

### **New lease agreements**

- New tenants in **University Business Park** in Łódź: **Accenture** has leased 1,700 sq m office space, **Mobica** has leased nearly 1,200 sq m of office space with further extension option, **Samsung Electronics Poland** leased 1,100 sq m of office space with further extension option and **PKP Informatyka** leased nearly 900 sq m of office space.
- Marketing and advertising agency **Event** has become a new tenant of **Korona Office Complex** (500 sq m).

### **Significant renewals and extensions**

- **IBM** has extended the lease agreement for approximately 3,000 sqm office space in **Korona Office Complex** in Cracow.
- **Medicover** has extended the lease agreement for 1,400 sqm space in the **Globis Wrocław** building.

	31 March 2013 <i>(unaudited)</i>	31 March 2012 <i>(unaudited)</i>	31 December 2012
<b>ASSETS</b>			
<b>Non current assets</b>			
Investment property	1,594,023	1,723,174	1,613,745
Residential landbank	72,327	75,427	73,225
Investment in associates	40,609	54,561	42,074
Loans granted and other receivables	21,924	21,819	21,932
Property, plant and equipment	1,747	1,866	1,781
Deferred tax asset	7,081	8,639	7,334
Long term deposits	2,800	-	-
Other non-current assets	49	242	60
	<b>1,740,560</b>	<b>1,885,728</b>	<b>1,760,151</b>
<b>Assets held for sale</b>	<b>7,878</b>	<b>135,643</b>	<b>42,453</b>
<b>Current Assets</b>			
Inventory	79,163	103,315	81,916
Debtors	5,661	6,704	5,318
Accrued income	673	277	867
VAT and other tax recoverable	3,735	9,456	3,938
Income tax recoverable	1,461	1,566	1,439
Prepayments, deferred expenses	4,580	5,483	2,931
Short-term deposits	26,486	35,656	25,954
Cash and cash equivalents	200,618	127,616	227,897
	<b>322,377</b>	<b>290,073</b>	<b>350,260</b>
<b>TOTAL ASSETS</b>	<b>2,070,815</b>	<b>2,311,444</b>	<b>2,152,864</b>

	31 March 2013 <i>(unaudited)</i>	31 March 2012 <i>(unaudited)</i>	31 December 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	7,082	4,741	7,082
Share premium	312,155	214,280	312,155
Capital reserve	16,118	22,057	16,008
Hedge reserve	(21,708)	(38,225)	(25,068)
Foreign currency translation	4,617	7,895	5,181
Accumulated profit	419,332	544,462	442,105
	<b>737,596</b>	<b>755,210</b>	<b>757,463</b>
Non-controlling interest	(20,074)	(16,667)	(16,732)
<b>Total Equity</b>	<b>717,522</b>	<b>738,543</b>	<b>740,731</b>
<b>Non current Liabilities</b>			
Long-term portion of long-term loans and bonds	907,405	1,078,289	916,961
Deposits from tenants	4,709	5,367	4,760
Long term payable	1,789	1,503	1,737
Provision for share based payment	3,245	521	5,583
Derivatives	35,482	66,555	34,866
Provision for deferred tax liability	122,886	123,185	119,777
	<b>1,075,516</b>	<b>1,275,420</b>	<b>1,083,684</b>
<b>Current liabilities</b>			
Liabilities to be repaid upon sale	27,078	-	27,468
Trade and other payables	26,917	38,596	33,688
Current portion of long-term loans and bonds	183,937	230,084	193,620
Current portion of long-term payable	410	-	410
VAT and other taxes payable	1,360	1,388	34,532
Income tax payable	2,380	1,061	2,380
Derivatives	32,431	20,958	32,362
Advances received	3,264	5,394	3,989
	<b>277,777</b>	<b>297,481</b>	<b>328,449</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,070,815</b>	<b>2,311,444</b>	<b>2,152,864</b>

	<u>Three-month period ended 31 March 2013 (unaudited)</u>	<u>Three-month period ended 31 March 2012 (unaudited)</u>	<u>Year ended 31 December 2012</u>
Revenues from operations	33,209	36,485	147,591
Cost of operations	(11,965)	(13,607)	(57,174)
<b>Gross margin from operations</b>	<b>21,244</b>	<b>22,878</b>	<b>90,417</b>
Selling expenses	(842)	(1,766)	(3,946)
Administration expenses	(492)	(4,284)	(18,881)
Profit (loss) from revaluation/ impairment of assets	(25,359)	2,345	(101,227)
Impairment of residential projects	(110)	-	(13,434)
Other income	103	141	381
Other expenses	(956)	(703)	(4,595)
<b>Profit (loss) from continuing operations before tax and finance income / (expense)</b>	<b>(6,412)</b>	<b>18,611</b>	<b>(51,285)</b>
Foreign exchange differences gain/(loss), net	(1,617)	659	2,886
Interest income	1,060	1,392	5,133
Financial expense	(13,279)	(18,260)	(71,950)
Share of loss of associates	(185)	(592)	(9,992)
<b>Profit (loss) before tax</b>	<b>(20,433)</b>	<b>1,810</b>	<b>(125,208)</b>
Taxation	(5,759)	1,242	(6,986)
<b>Profit (loss) for the period</b>	<b>(26,192)</b>	<b>3,052</b>	<b>(132,194)</b>
<b>Attributable to:</b>			
Equity holders of the parent	(22,773)	6,323	(96,034)
Non-controlling interest	(3,419)	(3,271)	(36,160)
Basic earnings per share (Euro)	(0.07)	0.03	(0.36)
Diluted earnings per share (Euro)	(0.07)	0.03	(0.36)

	<u>Three-month period ended 31 March 2013</u>	<u>Three-month period ended 31 March 2012</u>	<u>Year ended 31 December 2012</u>
	<i>(unaudited)</i>	<i>(unaudited)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit (loss) before tax	(20,433)	1,810	(125,208)
<b>Adjustments for:</b>			
Revaluation/Impairment of assets	25,469	(2,345)	114,661
Share of (profit) loss of associates	185	592	9,992
Loss from sale of fixed assets and other	204	-	216
Foreign exchange differences loss, net	972	(1,789)	(3,197)
Finance income	(1,060)	(1,392)	(5,133)
Finance expenses	13,279	18,260	71,950
Share based payment	(2,338)	(26)	5,036
Depreciation and amortization	130	150	491
<b>Operating cash before working capital changes</b>	<b>16,408</b>	<b>15,260</b>	<b>68,808</b>
Decrease/(increase) in debtors and prepayments and other current assets	(1,840)	-	1,496
Increase (decrease) in inventory	2,856	4,091	15,897
Increase/(decrease) in advances received	(718)	(518)	(1,306)
Increase (decrease) in deposits from tenants	(17)	-	707
Increase/(decrease) in trade and other payables	(2,928)	(6,021)	(6,065)
<b>Cash generated from/ (used in) operations</b>	<b>13,761</b>	<b>12,812</b>	<b>79,537</b>
Tax paid in the period	(358)	(370)	(2,467)
<b>Net cash from (used) in operating activities</b>	<b>13,403</b>	<b>12,442</b>	<b>77,070</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of non current assets	(7,829)	(21,350)	(47,294)
Sale of investment property	32,539	-	142,043
Acquisition of shares in associates	-	(198)	(198)
Acquisition of subsidiaries, net of cash acquired	-	-	(13,957)
Tax / VAT on sale of investment property	(35,719)	-	22,888
Interest received	786	1,085	3,973
Lease origination expenses	-	(219)	(999)
Loans granted	(390)	-	(563)
Loans repayments	2,374	-	4,571
<b>Net cash used in investing activities</b>	<b>(8,239)</b>	<b>(20,682)</b>	<b>110,464</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of shares	-	-	104,191
Share issuance expenses	-	-	(3,975)
Proceeds from long-term borrowings	190	35,907	133,002
Repayment of long-term borrowings	(20,429)	(32,206)	(276,828)
Interest paid	(8,778)	(12,236)	(68,467)
Loans origination cost	(19)	(670)	(1,414)
Decrease (increase) in short term deposits	(3,348)	1,659	11,408
<b>Net cash from (used in) financing activities</b>	<b>(32,384)</b>	<b>(7,546)</b>	<b>(102,083)</b>
<b>Effect of foreign currency translation</b>	<b>(190)</b>	<b>1,682</b>	<b>1,013</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(27,410)</b>	<b>(14,104)</b>	<b>86,464</b>
<b>Cash and cash equivalents, at the beginning of the period/year</b>	<b>227,897</b>	<b>141,720</b>	<b>141,720</b>
<b>Cash and cash equivalents, at the end of the period/year</b>	<b>200,487</b>	<b>127,616</b>	<b>228,184</b>
<b>Cash classified as part of assets held for sale</b>	<b>131</b>	<b>-</b>	<b>(287)</b>
<b>Cash and cash equivalents, at the end of the year/period as per interim Consolidated Statement of Financial Position</b>	<b>200,618</b>	<b>127,616</b>	<b>227,897</b>

**GLOBE TRADE CENTRE S.A. (GTC S.A.)** is one of the leading developers in New Europe and was established in 1994 in Warsaw. It currently operates in Poland, Hungary, the Czech Republic, Romania, Serbia, Croatia, Slovakia, Bulgaria, Russia and Ukraine.

GTC develops projects and manages completed properties in three key sectors of real estate: office buildings and parks, retail and entertainment centers and residential.

GTC has developed approximately 950,000 sqm of net commercial space and 300,000 sqm of residential space and is currently the owner of completed commercial property with a combined net area of about 612,000 sqm (in which GTC's share amounts to 559,000 sqm). GTC also holds an impressive portfolio of investment at various stages of development which will facilitate the construction of 1.1 sq m of commercial space and 618,000 sq m of residential space. GTC's total assets exceed EUR 2.1 billion.

GTC's shares are listed on the Warsaw Stock Exchange on the prestigious WIG20 index. The company's shares are also included in the international Dow Jones STOXX Eastern Europe 300 index, the GPR250 index, which comprises the 250 biggest and most liquid real estate companies of the world, and the FTSE EPRA/NAREIT Emerging Index. Among GTC's shareholders are many of the biggest Polish and international institutional investors.

**For further information**

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