

# Q2 & H1 2013 Results

20 August 2013



# AGENDA

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**Q2 & H1'13 HIGHLIGHTS**

- Poland
  - Poznań
  - Warsaw
  - Łódź
  - Wrocław
  - Częstochowa
  - Katowice
  - Cracow
- Ukraine
- Hungary
  - Bratislava
  - Budapest
- Romania
  - Bistrita
  - Piatra Neamt
  - Buzau
  - Bucharest
- Croatia
  - Zagreb
  - Istria
- Serbia
  - Subotica
  - Osijek
  - Belgrade
- Bulgaria
  - Russe
  - Varna
  - Burgas
  - Stara Zagora

# Q2 & H1'13 FINANCIAL HIGHLIGHTS

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● Earnings, before taxes, share of loss of associates, share based provision and revaluations, up to €7m in H1'13 and €4m in Q2'13 (€3m in H1 '12 and €3m in Q2'12 ) thanks to savings in administrative and financial expenses

- Financial expenses decreased following the bonds and loans repayment
- Administrative expenses decreased due to changes in stock based program provision and cost cutting initiatives

● Net devaluation of investment properties and impairment of €70m in H1'13 & €44m in Q2'13 mainly related to change of zoning of the Galleria Bucharest and a decrease in expected rental rates in retail sector in Romania, Bulgaria and Croatia and in office segment in Poland and Hungary as well as a moderate shift in yields in Poland

● Sale of Platinum Business Park V on 28 February 2013 generated €16m of net cash

● Loan to value stable at 56% despite write offs (56% in H1'12)

● Cash flow from operations after interest payment at €10m in H1'13 (€11m in H1'12) despite sale of Platinum Business Park that decreased cash flow by €3m in H1'13

# Q2 & H1'13 KEY ACHIEVEMENTS

## 39,000 sq m of new leases and lease extensions

### New leases of 20,000 sq m:

- New tenants in University Business Park in Łódź (81% occupancy vs. 32% in Q2'12 ):
  - Accenture leased 1,700 sq m
  - Mobica leased nearly 1,200 sq m
  - Samsung Electronics Poland leased 1,100 sq m
  - PKP Informatyka leased nearly 900 sq m
- IBM leased 3,200 sq m in Francuska Office Centre in Katowice (88% occupancy vs. 61% in Q2'12 )
- DFDS leased 1,600 sq m in Globis Poznań (99% occupancy vs. 99% in Q2'12 )
- Canon leased 3,100 sq m in Prague Marina Office Center (Prague) (76% occupancy vs. 30% in Q2'12 )
- Askent leased 3,600 sq m in Galleria Stara Zagora (Stara Zagora, Bulgaria) (90% occupancy vs. 86% in Q2'12 )
- New tenants in retail centres across the region (4,000 sq m)

### Significant lease renewals and extensions of 19,000 sq m :

- IBM extended its lease for 3,000 sq m office space in Korona Office Complex (Kraków, Poland) (5 years)
- Genpact extended its lease for 3,000 sq m office space in Korona Office Complex (Kraków, Poland) (5 years)
- Medcover extended its lease for 1,400 sq m space in the Globis Wrocław office building (7 years)
- Arvato Polska, GPD and UWI Inwestycje extended lease for 3,000 sq m space in the Globis Poznań building (3 years)
- Pandora extended its lease for 1,100 sq m space in the Corius (Warsaw) (5 years)
- E.ON Romania extended its lease for 2,400 sq m in City Gate (Bucharest) (5 years)
- ROCHE extended its lease for 1,400 sq m in GTC Square (Belgrade) (5 years)
- Australian Embassy extended its lease for 1,600 sq m in 19 Avenue (Belgrade) (5 years)
- Extended leases for over 1,600 sq m in retail centres across the region

# MARKETS UPDATE

## **Office Markets – GTC's office portfolio proved resilient across CEE and SEE**

- Warsaw's modern office supply has reached 4 million sqm. The vacancy rate has gone up further, despite sound office demand
- Total completion volume in Warsaw in 2013 is expected to be the highest since 2000, with as much as 336,000 sq m to be delivered (approximately 188,000 sq m in H2'13). 2014 may also see a high volume of space coming to the market, with some 270,000 sq m announced for delivery. The vacancy rate remained on an upward trend and reached 10.5% at the end of Q2; High vacancy rate puts rents under a downward pressure
- As of the end of Q2'13 vacancy rates remained stable in Wrocław, whilst slight increases were seen in Łódź. Other major office markets in Poland have recorded a decrease in vacancy levels. Due to the relatively extensive amount of completions expected in H2'13, some markets may see increases in vacancy rates followed by a slight downward rental pressures in H2'13
- Belgrade vacancy rate has been constantly decreasing since 2010. In Q2'13 we registered a 13% vacancy in class A and B office stock; a further drop is expected over the next two years due to very low new supply
- Bucharest saw a supply of 80,000 sq m in H1'13; vacancy of 16% split between sub-markets registers differences; prime rate remained unchanged over last 12 months, however a generous increase of the incentive packages, in both rent free periods and fit out contributions, was noticed
- Budapest vacancy rate up; market activity 33% below 2012; prime rents down by 2.5%; no new constructions started in Q2'13

## **Retail Markets – GTC's retail portfolio continue to remain challenging in SEE**

- Decreasing disposable income and negative consumer sentiment continue to make the retail environment in SEE challenging
- Warsaw features an undersupply in terms of modern retail space, which is reflected in the low vacancy rate (approximately 2%), high retailer demand for prime locations and one of the lowest density ratios (435 sq m/ 1,000 inhabitants) among the eight major Polish agglomerations
- Belgrade vacancy at 0%; shopping centre density figures at the lowest position of the European shopping centre scale, with only 78 sq m/ 1,000 inhabitants; The demand from international retailers for modern retail schemes continues to be very strong; the main obstacle for new entrants or retailers looking to expand is the limited supply of modern shopping centres

## **Residential Markets – GTC residential portfolio continue to be impacted by deterioration of mortgage availability and economic conditions**

- Weak mortgage lending activity throughout the region slows demand despite substantial price reductions except for Bucharest center; average size of sold apartments decreases even in the strongest markets

## **Investment Markets – Lack of financing and narrowing investor requirements remain the key concerns**

- Mainly Poland on radar screens whilst other CEE markets with weaker demand and SEE without any noteworthy investment activity; According to Jones Lang LaSalle's initial analyses, the total investment volume for H1'13 amounted to approximately €970m across all commercial real estate sectors in Poland, with the vast majority being foreign investment





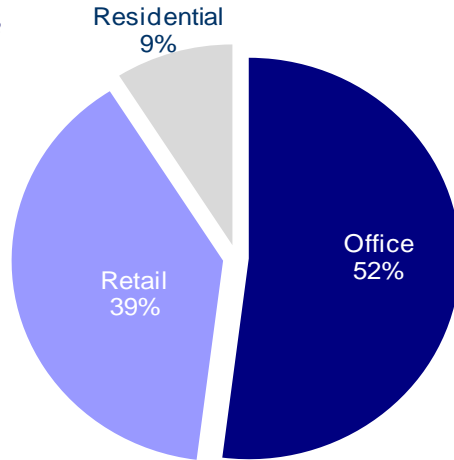
**INCOME GENERATING  
PORTFOLIO**

- Poland
  - Poznań
  - Warsaw
  - Łódź
  - Wrocław
  - Częstochowa
- Czech Republic
- Slovakia
  - Bratislava
- Hungary
  - Budapest
- Romania
  - Bistrita
  - Piatra Neamt
  - Buzau
  - Bucharest
- Croatia
  - Zagreb
  - Istria
- Serbia
  - Belgrade
- Bulgaria
  - Stara Zagora
  - Burgas
  - Varna
  - Russe

# PORTFOLIO OVERVIEW

## Total portfolio overview

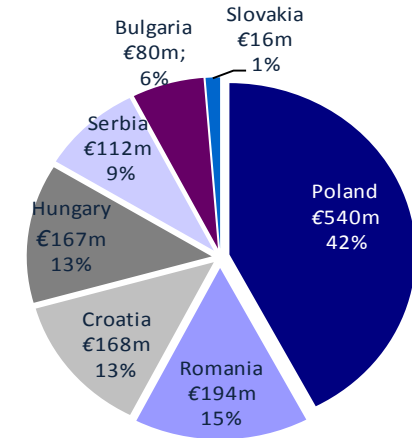
**Total: €1,714m**  
As of 30 June 2013



- Income generating assets amounted to €1.3 billion
- Poland remains key geographic area with 37% share in NLA (up to 44% by 2015 assuming completion of 2 retail projects in Warsaw)

## Income generating assets\* - value by country

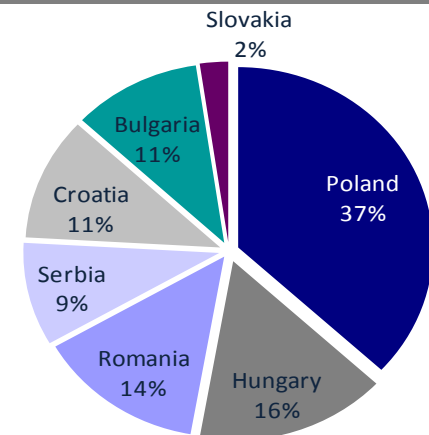
**Total: 1,276m**  
As of 30 June 2013



\* Excludes attributable value for assets in Czech Republic and Ukraine where GTC holds minority stakes and assets held for sale

## Income generating assets\* – NLA\*\* by country

**Total: 576k sq m**  
As of 30 June 2013



\* Excludes attributable value for assets in Czech Republic and Ukraine where GTC holds minority stakes and Galleria Suceava, Galleria Pietra Neamt and Galleria Buzau

\*\* NLA is pro-rata to GTC holding:





**FINANCIAL HIGHLIGHTS**

Poznań

Warsaw

Łódź

Wrocław

Częstochowa

Katowice

Cracow

Prague

Bratislava

Budapest

Bistrita

Piatra Neamt

Hungary

Romania

Buzau

Arad

Subotica

Bucharest

Zagreb

Osljek

Russe

Varna

Istria

Belgrade

Burgas

Serbia

Stara Zagora

Bulgaria

# BALANCE SHEET HIGHLIGHTS

Valuation of property portfolio conducted by the external valuers showed €70m loss in H1'13 (€44m in Q2'13)

- 61% of devaluation comes from Romania and Bulgaria
- Average occupancy: 91% (89% in H1'12)

#### Assets held for sale:

- Galleria Suceava in Romania (sold on 7 August)

Cash and deposit balance of €116m

Current liabilities includes €105m bonds (including hedges) to be repaid on 28 April 2014

Inventory is gradually being sold

- €3m in Q2'13 (Q2'12: €5m)
- €6m in H1'13 (H1'12: €9m)

€ m	June 2013	Dec 2012
Investment property and L.T. assets (inc. IPUC)	1,566	1,614
Assets held for sale	1	42
Investment in shares and associates	38	42
Cash and deposits	116	254
Inventory	148	155
Other current assets	46	46
<b>TOTAL ASSETS</b>	<b>1,914</b>	<b>2,153</b>
Equity	673	741
Long term financial debt	819	917
Other long term provisions	150	167
Current liabilities	240	253
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,914</b>	<b>2,153</b>

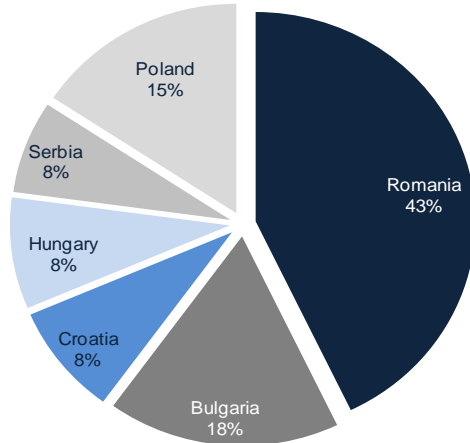
# DEVALUATIONS BREAKDOWN

€70m devaluations in H1'13; 61% of which from Romania and Bulgaria

## Breakdown of H1'13 devaluations

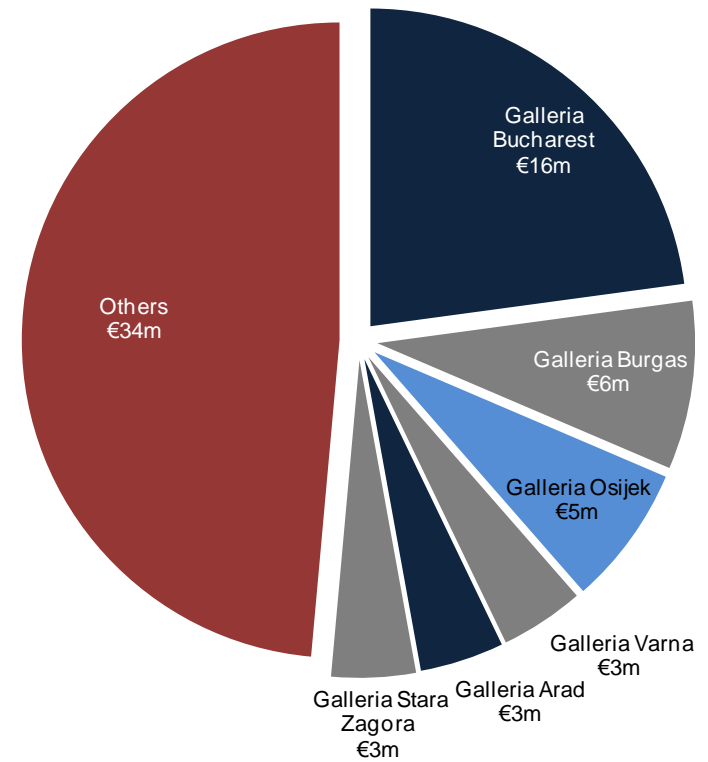
### By country

Total: €70m



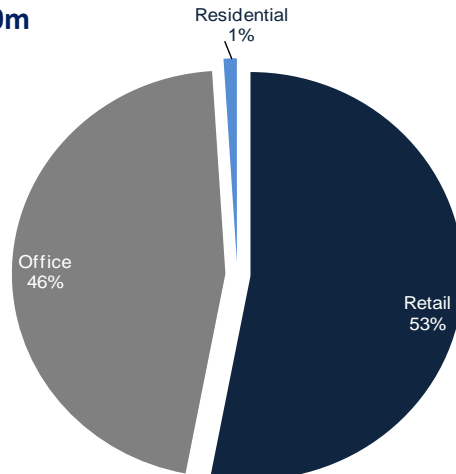
### By assets

Total: €70m



### By sector

Total: €70m



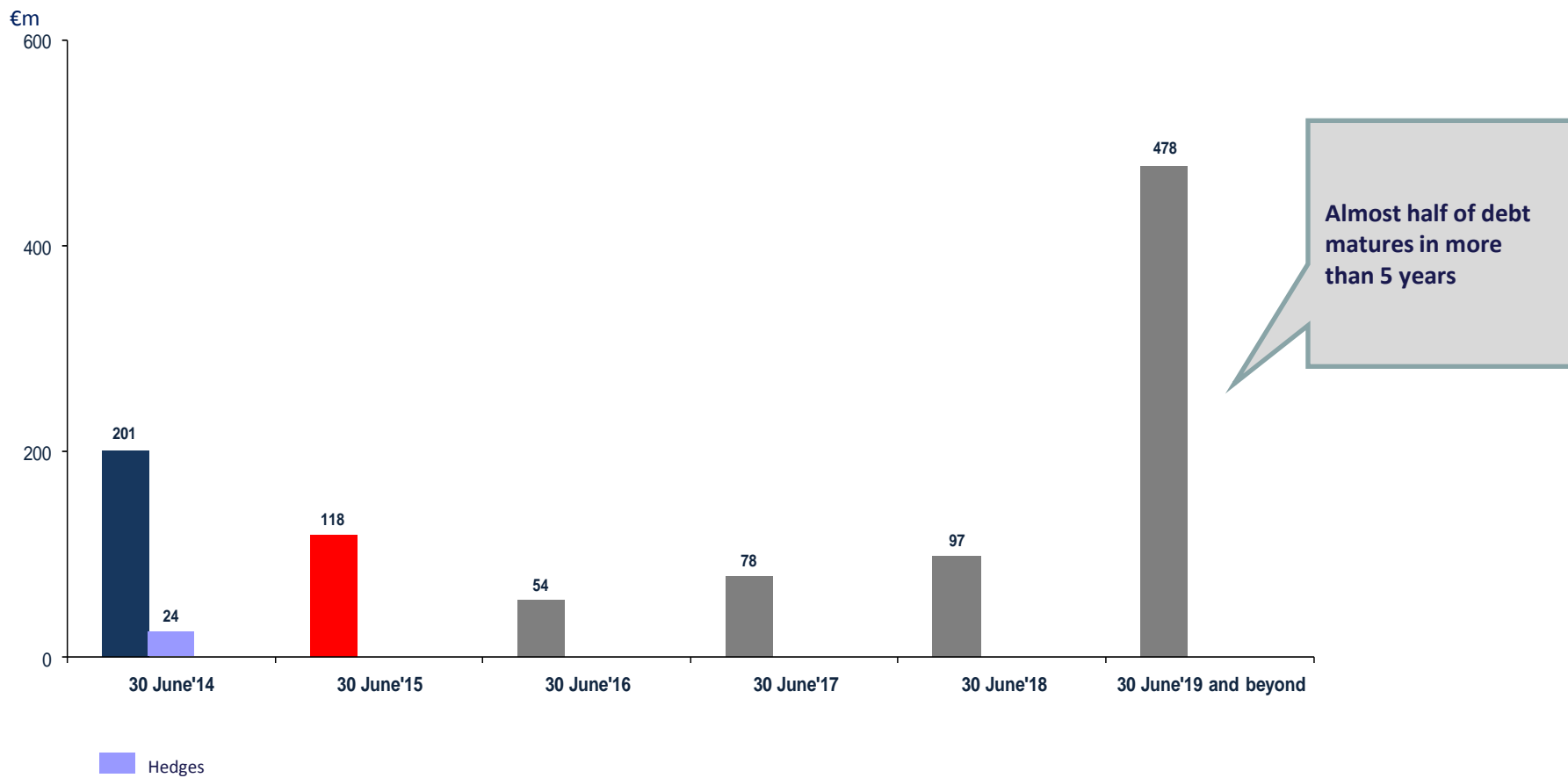
# DEBT AND LTV

## Loan to value breakdown as at 30 June 2013

(€ m)	H1 '13	H1 '12	FY 2012
Long-term bank debt and financial liabilities	827	1,039	952
Short-term bank debt and financial liabilities	240	337	253
<b>Total bank debt and financial liabilities</b>	<b>1,067</b>	<b>1,376</b>	<b>1,205</b>
Cash & cash equivalents and deposits	116	239	254
<b>Net debt and financial liabilities</b>	<b>951</b>	<b>1,137</b>	<b>951</b>
Investment property, inventory, assets held for sale	1,714	2,041	1,811
Loan to value ratio	56%	56%	53%

# DEBT MATURITY SCHEDULE

As at 30 June 2013

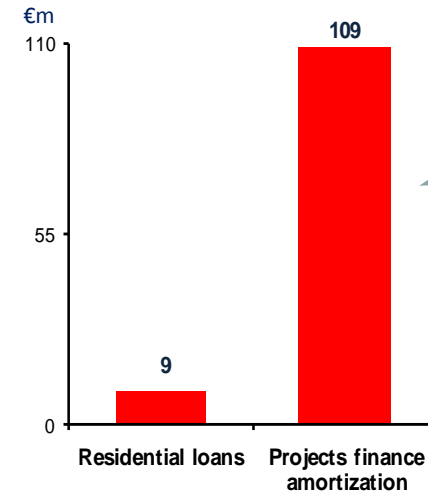
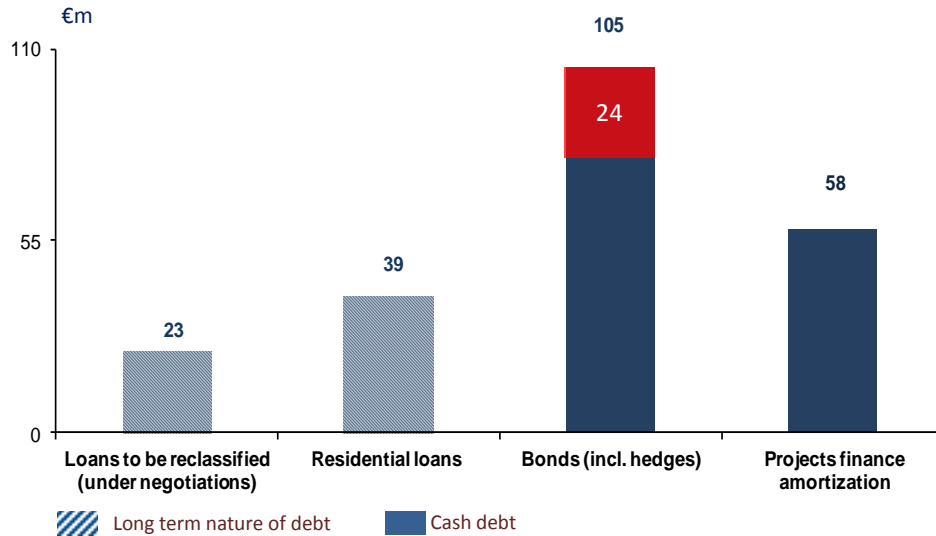


# LIQUIDITY AND FINANCIAL STRENGTH

1yr

2yr

## Classification of debt



Most refer to long term loans that are waived till 2015 due to breach of covenants

## Ratios as at 30 June 2013





# INCOME STATEMENT HIGHLIGHTS

(€ m)	H1'13	H1'12	Q2'13	Q2'12	Q1'13
Rental and service revenue	60	64	30	33	30
Cost of rental operations	(17)	(17)	(8)	(8)	(9)
<i>Rental margin</i>	43	47	21	24	21
	71%	73%	72%	74%	70%
Residential sales revenue	6	10	3	5	3
Cost of residential sale	(6)	(9)	(3)	(5)	(3)
<b>Gross margin from operations</b>	<b>42</b>	<b>47</b>	<b>21</b>	<b>25</b>	<b>21</b>
Selling expenses	(2)	(3)	(1)	(1)	(1)
G&A expenses	(4)	(9)	(4)	(5)	(1)
Other income/(expenses)	(2)	(2)	(1)	(2)	(1)
<i>Profit (loss) from revaluation of Invest. property and impairment</i>	(70)	(10)	(44)	(12)	(25)
<b>Operating profit</b>	<b>(36)</b>	<b>23</b>	<b>(29)</b>	<b>4</b>	<b>(6)</b>
Financial expenses, net	(26)	(32)	(12)	(15)	(14)
Share of profit (loss) of associates	(3)	(5)	(3)	(5)	(0)
<b>Profit before revaluations (incl. from associates) and share based provision</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>3</b>
<b>Profit/(loss) before tax</b>	<b>(64)</b>	<b>(14)</b>	<b>(44)</b>	<b>(16)</b>	<b>(20)</b>
Tax	(9)	(4)	(4)	(6)	(6)
<b>Profit/(loss) for the period</b>	<b>(73)</b>	<b>(18)</b>	<b>(48)</b>	<b>(21)</b>	<b>(26)</b>
<b>Attributable to:</b>					
Equity holders	(65)	(8)	(42)	(14)	(23)
Minority interest	(9)	(10)	(6)	(7)	(3)

Rental and service revenues decreased due to sale of Platinum Business Park as well as a decrease in rental rates especially in the office segment in Poland and Hungary

Service costs did not decrease as a result of one off write offs of bad debts and increased fit out costs related to tenant replacement

Financial costs down due to a decrease in total debt

# CASH FLOW HIGHLIGHTS

(€ m)	H1 2013	H1 2012	FY 2012
<b>Cash flow from operating activities</b>	33	35	77
Add / deduct:			
Residential revenue	6	8	16
Changes in "working capital"	(1)	(3)	(11)
Interest paid, net	(28)	(29)	(64)
<b>Cash flow from operating activities</b>	<b>10</b>	<b>11</b>	<b>18</b>
<b>Investment in real estate and related</b>	(15)	(31)	110
Add / deduct:			
Sale of assets, net	(33)	-	(142)
VAT repayment	36		(23)
Interest received	(1)	(2)	(4)
Residential revenue	(6)	(8)	(16)
Changes in "working capital"	1	3	11
<b>Investment in real estate and related</b>	<b>(18)</b>	<b>(39)</b>	<b>(64)</b>
<b>Sale of assets</b>	33	-	142
VAT related to sale of assets	(36)	-	23
<b>Sale of assets</b>	<b>(3)</b>	<b>-</b>	<b>165</b>
<b>Finance activity</b>			
Proceeds from issuance of shares, net	-	103	100
Proceeds from long term borrowings net of cost	-	45	143
Repayment of long term borrowings/bonds	(130)	(55)	(277)
Interest paid	(29)	(31)	(68)
	(159)	62	(102)
Add back interest paid	29	31	68
<b>Finance activity</b>	<b>(130)</b>	<b>93</b>	<b>(34)</b>
<b>Net change</b>	<b>(142)</b>	<b>65</b>	<b>86</b>
Cash at the beginning of the period	228	142	142
<b>Cash at the end of the period</b>	<b>86</b>	<b>207</b>	<b>228</b>



**UPDATE ON ONGOING  
PROJECTS**

Poznań

Warsaw

Łódź

Wrocław

Częstochowa

Katowice

Bratislava

Budapest

Bistrita

Piatra Neamt

Hungary

Romania

Buzau

Arad

Subotica

Bucharest

Zagreb

Osijek

Russe

Varna

Istria

Belgrade

Serbia

Burgas

Stara Zagora

Bulgaria

# UPDATE ON ONGOING PROJECTS

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## **Galeria Wilanów:**

- Environmental opinion to be received by end of August
- Application for building permit to be filed by end of September
- Signed term sheet with Cinema City; other anchor tenants in advanced negotiations
- Expected opening in 2016

## **Galeria Białołęka:**

- Land acquisition in progress; building permit application to be filed in H2'13
- Tender for construction opened on 15 August
- Signed term sheet with Cinema City; other anchor tenants in advanced negotiations
- Expected commencement of construction in H1'14 and opening in 2015

## **Ada Mall:**

- Land assembly in the final stage
- City authority to take a decision on zoning still this quarter



**ADDITIONAL MATERIALS**

Poznań

Warsaw

Łódź

Wrocław

Częstochowa

Katowice

Cracow

Prague

Bratislava

Budapest

Bistrita

Piatra Neamt

Hungary

Romania

Buzau

Arad

Subotica

Bucharest

Zagreb

Osljek

Russe

Varna

Istria

Belgrade

Burgas

Serbia

Stara Zagora

Bulgaria

# PORTFOLIO OF INCOME GENERATING PROPERTIES

As of 30 June 2013

	Poland	Hungary	Serbia	Croatia	Romania*	Bulgaria	Slovakia	Subtotal	Czech***	Total
<b>Office properties</b>										
Number of assets	12	5	3	-	1		1	22	2	24
GTC consolidated share of NLA, sq m	142,551	91,464	53,335	-	47,700	-	13,300	348,350	10,868	359,218
Total, NLA, sq m	142,551	91,464	53,335	-	47,700	-	13,300	348,350	34,502	382,852
Book Value, € m	297	167	112	-	159	-	16	751	17	768
Average Rent, €/sq m	15	13	17	-	21	-	10	15	13	15
Average occupancy	90%	96%	92%	-	91%	-	57%	91%	49%	89%
<b>Retail properties</b>										
Number of assets	2	-	-	2	1	2	-	7	1	8
GTC consolidated share of NLA, sq m	68,540	-	-	64,500	32,500	61,642	-	227,182	13,057	240,239
Total, NLA, sq m	87,650	-	-	64,500	32,500	61,642	-	246,292	41,450	287,742
Book Value, € m	243	-	-	168	35**	80	-	526	42	568
Average Rent, €/sq m	22	-	-	15	4	6	-	13	17	13
Average occupancy	91%	-	-	93%	94%	87%	-	91%	95%	91%
<b>Total</b>										
Number of assets	13	5	3	2	2	2	1	29	3	32
GTC consolidated share of NLA, sq m	211,091	91,464	53,335	64,500	80,200	61,642	13,300	575,532	23,925	599,457
Total, NLA, sq m	230,201	91,464	53,335	64,500	80,200	61,642	13,300	594,642	75,952	670,594
Book Value, € m	540	167	112	168	194	80	16	1,276	59	1,335
Average Rent, €/sq m	18	13	17	15	14	6	10	15	13	15
Average occupancy	91%	96%	92%	93%	92%	87%	57%	91%	75%	90%

\*excluding assets held for sale

\*\*\* including Galleria Pietra Neamt and Galleria Buzau

\*\* pro-rata to GTC Holding



# USEFUL INFORMATIONS

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## Corporate calendar

13 November 2013

Consolidated quarterly reports for the 3rd quarter of 2013

## Contact details

**Małgorzata Czaplicka**

Director Investor Relations

tel.: +48 22 60 60 710

[mczaplicka@gtc.com.pl](mailto:mczaplicka@gtc.com.pl)

## Useful links



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[H1'13 interim report](#)

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