CONSOLIDATED QUARTERLY REPORT
OF GLOBE TRADE CENTRE S.A. CAPITAL GROUP
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

Place and date of publication: Warsaw, 15 May 2017

GLOBE TRADE CENTRE S.A.

MANAGEMENT BOARD'S REPORT ON THE ACTIVITIES OF CAPITAL GROUP
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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Item 1. Introduction

The GTC Group is a leading real estate investor and developer focusing on Poland and three capital cities in Eastern Europe. The GTC Group is operating in Poland, Romania, Hungary, Croatia, Serbia and Bulgaria. Additionally, it holds land in Ukraine through its subsidiary. The Group was established in 1994 and has been present in the real estate market since then.

The Group's portfolio comprises: (i) completed commercial properties; (ii) commercial properties under construction; (iii) a commercial landbank intended for future development and (iv) residential projects and landbank.

Since its establishment and as at 31 March 2017 the Group: (i) has developed 1.1 million sq. m of gross commercial space and approximately 300 thousand sq. m of residential space; (ii) has sold almost 500 thousand sq. m of gross commercial space in completed commercial properties and approximately 299 thousand sq. m of residential space; and (iii) has acquired approximately 90 thousand sq. m of commercial space in completed commercial properties.

As of 31 March 2017, the Group`s property portfolio comprised the following properties:

- 35 completed commercial buildings, including 33 office buildings and two retail properties with a combined commercial space of approximately 549 thousand sq. m of GLA , of which the Group's proportional interest amounts to approximately 539 thousand sq. m of GLA;
- two assets held for sale, including two assets in Bulgaria (Galleria Stara Zagora and Galleria Burgas)
- five commercial projects under construction, including three office projects and two retail project with total NLA of approximately 154 thousand sq. m, of which the Group's proportional interest amounts to 154 thousand sq. m of NLA;
- commercial landbank designated for future development;
- one residential project under construction with four thousand sq. m area designated for residential use; and
- residential projects and landbank designated for residential use.

The Group also holds a land plot in Ukraine through its subsidiary.

As of 31 March 2017, the book value of the Group's portfolio amounts to €1,680,682 with: (i) the Group's completed commercial properties accounting for 73% thereof; (ii) commercial properties under construction – 16%; (iii) a commercial landbank intended for future development– 6%; (iv) residential projects and landbank accounting for 1% and (v) assets held for sale – 4%. Based on the Group's assessment approximately 97% of the portfolio is core and remaining 3% is non-core assets, including non-core landplots and residential projects.

As of 31 March 2017, the Group's completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 46%, 18% and 15% of the total book value of all completed properties.

Additionally, the Group manages third party assets, including: three office buildings in Warsaw, one office building in Katowice and five office buildings in Prague.

The Company's shares are listed on the WSE and inward listed on the Johannesburg Stock Exchange. The Company's shares are included in WIG 30 and the Dow Jones STOXX Eastern Europe 300.

The Group's headquarters are located in Warsaw, at 17 Stycznia 45A.

In the Management Board's report references to the Company or GTC are to Globe Trade Centre S.A. and all references to the Group or the GTC 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 later and are marked under the PLGTC0000037 code and inward listed on Johannesburg Stock Exchange in August 2016 and are marked under the ISIN PLGTC0000037 code; "Bonds" refers to the bonds issued by Globe Trade Centre S.A. and introduced to alternative trading market and marked with the ISIN codes PLGTC0000144, PLGTC0000177, PLGTC0000219 PLGTC0000227 and PLGTC0000235 ; „the Report" refers to the consolidated quarterly report prepared pursuant to art. 87 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; "CEE" refers to the group of countries that are within the region of Central and Eastern Europe (Hungary, Poland); "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; gross rentable area", "GRA", or "gross leasable area", "GLA" refer to the metric of the all the leasable area of a property multiplied by add-on-factor; "Commercial properties" refer to properties with respect to which GTC Group 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; "JSE" refers to the Johannesburg Stock Exchange

Presentation of financial information

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

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

Certain financial information in this Report was adjusted by rounding. As a result, certain numerical figures show as totals in this Report may not be exact arithmetic aggregations of the figures that precede them.

Forward-looking statements

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

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

The Group discloses important risk factors that could cause its actual results to differ materially from its expectations under Item 5. “Operating and financial review” in this quarterly report and under Item 3. “Key risk factors” in annual consolidated report for the twelve-month period ended 31 December 2016. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on behalf of the Group. When the Group indicates that an event, condition or circumstance could or would have an adverse effect on the Group, it means to include effects upon its business, financial situation and results of operations.

Item 2. Selected financial data

The following tables present the Group’s selected historical financial data for the three-month periods ended 31 March 2017 and 2016. The historical financial data should be read in conjunction with Item 5. “Operating and Financial Review” and the unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2017 (including the notes thereto). The Group has derived the financial data presented in accordance with IFRS from the reviewed unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2017.

Selected financial data presented in PLN is derived from the unaudited interim condensed consolidated financial statements for the three-month period ended 31 March 2017 presented in accordance with IFRS and prepared in the Polish language and in Polish zloty as a presentation currency.

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

	For the three-month period ended 31 March			
	2017		2016	
(in thousands)	€	PLN	€	PLN
Consolidated Income Statement				
Revenues from operations	30,230	130,717	30,810	134,338
Cost of operations	(8,325)	(35,998)	(9,409)	(41,025)
Gross margin from operations	21,905	94,719	21,401	93,313
Selling expenses	(453)	(1,959)	(627)	(2,734)
Administrative expenses	(2,642)	(11,424)	(2,694)	(11,746)
Profit/(loss) from revaluation/impairment of assets, net	24,424	103,064	7,436	31,740
Share of profit/(loss) in associates	184	796	(483)	(2,106)
Financial income/(expense), net	(6,490)	(28,063)	(6,281)	(27,387)
Net profit / (loss)	32,095	136,310	16,339	70,643
Basic and diluted earnings per share (not in thousands)	0.07	0.30	0.04	0.15
Weighted average number of issued ordinary shares (not in thousands)	460,216,478	460,216,478	460,216,478	460,216,478
Consolidated Cash Flow Statement				
Net cash from operating activities	19,973	86,366	17,606	76,767
Net cash used in investing activities	(34,007)	(150,189)	(89,687)	(391,054)
Net cash from/(used in) financing activities	19,956	86,291	20,824	94,638
Cash and cash equivalents at the end of the period	157,260	663,606	118,007	503,701
	As at 31 March 2017		As at 31 December 2016	
Consolidated statement of financial position				
Investment property	1,495,918	6,312,475	1,501,770	6,643,830
Investment property landbank	103,261	435,741	102,905	455,252
Residential landbank and inventory	19,533	82,426	19,116	84,570
Cash and cash equivalents	157,260	663,606	149,812	662,768
Others	133,286	562,441	65,887	291,484
Total assets	1,909,258	8,056,689	1,839,490	8,137,904
Non-current liabilities	867,625	3,661,203	852,865	3,773,075
Current liabilities	199,454	841,655	196,302	868,439
Total Equity	822,317	3,470,017	790,323	3,496,390
Share capital	10,410	46,022	10,410	46,022

Item 3. Presentation of the Group

Item 3.1. General information about the Group

The GTC Group is a leading real estate investor and developer focusing on Poland and three capital cities in Eastern Europe. The GTC Group is operating in Poland, Romania, Hungary, Croatia, Serbia and Bulgaria. Additionally, it holds land in Ukraine through its subsidiary. The Group was established in 1994 and has been present in the real estate market since then.

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As of 31 March 2017, the Group's completed properties in its three most significant markets, i.e. Poland, Hungary and Romania, constitute 46%, 18% and 15% of the total book value of all completed properties.

Additionally, the Group manages third party assets, including: three office buildings in Warsaw, one office building in Katowice and five office buildings in Prague.

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The Group's headquarters are located in Warsaw, at 17 Stycznia 45A.

Item 3.2. Structure of the Group

The structure of Globe Trade Centre S.A. Capital Group is presented in the Consolidated Financial Statements for the three-month period ended 31 March 2017 in Note 4 "Investment in subsidiaries, associates and joint ventures".

The following changes in structure of the Group occurred in the three-month period ended 31 March 2017:

- GTC Nekretnine Jug. d.o.o was liquidated
- Ana Tower Offices S.R.L. was sold
- GTC Slovakia Real Estate s.r.o. was sold.

Item 3.3. Changes to the principal rules of the management of the Company and the Group

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

Item 4. Main events

In January 2017, GTC SA issued three year Schuldschein loan in the total amount of €10,000. The loan bears a fixed 1-year coupon of 3.25% p.a (3.61% including tax), to be paid every six months.

In March 2017, GTC SA issued three-year euro denominated bonds in the total amount of €18,500.

In March 2017, the Group signed a refinancing loan agreement for Corius building, part of Aeropark Business Centre office complex

In March 2017, the Group has completed the third building of the FortyOne complex in Belgrade.

In April 2017, the Group signed preliminary agreement for the sale of Galleria Burgas and Galleria Stara Zagora in Bulgaria in line with its strategy to focus its investment on Poland and capital cities outside Poland. As of 31 March 2017, the assets and the related bank loan were presented as held for sale.

In the first quarter of 2017, the Group sold Ana Tower with gain recognized on the transaction in the amount of €186.

In the first quarter of 2017, the Group started Green Heart office project in Belgrade.

Events that took place after 31 March 2017:

On 1 May 2017, the Group purchased a subsidiary, which holds a land designated for office development in Budapest.

On 4 May 2017, the Group sold Galleria Burgas and Galleria Stara Zagora in Bulgaria.

Item 5. Operating and financial review

Item 5.1. General factors affecting operating and financial results

General factors affecting operating and financial results

The key factors affecting the Group's financial and operating results are discussed below. The Management believes that the following factors and important market trends have significantly affected the Group's results of operations since the end of period covered by the latest published audited financial statements, 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's business results have been affected by the global financial crisis, which started in 2008/2009. The global crisis on the financial markets impacted the condition of many financial institutions, and governments were often forced to intervene on the capital markets on an unprecedented scale. Such turbulence 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 or downsizing of rental space. All these factors impacted the real estate market as well as resulted in a decrease in the value of real estate.

The crisis experienced by the financial markets slowed down the general economy in the countries, where the Group operates. The economic downturn in those countries resulted in reduced demand for property, growth of vacancy rates, and increased competition in the real estate market, which adversely affected the Group's ability to sell or let its completed projects at their expected yields and rates of return.

The reduced demand for property that, on the one hand, resulted in a drop in sales dynamics, and, on the other, an increase in vacancy rates and lower rent revenues from leased space, significantly impacted the results of operations of the Group. Specifically, the Group was forced to change some of its investment plans, for example numerous projects in Bulgaria, Romania and Croatia, as those projects did not meet the initially assumed returns targets. Additionally, the Group was not able to develop numerous plans in the countries where it operates.

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 three-month period ended 31 March 2017 and for the three-month period ended 31 March 2016, the Group derived 73% and 67% of its revenues from operations as rental revenue, which greatly depends on the rental rates per sq. m and occupancy rates. The amount the Group can charge for rent largely depends on the property's location and condition and is influenced by local market trends and the state of local economies. The Group's revenue from rent is particularly affected by the delivery of new rent spaces, changes in vacancy rates and the Group's ability to implement rent increases. Rental income is also dependent upon the time of completion of the Group's development projects as well as on its ability to let such completed properties at favorable rent levels. Moreover, for the three-month period ended 31 March 2017 and for the three-month period ended 31 March 2016, the Group derived 26% and 21% of its revenues from operations as service revenue, which reflects certain costs the Group passes on to its tenants.

The vast majority of the Group's lease agreements are concluded in Euro and include a clause that provides for the full indexation of the rent linked to the European Index of Consumer Prices. When a lease is concluded in another currency, it is typically linked to the consumer price index of the relevant country of the currency.

To a certain extent, the Group's operational results are influenced by its ability to sell residential units, which for the three-month period ended 31 March 2017 and for the three-month period ended 31 March 2016, amounted for 1% and 12% of the Group's total revenues, respectively. The supply of new apartments in the different markets in which the Group operates and the demand on such markets affect apartment prices. The demand for apartments is further impacted by fluctuations in interest rates, the availability of credit and the mortgage market in general. For example, the Group's residential revenues decreased steadily over the last few years due to the slowdown in the sale of residential properties coupled with an increase in discounts which had to be granted to purchasers of the Group's apartments in order to facilitate sales as well as completion of sale of almost all residential projects in previous periods.

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 per year. Any change in fair value of investment property is thereafter recognized as a gain or loss in the income statement.

The following three significant factors influence the valuation of the Group's properties: (i) the cash flow arising from operational performance, (ii) the expected rental rates and (iii) the 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. Expected rental values are determined predominantly by expected development of the macroeconomic indicators as GDP growth, disposable income, etc. as well as micro conditions such as new developments in the immediate neighborhood, competition, etc. Capitalization rates are influenced by prevailing interest rates and risk premium. In the absence of other changes when capitalization rates increase, market value decreases and vice versa. 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 among others the building rights and the expected timing of the projects. The value of landbank which is assessed using a comparative method is determined by referring to the market prices applied in transactions relating to similar properties.

The Group recognized net profit from revaluation and impairment of assets projects of €24,424 and €7,436 in the three-month period ended 31 March 2017 and for the three-month period ended 31 March 2016, respectively.

Impact of interest rate movements

Substantially all of the loans of the Group have a variable interest rate, mainly connected to EURIBOR. The part of bonds issued by the Company is denominated in PLN and bear interest connected to WIBOR. Increases in interest rates generally increase the Group's financing costs. As of 31 March 2017 and 31 December 2016 approximately 76% and 70% of the Group's loans were hedged or partially hedged. For example as at 31 December 2016, a 50bp change in Euribor rate would lead to €2,846 change in profit (loss) before tax. 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 impairment that could negatively affect the Group's income.

Historically, EURIBOR rates have demonstrated significant volatility, changing from 1.343% as of 2 January 2012, through 0.188% as of 2 January 2013, to 0.280% as of 3 January 2014, 0.076% as of 2 January 2015 and –0.1320% as of 4 January 2016, -0.3180% as of 2 January 2017 (EURIBOR for three-month deposits).

Impact of foreign exchange rate movements

For the three-month period ended 31 March 2017 and for the three-month period ended 31 March 2016 a vast majority of the Group's revenues and costs were incurred or derived in euro. Nonetheless, the exchange rates against euro of the local currencies of the countries in which the Group operates are an important factor as the credit facilities that are obtained may be denominated in either euro or local currencies.

The Group reports its financial statements in euro, its operations, however, are based locally in Poland, Romania, Hungary, Croatia, Serbia, Bulgaria, and other countries. The Group receives the majority of its revenue from rent denominated in euro, however, it receives a certain portion of its income (including the proceeds from the sales of residential real estate) and incurs most of its costs (including the vast majority of its selling expenses and administrative expenses) in local currencies, including the Polish zloty, Bulgarian leva, Czech korunas, Croatian cunas, Hungarian forints, Romanian lei and Serbian dinars. In particular, the significant portion of the financial costs incurred by the Group includes: (i) the interest on the bonds issued by the Group in Polish zloty and (ii) the interest on the loan taken by the Group in Hungarian forints. The exchange rates between local currencies and euro have historically fluctuated.

The income tax expense (both actual and deferred) in the jurisdictions in which the Group conducts its operations is incurred in such local currencies. Consequently, such income tax expense was and may continue to be materially affected by foreign exchange rate movements.

Accordingly, the foreign exchange rate movements have a material impact on the Group's operations and financial results.

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 and for the Group's development prospects, as well as its ability to repay existing debt. Finally, the availability and cost of financing may impact the Group's sales dynamics and the Group's net profit.

In the past, the principal sources of financing for the Group's core business included, apart from proceeds from asset disposals, bank loans and proceeds from bonds issued by the Company.

Item 5.2. Specific factors affecting financial and operating results

In 2016, the Group acquired two office buildings in Bucharest (Premium Plaza and Premium Point); two office buildings in Poland: Neptun Office Center and Sterlinga Business Center, located in Gdansk and Lodz respectively; an SPV Artico Sp.z o.o. that develops an office building in Warsaw; shares in a Serbian company which owns a land in Belgrade and land in Sofia.

In 2016, the Group completed University Business Park B, office building in Łódź and FortyOne II, office building in Belgrade.

In 2016, the Group sold the Galerie Harfa shopping centre in Prague and the companies which holds Galleria Piatra Nemat and Galleria Arad shopping centers in Romania.

In January 2017, GTC SA issued three year Schuldschein loan in the total amount of €10,000. The loan bears a fixed 1-year coupon of 3.25% p.a (3.61% including tax), to be paid every six months.

In March 2017, GTC SA issued three-year euro denominated bonds in the total amount of €18,500.

In March 2017, the Group signed a refinancing loan agreement for Corius building, part of Aeropark Business Centre office complex

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In April 2017 the Group signed preliminary agreement for the sale of Galleria Burgas and Galleria Stara Zagora in Bulgaria in line with its strategy to focus its investment on Poland and capital cities outside Poland. As of 31 March 2017, the assets and the related bank loan were presented as held for sale.

In the first quarter of 2017, the Group sold Ana Tower with gain recognized on the transaction in the amount of €186.

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

The Group did not present forecasts for first three months or full year 2017.

Item 5. 4. Statement of financial position

Item 5.4.1. Key items of the statement of financial position

Investment property

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

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 at least one year after the balance sheet date as residential landbank, which is part of its non-current assets.

Investment in associates and joint ventures

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

Assets held for sale

Assets held for sale comprise office or retail space and land plots that are designated for sale.

Inventory

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

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

Short-term deposits

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

Derivatives

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

Item 5.4.2. Financial position as of 31 March 2017 compared to 31 December 2016

Total assets increased by €72,107 (4%) to €1,911,597 as of 31 March 2017. This increase was mainly due to an continuation of the investment in Galeria Północna and completion of FortyOne III (office project in Belgrade).

Assets

The value of investment property and commercial landbank increased by an investment of €33,096 mainly into assets under construction such as Galeria Północna, Artico, White House, Fortyone III and Ada Mall, as well as revaluation gain mainly attributed to assets under construction. The increase was offset by. reclassification of Galleria Burags and Galleria Stara Zagora to assets held for sale (sold post balance sheet date). As a result the value of investment property and commercial landbank has shown a net decrease of €5,496 to €1,599,179, as of 31 March 2017 from €1,604,675 as of 31 December 2016.

The value of asset held for sale increase to €61,970 as of 31 March 2017 form €0 as of 31 December 2016, as a result of reclassification of Galleria Burgas and Galleria Stara Zagora following conclusion of preliminary sale agreement. Both assets were sold on 4 May 2017.

The value of VAT and other tax receivable increased by €4,340 to €21,729 as of 31 March 2017 from 17,389 as of 31 December 2016, mainly as a result of VAT related to the construction activity of Galeria Północna.

The value of cash and cash equivalents increased by €7,448 (5%) to €157,260 as of 31 March 2017 from €149,812 as of 31 December 2016, mainly as an outcome of the operation investment, and finance activity described herein.

Liabilities

The value of loans and bonds increased by €13,949 (2%) to €906,882 as of 31 March 2017 from €892,933 as of 31 December 2016. This increase comes mainly due to issue of bonds in amount of €18,496 and Schuldschein loan in the amount €10,000 as well as a drawdown of € 8,853 under Galeria Pólnocna loan facility. The increase was partially offset mainly by accelerated repayment of Galleria Stara Zagora loan in the amount of €6,900 and reclassification of loans related to Galleria Burgas shopping center in the amount of €19,862 to liability held for sale (fully repaid once shopping center was sold on 4 May 2017).

Liabilities held for sale increased to €19,862 as of 31 March 2017 from €0 as of 31 December 2016 as a result of reclassification of loan on Galleria Burags to liabilities held for sale.

Equity

Equity increased by €31,994 (27%) to €822,317 as of 31 March 2017 from €790,323 on 31 December 2016 mainly due to an increase in accumulated profit by €32,079 to €347,375 as of 31 March 2017.

Item 5.5. Consolidated income statement

Item 5.5.1. Key items of the consolidated income statement

Revenues from operations

Revenues from operations consist of:

- rental income, which consists of monthly rental payments paid by tenants of the Group's investment properties for the office or retail space rented by such tenants. Rental income is recognized as income over the lease term;

- service income, which comprises fees paid by the tenants of the Group's investment properties to cover the costs of the services provided by the Group in relation to their leases; and

- residential revenue, which comprises proceeds from the sales of houses or apartments, which is recognized when such houses or apartments have been substantially constructed, accepted by the customer and a significant amount resulting from the sale agreement has been paid by the purchaser.

Cost of operations

Costs of operations consist of:

- service costs, which consist of all the costs that are related to the management services provided to the individual tenants within the Group's properties — service costs should be covered by service income; and

- residential costs, which comprise the costs that are related to the development of residential properties sold. The costs related to the development of residential properties incurred during the construction period are capitalized in inventory. Once income is recognized, the costs in respect of sold units are expensed.

Gross margin from operations

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

Selling expenses

Selling expenses include:

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

Administrative expenses

Administration expenses include:

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

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

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

Financial income/(expense), net

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

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

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

Taxation

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

Item 5.5.2. Comparison of financial results for the three-month period ended 31 March 2017 with the result for the corresponding period of 2016

Revenues from operations

Revenues from operations decreased by €580 to €30,230 in the three-month period ended 31 March 2017. Rental and service revenues increased by €2,678 to €29,788 in the three-month period ended 31 March 2017 mainly as a result of completion of University Business Park B and FortyOne II in 2016 and acquisition of Premium Point and Premium Plaza in Bucharest, Sterlinga Business Center in Łódź and Neptun Office Center in Gdańsk. Residential revenues decreased by €3,258 to €442 in the three-month period ended 31 March 2017 due to completion of sale of almost all residential projects in previous periods.

Cost of operations

Cost of operations decreased by €1,084 to €8,325 in the three-month period ended 31 March 2017. Cost of rental operations increased by €1,415 to €7,946 in the three-month period ended 31 March 2017 as a result of completion of University Business Park B and FortyOne II in 2016 as well as acquisition of income generating assets as mentioned above. Residential costs decreased by €2,499 to €379 in the three-month period ended 31 March 2017 resulting from completion of sale of almost all residential projects in previous periods.

Gross margin from operations

Gross margin (profit) from operations increased by €504 to €21,905 in the three-month period ended 31 March 2017. The gross margin (profit) on rental activities increased by €1,263 to €21,842 in the three-month period ended 31 March 2017 from €20,579 in the three-month period ended 31 March 2016. Gross margin on rental activities in the three-month period ended 31 March 2017 was 73% compared to 76% in the three-month period ended 31 March 2016. The gross margin (profit) on residential activities decreased by €759 to €63 in the three-month period ended 31 March 2017 from €822 in the three-month period ended 31 March 2016.

Selling expenses

Selling expenses decreased by €174 to €453 in the three-month period ended 31 March 2017 from €627 the three-month period ended 31 March 2016.

Administrative expenses

Administrative expenses (before provision for stock based program) decreased by €150 to €2,491 in the three-month period ended 31 March 2017. In addition, mark-to-market of Phantom Shares program resulted in recognition of expenses of €151 in the three-month period ended 31 March 2017 compared to recognized expenses of €53 in the three-month period ended 31 March 2016.

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

Net profit from the revaluation of the investment properties and impairment of residential projects amounted to €24,424 in the three-month period ended 31 March 2017, as compared to a net profit of €7,436 in the three-month period ended 31 March 2016. Net profit from the revaluation of the investment properties reflects mainly progress in the construction of Galeria Północna and completion of FortyOne III as well as revaluation gain on Galleria Stara Zagora.

Other expense, net

Other expenses (net of other income) related to landbank properties were at €106 in the three-month period ended 31 march 2017 as compare to an expenses of €405 in the three-month period ended 31 March 2016.

Foreign exchange profit

Foreign exchange loss amounted to €3,752 in the three-month period ended 31 March 2017, as compared to a foreign exchange profit amounting to €293 in the three-month period ended 31 March 2016 mostly due to strengthening of PLN vs. EUR.

Financial income

Financial income decreased by €518 to €52 in the three-month period ended 31 March 2017 as compared to €570 in the three-month period ended 31 March 2016.

Financial cost

Financial cost decreased by €309 to €6,542 in the three-month period ended 31 March 2017 as compared to €6,851 in the three-month period ended 31 March 2016 mainly due a decrease in average borrowing cost from 3.4% in the three-month period ended 31 March 2016 to 3.2% in the three-month period ended 31 March 2017 as well as optimization of hedging costs, despite an increase in the average debt balance.

Share of profit/ (loss) of associates

Share of profit of associates increased by €667 to €184 in the three-month period ended 31 March 2017 as compared to a share of loss of €483 in the three-month period ended 31 March 2016.

Taxation

Tax amounted to €975 in the three-month period ended 31 March 2017. Taxation consist of €985 of current tax expenses and €10 of deferred tax income.

Net profit/ (loss)

Net profit amounted to €32,095 in the three-month period ended 31 March 2017, as compared to a net profit of €16,440 in the three-month period ended 31 March 2016, mostly due to improvement in operating results, recognition of profit from the revaluation of the investment properties of €24,424.

Item 5. 6. Consolidated cash flow statement

Item 5.6.1. Key items from consolidated cash flow statement

Net cash from (used in) operating activities

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

Net cash used in investing activities

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

Net cash from (used in) financing activities

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

Cash and cash equivalents

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

Item 5.6.2. Cash flow analysis

The table below presents an extract of the cash flow for the period of three-month ended on 31 March 2017 and 31 March 2016:

	Three-month period ended on 31 March 2017	Three-month period ended on 31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash from operating activities	19,973	17,606
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property under construction	(33,818)	(31,688)
Purchase of completed investment property		(32,230)
Sale of investment property	1,738	2,773
Sale of shares in associates and joint ventures	1,250	
Purchase of minority		(18,108)
VAT/tax on purchase/sale of investment property	(3,614)	(10,560)
Other loans, interest and similar costs	437	126
Net cash used in investing activities	(34,007)	(89,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	42,728	49,479
Repayment of long-term borrowings	(16,978)	(24,442)
Interest paid	(5,631)	(6,018)
Loans origination payment	(437)	(252)
Decrease (increase) in short term deposits	274	2,057
Net cash from (used in) financing activities	19,956	20,824
Effect of foreign currency translation	1,526	(208)
Net increase/(decrease) in cash and cash equivalents	7,448	(51,465)
Cash and cash equivalents, at the beginning of the year	149,812	169,472
Cash and cash equivalents, at the end of the year	157,260	118,007

Net cash flow from operating activities was €19,973 in the three-month period ended 31 March 2017 compared to €17,606 in the three-month period ended 31 March 2016 mainly due to the growth of the income generating portfolio following completions and acquisition of income generating assets.

Cash flow used in investing activities amounted do €34,007 in the three-month period ended 31 March 2017 compared to €89,687 used in the three-month period ended 31 March 2016. Cash flow used in investing activities mostly composed of expenditure on investment property under construction of €33,817 are related mainly to investment in Galeria Północna, Artico (Warsaw, Poland), Fortyone III, Ada Mall (Belgrade, Serbia) and White House (Budapest, Hungary).

Net cash flow from financing activities amounted to €19,956 in the three-month period ended 31 March 2017, compared to €20,824 of cash flow from financing activities in the three-month period ended 31 March 2016. Cash flow from financing activities mostly composed of proceeds from long-term borrowings of €42,728 related mainly to loans for assets under construction as well as issue of bonds loan in the amount of €18,500 and Schuldschein loan in the amount of €10,000 offset partially by repayment of long term borrowings of €16,978 related mainly to accelerated repayment of loan related to Galleria Stara Zagora and amortization of investment loans.

Cash and cash equivalents as of 31 March 2017 amounted to €157,260 compared to €118,007 as of 31 March 2016. The Group keeps its cash in the form of bank deposits, mostly in Euro, with various international banks.

Item 5.7. Future liquidity and capital resources

As of 31 March 2017, the Group holds cash and cash equivalent in the amount of approximately €157,260. The Group believes that its cash balances and cash generated from leasing activities of its investment properties as well as cash available under its existing and future loan facilities will fund these needs.

The Group attempts to efficiently manage all its liabilities and is currently reviewing its funding plans related to: (i) development and acquisition of commercial properties, (ii) debt servicing of its existing assets portfolio and (iii) capex. Such funding will be sourced through available cash, operating income and refinancing.

As of 31 March 2017, the Group's non-current liabilities amounted to €867,625 compared to €852,865 as of 31 December 2016.

The Group's total debt from long and short-term loans and borrowings as of 31 March 2017 amounted to €906,882 as compared to €892,933 as of 31 December 2016. The Group's loans and borrowings are mainly denominated in Euro (82%), other currencies include corporate bonds in PLN and project loan in HUF.

The Group's loan-to-value ratio amounted to 43% as of 31 March 2017, as compared to 43% as of 31 December 2016. The Group's strategy is to keep its loan-to-value ratio at the level not exceeding 50%.

As of 31 March 2017, 76% of the Group's loans (by value) were hedged against interest fluctuations, mostly through interest rate swaps and currency swap as mentioned above.

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

During the three-month period the Group did not grant loans of the value that exceeds 10% of its capital.

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

During the three-month period the Group did not grant guarantees of the value that exceeds 10% of its capital.

Company granted guarantees to third parties in order to secure construction cost-overruns and loans to its subsidiaries. Additionally, in connection with the sale of its assets, the Company gave typical warranties under the sale agreements, which are limited in time and amount. The risk involved in above warranties is very low.

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

Item 8. Shareholders who, directly or indirectly, have substantial shareholding

The following table presents the Company's shareholders, who had no less than 5% of votes at the Ordinary Shareholders Meeting of GTC S.A., as of the date of publication of this Report. The table is prepared based on information received directly from the shareholders. There were no changes in the shareholding structure since publication of Group's last quarterly report (report for the three and nine-month period ended 30 September 2016) on 28 November 2016.

Shareholder	Number of shares and rights to the shares held	% of share capital	Number of votes	% of votes
LSREF III GTC Investments B.V.[1]	278,849,657	60.59%	278,849,657	60.59%
OFE PZU Złota Jesień	47,847,000	10.40%	47,847,000	10.40%
AVIVA OFE Aviva BZ WBK	32,922,000	7.15%	32,922,000	7.15%
Other shareholders	100,597,821	21.86%	100,597,821	21.86%
Total	460,216,478	100.00%	460,216,478	100.00%

[1]LSREF III GTC Investments B.V. is related to Lone Star Real Estate Partners III L.P.

Item 9. Shares in GTC held by members of the Management Board and the Supervisory Board

Shares held by members of the Management Board

The following table presents shares owned directly or indirectly by members of the Company's Management Board as of 15 May 2017, the date of publication of this quarterly report, and changes in their holdings since the date of publication of Group's last financial report (annual report for the 12-month period ended 31 December 2016) on 20 March 2017.

The information included in the table is based on information received from members of the Management Board pursuant to Art. 160 sec. 1 of the Act on Trading in Financial Instruments.

Management Board Member	Balance as of 15 May 2017 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 20 March 2017 (not in thousand)
Thomas Kurzmann	0	0	No change
Erez Boniel	143,500	14,350	No change
Total	143,500	14,350	

Phantom Shares held by members of the Management Board

The following table presents Phantom Shares owned directly or indirectly by members of the Company's Management Board as of 31 March 2017 and changes since 31 December 2016.

Management Board Member	Balance as of 31 March 2017 (not in thousand)	Change since 31 December 2016 (not in thousand)
Thomas Kurzmann	512,000	No change
Erez Boniel	204,800	No change

Shares of GTC held by members of the Supervisory Board

The following table presents shares owned directly or indirectly by members of the Company's Supervisory Board as of 15 May 2017, the date of publication of this quarterly report, and changes in their holdings since the date of publication of Group's last financial report (annual report for the 12-month period ended 31 December 2016) on 20 March 2017.

The information included in the table is based on information received from members of the Supervisory Board pursuant to Art. 160 sec. 1 of the Act on Trading in Financial Instruments.

Members of Supervisory Board	Balance as of 15 May 2017 (not in thousand)	Nominal value of shares in PLN (not in thousand)	Change since 20 March 2017 (not in thousand)
Alexander Hesse	0	0	No change
Philippe Couturier	0	0	No change
Ryszard Koper	0	0	No change
Jan Düdden	0	0	No change
Mariusz Grendowicz	10,158	1,016	No change
Tomasz Styczyński	0	0	No change
Marcin Murawski	0	0	No change
Katharina Schade	0	0	No change
Total	10,158	1,016	

Item 10. Material transactions with related parties concluded on terms other than market terms

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

Item 11. Proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries the total value of the liabilities or claims of which amount to at least 10% of the Group's equity

There are no individual proceeding or group of proceedings before a court or public authority involving Globe Trade Centre SA or its subsidiaries, with the total value of liabilities or claims of 10% or more of the Company's equity.

GLOBE TRADE CENTRE S.A.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017 TOGETHER WITH INDEPENDENT AUDITORS` REVIEW REPORT

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 31 March 2017
(in thousands of Euro)

	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
ASSETS			
Non-current assets			
Investment property	10	1,495,918	1,501,770
Investment property landbank	10	103,261	102,905
Residential landbank	11	13,761	13,761
Investment in associates and joint ventures	9	2,481	3,803
Property, plant and equipment		6,878	6,002
Deferred tax asset		59	1,075
Other non-current assets		377	353
		1,622,735	**1,629,669**
Assets held for sale	13	**61,970**	**-**
Current assets			
Residential inventory	11	5,772	5,355
Accounts receivables		5,491	5,363
Accrued income		994	767
VAT receivable	14	21,729	17,389
Income tax receivable		658	652
Prepayments and deferred expenses		4,998	2,558
Short-term deposits		27,651	27,925
Cash and cash equivalents		157,260	149,812
		224,553	**209,821**
TOTAL ASSETS		**1,909,258**	**1,839,490**

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Financial Position
as of 31 March 2017
(in thousands of Euro)

	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	10,410	10,410
Share premium		499,288	499,288
Capital reserve		(36,054)	(35,702)
Hedge reserve		(3,566)	(3,631)
Foreign currency translation		2,058	1,872
Accumulated profit		347,375	315,195
		819,511	**787,432**
Non-controlling interest		2,806	2,891
Total Equity		**822,317**	**790,323**
Non-current liabilities			
Long-term portion of long-term borrowing	12	753,304	739,031
Deposits from tenants		8,850	8,043
Long term payable		2,731	2,730
Provision for share based payment		2,198	2,046
Derivatives		2,498	2,778
Provision for deferred tax liability		98,044	98,237
		867,625	**852,865**
Current liabilities			
Investment and trade payables and provisions		37,188	36,739
Current portion of long-term borrowing	12	153,578	153,902
VAT and other taxes payable		1,640	1,122
Income tax payable		650	530
Derivatives		2,074	2,553
Advances received		4,324	1,456
		199,454	**196,302**
Liabilities held for sale	13	19,862	-
TOTAL EQUITY AND LIABILITIES		**1,909,258**	**1,839,490**

Globe Trade Centre S.A.
Interim Condensed Consolidated Income Statement
for the three-month period ended 31 March 2017
(in thousands of Euro)

	Note	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Revenue from rental activity	5	29,788	27,110
Residential revenue	5	442	3,700
Cost of operations	6	(7,946)	(6,531)
Residential costs	6	(379)	(2,878)
Gross margin from operations		**21,905**	**21,401**
Selling expenses		(453)	(627)
Administrative expenses	8	(2,642)	(2,694)
Profit from revaluation/ impairment of assets	10	24,424	7,436
Other income		346	416
Other expenses		(452)	(821)
Profit from continuing operations before tax and finance income / (expense)		**43,128**	**25,111**
Foreign exchange differences gain/(loss), net		(3,752)	293
Finance income		52	570
Finance cost		(6,542)	(6,851)
Share of gain / (loss) of associates and joint ventures		184	(483)
Profit before tax		**33,070**	**18,640**
Taxation	15	(975)	(2,301)
Profit for the period		**32,095**	**16,339**
Attributable to:			
Equity holders of the Company		32,180	16,440
Non-controlling interest		(85)	(101)
Basic earnings per share (Euro)	17	0.07	0.04

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Comprehensive Income
for the three-month period ended 31 March 2017
(in thousands of Euro)

	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Profit for the period	**32,095**	**16,339**
Gain/(loss) on hedge transactions	85	(1,044)
Income tax	(20)	167
Net gain/(loss) on hedge transactions	65	(877)
Foreign currency translation	186	145
Total comprehensive income for the period, net of tax, to be reclassified to profit or loss in subsequent periods	**32,346**	**15,607**
Attributable to:		
Equity holders of the Company	32,431	15,708
Non-controlling interest	(85)	(101)

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Changes in Equity
for the three-month period ended 31 March 2017
(in thousands of Euro)

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2017	**10,410**	**499,288**	**(35,702)**	**(3,631)**	**1,872**	**315,195**	**787,432**	**2,891**	**790,323**
Other comprehensive income	-	-	-	65	186	-	251	-	251
Profit / (loss) for the period ended 31 March 2017	-	-	-	-	-	32,180	32,180	(85)	32,095
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**65**	**186**	**32,180**	**32,431**	**(85)**	**32,346**
Purchase of NCI shares	**-**	**-**	(352)	-	-	-	(352)	-	(352)
Balance as of 31 March 2017	**10,410**	**499,288**	**(36,054)**	**(3,566)**	**2,058**	**347,375**	**819,511**	**2,806**	**822,317**

	Share Capital	Share premium	Capital reserve	Hedge reserve	Foreign currency translation reserve	Accumulated profit	Total	Non-controlling interest	Total
Balance as of 1 January 2016	**10,410**	**499,288**	**(20,646)**	**(4,563)**	**1,405**	**156,647**	**642,541**	**(21,339)**	**621,202**
Other comprehensive income	-	-	-	(877)	145	-	(732)	-	(732)
Profit / (loss) for the period ended 31 March 2016	-	-	-	-	-	16,440	16,440	(101)	16,339
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(877)**	**145**	**16,440**	**15,708**	**(101)**	**15,607**
Purchase of NCI shares	**-**	**-**	303	-	-	-	303	2,290	2,593
Other	**-**	**-**	(772)	-	-	-	(772)	-	(772)
Balance as of 31 March 2016	**10,410**	**499,288**	**(21,115)**	**(5,440)**	**1,550**	**173,087**	**657,780**	**(19,150)**	**638,630**

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

Globe Trade Centre S.A.
Interim Condensed Consolidated Statement of Cash Flows
for the three-month period ended 31 March 2017
(in thousands of Euro)

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before tax	33,070	18,640
Adjustments for:		
Loss/(profit) from revaluation/impairment of assets	(24,424)	(7,436)
Share of loss (profit) of associates and joint ventures	(184)	483
Profit on disposal of assets	-	2
Foreign exchange differences loss/(gain), net	3,752	(293)
Finance income	(52)	(570)
Finance cost	6,542	6,851
Share based payment expenses	151	53
Depreciation and amortization	167	118
Operating cash before working capital changes	**19,022**	**17,848**
Increase in debtors and prepayments and other current assets	(2,947)	(1,975)
(Increase)/Decrease in inventory	(416)	2,682
Increase/(decrease) in advances received	2,868	(1)
Increase in deposits from tenants	808	129
Increase/(decrease) in trade and other payables	1,623	(249)
Cash generated from operations	**20,958**	**18,434**
Tax paid in the period	(985)	(828)
Net cash from operating activities	**19,973**	**17,606**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure on investment property under construction	(33,818)	(31,688)
Purchase of completed investment property	-	(32,230)
Sale of investment property	1,738	2,773
Sale of shares in associates and joint ventures	1,250	-
Purchase of minority	-	(18,108)
VAT/tax on purchase/sale of investment property	(3,614)	(10,560)
Interest received	31	126
Loans repayments from associates and joint ventures	406	-
Net cash from/(used in) investing activities	**(34,007)**	**(89,687)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	42,728	49,479
Repayment of long-term borrowings	(16,978)	(24,442)
Interest paid	(5,631)	(6,018)
Loans origination cost	(437)	(252)
Decrease/(increase) in short term deposits	274	2,057
Net cash from/(used in) financing activities	**19,956**	**20,824**
Effect of foreign currency translation	**1,526**	**(208)**
Net increase / (decrease) in cash and cash equivalents	**7,448**	**(51,465)**
Cash and cash equivalents at the beginning of the period	**149,812**	**169,472**
Cash and cash equivalents at the end of the period	**157,260**	**118,007**

The accompanying notes are an integral part of the Interim Condensed Consolidated Financial Statements

1. Principal activities

Globe Trade Centre S.A. (the "Company" or "GTC") and its subsidiaries ("GTC Group" or "the Group") are an international real-estate corporation. The Company was registered in Warsaw on 19 December 1996. The Company's registered office is in Warsaw, Poland at 17 Stycznia 45A Street. The Company owns through subsidiaries, joint ventures and associates commercial and residential real estate companies with a focus on Poland, Budapest, Bucharest, and Belgrade. Additionally, the Company operates in Zagreb and Sofia. There is no seasonality in the business of the Group companies.

The major shareholder of the Company is LSREF III GTC Investments B.V. ("LSREF III"), controlled by Lone Star, a global private equity firm, which held 278,849,657 shares or 60.59% of total share as of 31 March 2017.

Events in the period

In January 2017, the Company issued 3-year Schuldschein loan in the total amount of EUR 10 million.

In March 2017, the Company issued 3-year Euro denominated bonds, listed on WSE in the total amount of EUR 18.5 million.

In March 2017, GTC signed a refinancing loan agreement for Corius building, part of Aeropark Business Centre office complex

In March 2017, GTC Group has completed the third building of the FortyOne complex in Belgrade.

In April 2017 the Company signed preliminary agreement for the sale of Galeria Burgas and Galeria Stara Zagora shopping centers in Bulgaria in line with its strategy to focus its investment on capital cities. As of 31 March 2017, the assets and the related bank loan were presented as held for sale.

2. Basis of preparation

The Interim Condensed Consolidated Financial Statements for the three-months period ended 31 March 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU.

At the date of authorisation of these consolidated financial statements, taking into account the EU's ongoing process of IFRS endorsement and the nature of the Group's activities, there is a difference between International Financial Reporting Standards and International Financial Reporting Standards endorsed by the European Union. The Group is aware of the fact that IFRS 15 and IFRS 9, which are effective for financial years beginning on or after 1 January 2018, have been already endorsed by the European Union. The Group is currently in the process of analysis of quantitative and qualitative impact of those two standards, as well as of IFRS 16, which is not yet endorsed, on the Group’s consolidated financial statements.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements and the notes thereto for the year ended 31 December 2016, which were authorized for issue on 17 March 2017. The interim financial results are not necessarily indicative of the full year results.

The Group’s Interim Condensed Consolidated Financial Statements are presented in Euro, which is also GTC’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using the functional currency.

The financial statements of those entities prepared in their functional currencies are included in the Interim Condensed Consolidated Financial Statements by translation into Euro using appropriate exchange rates 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.

These Interim Condensed Consolidated Financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to the Group’ continuing as a going concern.

3. Significant accounting policies, estimates and judgments

The accounting policies and calculation methods applied in the preparation of these Interim condensed consolidated financial statements are the same as those used in the preparation of the consolidated financial statements for 2016 (see Note 6 to the consolidated financial statements for 2016), and no changes to comparative data or error corrections were made.

Standards issued but not yet effective

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

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – effective for financial years beginning on or after 1 January 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including amendments to IFRS 15 *Effective date of IFRS 15* (issued on 11 September 2015) - effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) - the endorsement process of these Amendments has been postponed by EU - the effective date was deferred indefinitely by IASB;
- IFRS 16 *Leases* (issued on 13 January 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2019;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016) - not yet endorsed by EU at the date of approval of these financial statements - effective for financial years beginning on or after 1 January 2018;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* (issued on 19 January 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2017;
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2017;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on 12 April 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on 20 June 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018,
- *Annual Improvements to IFRS Standards 2014-2016 Cycle* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements –Amendments to IFRS 12 are effective for financial years beginning on or after 1 January 2017, while amendments to IFRS 1 and IAS 28 are effective for financial years beginning on or after 1 January 2018;
- IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018;

3. Significant accounting policies, estimates and judgments (continued)

- Amendments to IAS 40: *Transfers of Investment Property* (issued on 8 December 2016) - not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018.

The Group has not elected to early adopt any of the standards, interpretations, or amendments which have not yet become effective. The Company's Management Board is analysing and assessing the effect of the new standards and interpretations on the accounting policies applied by the Group and on the Group's future financial statements.

(in thousands of Euro)

4. Investment in Subsidiaries, Associates and Joint Ventures

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

Subsidiaries

Name	Holding Company	Country of incorporation	31 March 2017	31 December 2016
GTC Konstancja Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Korona S.A.	GTC S.A.	Poland	100%	100%
Globis Poznań Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Aeropark Sp. z o.o.	GTC S.A.	Poland	100%	100%
Globis Wrocław Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Satellite Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Neptune Gdansk Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC GK Office Sp. z o.o. (1)	GTC S.A.	Poland	100%	100%
GTC Sterlinga Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Karkonoska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Ortal Sp. z o.o.	GTC S.A.	Poland	100%	100%
Diego Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Francuska Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC UBP Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Pixel Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Moderna Sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Handlowe Wilanow Sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Management sp. z o.o.	GTC S.A.	Poland	100%	100%
GTC Corius sp. z o.o.	GTC S.A.	Poland	100%	100%
Centrum Światowida sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments sp. z o.o.	GTC S.A.	Poland	100%	100%
Glorine investments Sp. z o.o. s.k.a.	GTC S.A.	Poland	100%	100%
GTC Galeria CTWA Sp. z o.o.	GTC S.A.	Poland	100%	100%
Artico Sp. z o.o	GTC S.A.	Poland	100%	100%
Julesberg Sp. z o.o.	GTC S.A.	Poland	100%	100%
Jowett Sp. z o.o.	GTC S.A.	Poland	100%	100%
Calobra Sp. z o.o. Sp. j.	GTC S.A.	Poland	100%	100%
Mantezja 4 Sp. z o.o. Sp. j.	GTC S.A.	Poland	100%	100%
Havern Investments sp. z o.o.	GTC S.A.	Poland	100%	100%

(1) Under liquidation

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 March 2017	31 December 2016
GTC Hungary Real Estate Development Company Ltd. ("GTC Hungary")	GTC S.A.	Hungary	100%	100%
Commercial Properties B.V. (formerly Budapest Offices B.V.)	GTC Hungary	Netherlands	100%	100%
GTC Duna Kft.	GTC Hungary	Hungary	100%	100%
Vaci Ut 81-85 Kft.	GTC Hungary	Hungary	100%	100%
Riverside Apartmanok Kft. ("Riverside") (1)	GTC Hungary	Hungary	100%	100%
Centre Point I. Kft. ("Centre Point I")	GTC Hungary	Hungary	100%	100%
Centre Point II. Kft.	GTC Hungary	Hungary	100%	100%
Spiral Holding Kft.	GTC Hungary	Hungary	100%	100%
Spiral I.Kft.	GTC Hungary	Hungary	100%	100%
Spiral II Hungary. Kft.	GTC Hungary	Hungary	100%	100%
River Loft Apartmanok Ltd.	GTC Hungary	Hungary	100%	100%
SASAD Resort Kft. ("Sasad")	GTC Hungary	Hungary	100%	100%
Albertfalva Üzletközpont Kft. ("formerly Szeremi Gate")	GTC Hungary	Hungary	100%	100%
GTC Metro Kft.	GTC Hungary	Hungary	100%	100%
SASAD Resort Offices Kft.	GTC Hungary	Hungary	100%	100%
Mastix Champion Kft.	GTC Hungary	Hungary	100%	100%
GTC White House Kft. ("formerly GTC Renaissance Plaza Kft.")	GTC Hungary	Hungary	100%	100%
VRK Tower Kft	GTC Hungary	Hungary	100%	100%
Amarantan Ltd.	GTC Hungary	Hungary	100%	100%
Abritus Kft.	GTC Hungary	Hungary	100%	100%
GTC Slovakia Real Estate s.r.o. (2)	GTC S.A.	Slovakia	-	100%
GTC Real Estate Vinohrady s.r.o. (3)	GTC S.A.	Slovakia	100%	100%

(1) Under liquidation

(2) sold in 2017

(3) Under liquidation

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 March 2017	31 December 2016
GTC Nekretnine Zagreb d.o.o.("GTC Zagreb")	GTC S.A.	Croatia	100%	100%
Euro Structor d.o.o.	GTC S.A.	Croatia	70%	70%
Marlera Golf LD d.o.o.	GTC S.A.	Croatia	80%	80%
Nova Istra Idaeus d.o.o.	Marlera Golf LD d.o.o	Croatia	80%	80%
GTC Nekretnine Jug. d.o.o. (1)	GTC S.A.	Croatia	-	100%
GTC Sredisnja tocka d.o.o.	GTC S.A.	Croatia	100%	100%
Towers International Property S.R.L.	GTC S.A.	Romania	100%	100%
Galleria Shopping Center S.R.L. (formerly "International Hotel and Tourism S.R.L.")	GTC S.A.	Romania	100%	100%
BCG Investment B.V.	GTC S.A.	Netherlands	100%	100%
Green Dream S.R.L.	GTC S.A.	Romania	100%	100%
Aurora Business Complex S.R.L	GTC S.A.	Romania	71.5%	71.5%
Bucharest City Gate B.V. ("BCG")	GTC S.A.	Netherlands	100%	100%
City Gate Bucharest S.R.L.	BCG	Romania	100%	100%
Mablethompe Investitii S.R.L.	GTC S.A.	Romania	100%	100%
Venus Commercial Center S.R.L.	GTC S.A.	Romania	100%	100%
Beaufort Invest S.R.L.	GTC S.A.	Romania	100%	100%
Fajos S.R.L.	GTC S.A.	Romania	100%	100%
City Gate S.R.L.	BCG	Romania	100%	100%
Brightpoint Investments Limited (2)	GTC S.A.	Cyprus	50.1%	50.1%
Complexul Residential Colentina S.R.L.	GTC S.A.	Romania	100%	100%
Operetico Enterprises Ltd.	GTC S.A.	Cyprus	66.7%	66.7%
Deco Intermed S.R.L.	Operetico Enterprises Ltd.	Romania	66.7%	66.7%
GML American Regency Pipera S.R.L.	GTC S.A.	Romania	66.7%	66.7%

(1) Liquidated in January 2017
(2) Under liquidation

(in thousands of Euro)

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

Name	Holding Company	Country of incorporation	31 March 2017	31 December 2016
Galeria Stara Zagora EAD ("Stara Zagora") (2)	GTC S.A.	Bulgaria	100%	100%
Galeria Burgas AD (2)	GTC S.A.	Bulgaria	80%	80%
GTC Business Park EAD	GTC S.A.	Bulgaria	100%	100%
NRL EAD	GTC S.A.	Bulgaria	100%	100%
Advance Business Center EAD	GTC S.A.	Bulgaria	100%	100%
GTC Yuzhen Park EAD ("GTC Yuzhen")	GTC S.A.	Bulgaria	100%	100%
GTC Medj Razvoj Nekretnina d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
GTC Business Park d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial and Residential Ventures d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Demo Invest d.o.o. Novi Beograd	GTC S.A.	Serbia	100%	100%
Atlas Centar d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Commercial Development d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Glamp d.o.o. Beograd	GTC S.A.	Serbia	100%	100%
Europort Investment (Cyprus) 1 Limited	GTC S.A.	Cyprus	100%	100%
Black Sea Management LLC (1)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine Holdings 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine Holdings 2 LLC (1)	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Ukraine LL	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%
Europort Project Ukraine 1 LLC	Europort Investment (Cyprus) 1 Limited	Ukraine	100%	100%

(1) Under liquidation

(2) Sold in May 2017

Investment in Associates and Joint Ventures

Name	Holding Company	Country of incorporation	31 March 2017	31 December 2016
Yatelsis Viborgskaya Limited of Nicosia ("YVL")	GTC S.A.	Cyprus	50%	50%
Ana Tower Offices S.R.L. (1)	GTC S.A.	Romania	-	50%
CID Holding S.A. ("CID")	GTC S.A.	Luxembourg	35%	35%

(1) sold in 2017

(in thousands of Euro)

5. Revenue from operations

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
	(unaudited)	(unaudited)
Rental revenue	22,072	20,593
Service revenue	7,716	6,517
Residential revenue	442	3,700
	30,230	**30,810**

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.

6. Cost of operations

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
	(unaudited)	(unaudited)
Rental and service costs	7,946	6,531
Residential costs	379	2,878
	8,325	**9,409**

(in thousands of Euro)

7. Segmental analysis

Current operating segments are divided into geographical zones, which have common characteristics and reflect the nature of management reporting structure:

a. Poland and Hungary (Budapest)
b. Capital cities in SEE (Bucharest, Belgrade, Zagreb and Sofia)
c. Secondary cities in SEE (Bulgaria).

Management monitors gross margin from 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, amongst others, on segmental analysis.

Segment analysis for the three-month periods ended 31 March 2017 and 31 March 2016 is presented below:

	Poland and Hungary		**SEE capital cities**		**SEE secondary cities**		**Total**	
	31 March 2017 (unaudited)	31 March 2016 (unaudited)	31 March 2017 (unaudited)	31 March 2016 (unaudited)	31 March 2017 (unaudited)	31 March 2016 (unaudited)	31 March 2017 (unaudited)	31 March 2016 (unaudited)
Revenue from operations	18,304	15,792	9,789	12,632	2,137	2,386	30,230	30,810
Costs of operations	(5,088)	(3,357)	(2,585)	(5,097)	(652)	(955)	(8,325)	(9,409)
Gross margin	13,216	12,434	7,204	7,536	1,485	1,431	21,905	21,401

In prior year interim condensed financial statements secondary cities in Romania, Bulgaria and Croatia were presented as separate geographical regions. Starting from 31 December 2016 Management decided to combine all these properties into one reportable segment – SEE secondary cities. Amounts for 2016 were changed respectively.

(in thousands of Euro)

8. Administrative expenses

	Three-month period ended 31 March 2017	**Three-month period ended 31 March 2016**
	(unaudited)	(unaudited)
Administrative expenses	2,491	2,641
Expenses (income) arising from shares base payments	151	53
	2,642	2,694

9. Investment in associates and joint ventures

The investment in associates and joint ventures comprises the following:

	31 March 2017	**31 December 2016**
	(unaudited)	(audited)
Russia	2,481	2,843
Romania (1)	-	960
Investment in associates and joint ventures	**2,481**	**3,803**

(1) Ana Tower was sold in 2017 with gain recognized on the transaction in the amount of EUR 186 thousand.

(in thousands of Euro)

10. 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:

	31 March 2017 (unaudited)	31 December 2016 (audited)
Completed investment property	1,228,455	1,261,044
Investment property under construction	267,463	240,726
Investment property landbank at cost	103,261	102,905
Total	**1,599,179**	**1,604,675**

The movement in investment property for the periods ended 31 March 2017 (unaudited) and 31 December 2016 (audited) was as follows:

	Level 2	Level 3	Total
Carrying amount as of 1 January 2016	**771,232**	**517,297**	**1,288,529**
Capitalised subsequent expenditure	14,712	82,254	96,966
Reclassified after completion	23,844	(23,844)	-
Purchase of completed assets and land	122,298	17,348	139,646
Adjustment to fair value / impairment	31,491	54,522	86,013
Disposals of assets	-	(10,316)	(10,316)
Sale of subsidiaries	-	(4,878)	(4,878)
Purchase of subsidiaries	-	12,951	12,951
Reclassified to fixed assets	(2,927)	(1,309)	(4,236)
Carrying amount as of 31 December 2016	**960,650**	**644,025**	**1,604,675**
Capitalised subsequent expenditure	2,418	30,678	33,096
Adjustment to fair value / impairment	(1,038)	27,444	26,406
Classified as assets held for sale (1)	-	(61,970)	(61,970)
Disposals (3)	-	(1,738)	(1,738)
Classified to fixed assets (2)	-	(1,290)	(1,290)
Carrying amount as of 31 March 2017	**962,030**	**637,149**	**1,599,179**

(1) Galeria Burgas and Galeria Stara Zagora in Bulgaria
(2) Office space for own use
(3) Commercial land plot in Konstancin

(in thousands of Euro)

10. Investment Property (continued)

Fair value and impairment adjustment consists of the following:

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
	(unaudited)	(unaudited)
Adjustment to fair value of completed assets	8,111	(2,810)
Adjustment to fair value of property under construction	17,284	10,432
Adjustment of assets held for sale	(1,983)	(176)
Reverse of impairment adjustment of IPUC at cost (Konstancin)	1,012	(10)
Total	**24,424**	**7,436**

Assumptions used in the valuations of completed assets as of 31 March 2017 (unaudited) are presented below:

Potfolio	Book value	GLA thousand	Ocupancy	Actual rent	ERV	Fair Value Hierarchy Level
		sqm	%	Euro/ sqm	Euro/ sqm	
Poland retail	164,500	49	96%	19.8	19.8	2
Poland office	395,394	205	92%	13.6	13.8	2
Belgrade office	163,185	81	86%	16.1	15.7	3
Budapest office	217,631	119	96%	12.0	12.8	2
Bucharest office	184,506	62	90%	18.1	18.0	2
Zagreb retail	103,239	34	100%	20.9	20.8	3
Total	**1,228,455**	550	**93%**	**15.1**	**15.3**	

(in thousands of Euro)

10. Investment Property (continued)

Assumptions used in the valuations of completed assets as of 31 December 2016 are presented below:

Potfolio	Book value	GLA thousand	Ocupancy	Actual rent	ERV	Fair Value Hierarchy Level
	'000 Euro	sqm	%	Euro/ sqm	Euro/ sqm	
Poland retail	164,506	49	90%	19.8	19.8	2
Poland office	394,418	205	91%	13.7	13.8	2
Serbia office capital city	139,981	70	95%	16.3	15.7	3
Hungary office capital city	216,206	119	96%	12.0	12.8	2
Romania office capital city	185,520	62	94%	18.2	18.0	2
Bulgaria retail secondary cities	57,200	57	97%	10.5	10.5	3
Croatia retail capital city	103,213	34	99%	20.8	20.8	3
Total	**1,261,044**	**596**	**94%**	**14.7**	**14.8**	

Information regarding investment properties under construction valued at fair value and cost as of 31 March 2017 (unaudited) is presented below:

	Book value	Estimated area (NRA)
	'000 Euro	thousand sqm
Warsaw	221,100	72
Belgrade	36,177	60
Budapest	10,186	22
Total	**267,463**	**154**

Information regarding to investment properties under construction as of 31 December 2016 is presented below:

	Book value	Estimated area (NRA)
	'000 Euro	thousand sqm
Warsaw	185,496	72
Belgrade	47,473	45
Budapest	7,757	22
Total	**240,726**	**139**

(in thousands of Euro)

10. Investment Property (continued)

Information regarding Investment property landbank as of 31 March 2017 (unaudited) and 31 December 2016 is presented below:

	Book value ‘000 Euro	Book value ‘000 Euro
	31 March 2017	31 December 2016
Poland	48,335	48,702
Serbia	4,809	4,390
Hungary	23,834	23,650
Romania	11,403	11,403
Bulgaria	9,917	9,885
Croatia	2,548	2,420
Ukraine	2,415	2,455
Total	**103,261**	**102,905**

11. Inventory and residential landbank

The movement in residential landbank and inventory for the period ended 31 March 2017 (unaudited) was as follows:

	Residential Inventory	Residential landbank	Total
Carrying amount as of 1 January 2016	**3,161**	**26,773**	**29,934**
Construction costs	2,460	284	2,744
Reversal of Impairment (impairment) to net realisable value	-	947	947
Cost of units sold	(266)	(4,799)	(5,065)
Disposal of subsidiary	-	(9,444)	(9,444)
Carrying amount as of 31 December 2016	**5,355**	**13,761**	**19,116**
Construction costs	796	-	740
Cost of units sold	(379)	-	(323)
Carrying amount as of 31 March 2017 (unaudited)	**5,772**	**13,761**	**19,533**

(in thousands of Euro)

12. Long-term loans and bonds

	31 March 2017	**31 December 2016**
	unaudited	audited
Bonds mature in 2017-2018	71,395	67,167
Bonds mature in 2018-2019	47,576	46,088
Bonds 1219	29,233	28,967
Schuldschein 1219	15,138	5,007
Bonds 0320	18,517	-
Loan from OTP (GTC)	7,076	7,863
Loan from WBK (Globis Poznan)	15,947	16,070
Loan from WBK (Korona Business Park)	40,861	41,153
Loan from PKO BP (Pixel)	21,761	21,930
Loan from Pekao (Globis Wroclaw)	23,724	23,922
Loan from ING (Nothus)	10,637	10,824
Loan from ING (Zephirus)	10,637	10,824
Loan from Berlin Hyp (Corius)	11,284	11,405
Loan from Pekao (Sterlinga)	17,106	17,238
Loan from Pekao (Neptun)	21,570	21,735
Loan from Pekao (Sterlinga VAT)	6,067	5,787
Loan from Pekao (Neptun VAT)	7,655	7,301
Loan from Pekao (Galeria Polnocna)	56,941	48,088
Loan from mBank (Artico)	6,464	4,574
Loan from Pekao (Galeria Jurajska)	93,768	94,622
Loan from Berlin Hyp (UBP)	30,768	31,000
Loan from ING (Francuska)	23,062	23,197
Loan from OTP (Centre Point I)	20,492	20,711
Loan from OTP (Centre Point II)	25,045	25,314
Loan from CIB (Metro)	17,395	17,647
Loan from Erste (Spiral)	25,935	26,067
Loan from Erste (White House)	-	2,109
Loan from OTP (Duna)	27,129	27,419
Loan from Erste (GTC House)	13,086	13,281
Loan from Erste (19 Avenue)	20,996	21,138
Loan from Intesa Bank (GTC Square)	13,650	13,825
Loan from Raiffeisen Bank (Forty one)	25,172	21,779
Loan from Erste (Citygate)	83,400	84,100
Loan from Alpha (Premium)	18,750	18,875
Loan from MKB and Zagrabecka Banka (AMZ)	15,653	16,766
Loan from EBRD and Unicredit (Galeria Stara Zagora)	-	6,900
Loan from EBRD (Burgas) (1)	-	20,272
Loans from minorities in subsidiaries	18,410	18,230
Deferred issuance debt expenses	(5,418)	(6,262)
	906,882	**892,933**

(1) See note 13

(in thousands of Euro)

12. 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:

	31 March 2017	31 December 2016
	unaudited	audited
Current portion of long term loans and bonds:		
Bonds mature in 2017-2018	48,155	45,000
Bonds mature in 2018-2019	15,979	880
Bonds 1219	454	189
Schuldschein 1219	138	7
Bonds 0320	19	-
Loan from OTP (GTC)	3,145	3,145
Loan from WBK (Globis Poznan)	493	493
Loan from WBK (Korona Business Park)	40,861	41,153
Loan from PKO BP (Pixel)	677	677
Loan from Berlin Hyp (UBP)	930	930
Loan from Pekao (Galeria Jurajska)	3,460	3,446
Loan from Pekao (Globis Wroclaw)	829	816
Loan from ING (Nothus)	746	746
Loan from ING (Zephirus)	746	746
Loan from Berlin Hyp (Corius)	342	11,405
Loan from Pekao (Sterlinga)	525	525
Loan from Pekao (Neptun)	662	662
Loan from Pekao (Sterlinga VAT)	6,067	5,787
Loan from Pekao (Neptun VAT)	7,655	7,301
Loan from Pekao (Galeria Polnocna)	2,250	1,125
Loan from ING (Francuska)	540	540
Loan from OTP (Centre Point I)	894	888
Loan from OTP (Centre Point II)	1,092	1,086
Loan from Erste (White House)	-	1,250
Loan from OTP (Duna)	1,183	1,176
Loan from CIB (Metro)	1,035	1,024
Loan from Erste (Spiral)	1,353	1,326
Loan from Erste (GTC House)	781	781
Loan from Erste (19 Avenue)	569	569
Loan from Intesa Bank (GTC Square)	700	700
Loan from Raiffeisen Bank (Forty one)	896	681
Loan from EBRD and Unicredit (Galeria Stara Zagora)	-	6,900
Loan from EBRD (Galeria Burgas)	-	1,725
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	4,454	4,454
Loan from EBRD and Raiffeisen Bank (GTC)	-	-
Loan from Erste (City Gate)	2,920	2,890
Loan from Alpha (Premium)	763	631
Loans from minorities in subsidiaries	2,265	2,248
	153,578	**153,902**

(in thousands of Euro)

12. Long-term loans and bonds (continued)

	31 March 2017	31 December 2016
	unaudited	audited
Long term portion of long term loans and bonds:		
Bonds mature in 2017-2018	23,240	22,167
Bonds mature in 2018-2019	31,597	45,208
Bonds 1219	28,779	28,778
Schuldschein 1219	15,000	5,000
Bonds 0320	18,498	-
Loan from OTP (GTC)	3,931	4,718
Loan from WBK (Globis Poznan)	15,454	15,577
Loan from PKO BP (Pixel)	21,084	21,253
Loan from Pekao (Globis Wroclaw)	22,895	23,106
Loan from ING (Nothus)	9,891	10,078
Loan from ING (Zephirus)	9,891	10,078
Loan from Berlin Hyp (Corius)	10,942	-
Loan from Pekao (Neptun)	20,908	21,073
Loan from Pekao (Sterlinga)	16,581	16,713
Loan from Pekao (Galeria Polnocna)	54,691	46,963
Loan from Pekao (Galeria Jurajska)	90,308	91,176
Loan from Berlin Hyp (UBP)	29,838	30,070
Loan from mBank (Artico)	6,464	4,574
Loan from ING (Francuska)	22,522	22,657
Loan from OTP (Centre Point I)	19,598	19,823
Loan from OTP (Centre Point II)	23,953	24,228
Loan from OTP (Duna)	25,946	26,243
Loan from CIB (Metro)	16,360	16,623
Loan from Erste (Spiral)	24,582	24,741
Loan from Erste (White House)	-	859
Loan from Erste (GTC House)	12,305	12,500
Loan from Erste (19 Avenue)	20,427	20,569
Loan from Intesa Bank (GTC Square)	12,950	13,125
Loan from Raiffeisen Bank (Forty one)	24,276	21,098
Loan from Erste (City Gate)	80,480	81,210
Loan from Alpha (Premium)	17,987	18,244
Loan from MKB and Zagrabecka Banka (Avenue Mall Zagreb)	11,199	12,312
Loan from EBRD (Galeria Burgas)	-	18,547
Loans from minorities in subsidiaries and from joint ventures	16,145	15,982
Deferred issuance debt expenses	(5,418)	(6,262)
	753,304	**739,031**

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

(in thousands of Euro)

12. Long-term loans and bonds (continued)

In its financing agreements with banks, the Company undertakes to comply with certain financial covenants that are listed in those agreements; the main covenants are: maintaining a Loan-to-Value and Debt Service Coverage ratios in the company that holds the project.

In addition, substantially, all investment properties and IPUC that were financed by a lender have been pledged to secure the long-term loans from banks. Unless otherwise stated, fair value of the pledged assets exceeds the carrying value of the related loans.

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

	31 March 2017	31 December 2016
	unaudited	audited
First year	176	176
Second year	163	130
Third year	207	149
Fourth year	114	184
Fifth year	155	166
Thereafter	176	176
	991	**981**

13. Assets held for sale

In April 2017, the Company signed preliminary agreement for the sale of Galeria Burgas and Galeria Stara Zagora shopping centers in Bulgaria in line with its strategy to focus its investment on capital cities.

As of 31 March 2017, the assets and the related bank loan were presented as held for sale. On 4 May 2017, the Company signed final sale agreement.

14. VAT and other tax receivable

VAT and other tax receivable represent VAT receivable on the purchase of assets, and due to development activity.

15. Taxation

Income tax expenses in three-months period ended 31 March 2017 was decreased due to strengthening of PLN compared to EUR and therefore decrease in positive temporary differences on assets in Poland. As on Polish subsidiaries the tax base of an entity's non-monetary assets and liabilities is determined in a currency that is different from its functional currency.

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, inconsistent interpretations not consistent and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Group's countries than in countries that have a more established taxation system.

Effective 15 July 2016, the Polish Tax Code was amended for the General Anti-Abuse Rule (GAAR) provisions. The new regulation will require significantly more judgement in assessment of the tax consequences of particular transactions.

(in thousands of Euro)

16. Capital and Reserves

Shareholders who as at 31 March 2017 held above 5% of the Company shares were as follows:

- LSREF III
- AVIVA OFE BZ WBK
- OFE PZU

Phantom shares

Certain key management personnel of the Company are entitled to specific payments resulting from phantom shares in the Company (the “Phantom Shares”).

The Phantom shares (as presented in below mentioned table) have been accounted for based on future cash settlement.

Strike (PLN)	Blocked	Vested	Total
8.00	150,000	-	150,000
7.09	3,276,800	2,201,600	5,478,400
Total	**3,426,800**	**2,201,600**	**5,628,400**

As at 31 March 2017, phantom shares issued were as follows:

Last exercise date	Strike (in PLN)	Number of phantom shares
31/05/2018	7.09	1,536,000
30/06/2019	7.09	3,942,400
31/12/2020	8.00	150,000
Total		**5,628,400**

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

(in thousands of Euro)

17. Earnings per share

Basic and diluted earnings per share were calculated as follows:

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
	(unaudited)	(unaudited)
Profit for the period attributable to equity holders (Euro)	32,180,000	16,440,000
Weighted average number of shares for calculating basic earnings per share	460,216,478	460,216,478
Basic earnings per share (Euro)	0.07	0.04

There have been no potentially dilutive instruments as at 31 March 2017, 31 March 2016 and 31 December 2016.

18. Subsequent events

On 1 May 2017, the Company purchased a subsidiary, which holds a land designated for office development in Budapest.

On 4 May 2017, the Company sold Galeria Burgas and Galeria Stara Zagora shopping centres in Bulgaria.

19. Release date

The interim condensed consolidated financial statements were authorised for the issue by the Management Board on 12 May 2017.

Building a better
working world

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Independent Auditor's Report
on review of interim condensed consolidated financial statements

To the General Shareholders Meeting and Supervisory Board of Globe Trade Centre S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Globe Trade Centre Capital Group ('the Group'), with parent's company Globe Trade Centre S.A. ('the Company') registered office located in Warsaw, at 17 Stycznia Street 45A as of 31 March 2017 including the interim condensed consolidated statement of financial position as of 31 March 2017, 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 three-month period ended 31 March 2017 and notes to the interim condensed consolidated financial statements ('the interim condensed consolidated financial statements').

Management is responsible for the preparation and presentation of accompanying 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 accompanying 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* ('standard'). 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 on accompanying interim condensed consolidated financial statements.

Conclusion

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

MR

We also reported on 12 May 2017 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.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw

Mikołaj Rytel
Partner

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Warsaw, 12 May 2017