

GTC COMMENCES CONSTRUCTION OF GALERIA PÓŁNOCNA WHILE RESTRUCTURING LOANS, DISPOSING OF NON-CORE ASSETS AND FURTHER IMPROVING OPERATING RESULTS

UNDERLYING PBT (Q2 2015)	CF FROM OPERATIONS (YTD)	TOTAL EQUITY	NET DEBT	LTV
€10M	€24M	€444M	€616M	50%
+28%	+14%	+4%	-12%	-400bps

2Q 2015 HIGHLIGHTS

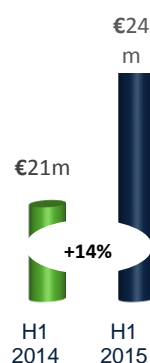
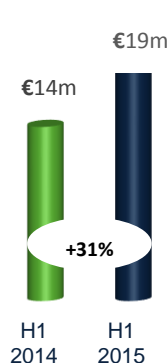
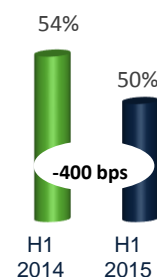
- Commencement of Galeria Północna construction with an attractive loan and 32% prelease
- Capital increase voted by shareholders and planned for Q3 2015
- All loans restructured; no breach of covenants
- Rental margin improved to 77% (75% in Q2 2014)
- No change in the value of commercial assets and minor impairment on residential land
- Profit before tax at €7m (loss of €71m in Q2 2014)
- Interest cover at 2.5x (2.1x in H1 2014)

OPERATING PERFORMANCE

Q2	Reported	V%
Rental revenues	€26m	-4%
Rental margin	77%	+200 bps
Underlying profit	€10m	+28%
Profit before tax	€7m	na
YTD	Reported	V%
Rental revenues	€53m	-3%
Rental margin	75%	+100 bps
Underlying profit	€19m	+32%
Profit before tax	€11m	na

PORTFOLIO UPDATE

- Total property at €1,231m
- Average occupancy at 91%
- Average yield at 8.6%
- Average WALT of 3.2 years
- Sale of Centrum Biurowe Kazimierz for €42m
- Disposal of non-core assets as planned and at book value
 - Sale of Galleria Buzau, Avenue Mall Osijek and Galleria Varna project

CASH FLOW OPERATIONS

UNDERLYING PBT

LTV


"GTC is now proceeding full steam ahead on a path to growth. The recent shareholders' approval of a capital increase will enable GTC to use its expertise and presence in its core markets to execute new developments and acquisitions." – **Thomas Kurzmann, GTC's CEO** said. "We have achieved much during the last few months. In addition to the loan restructuring, we made significant progress in the disposal of non-core assets. On the other hand, we commenced construction of Galeria Północna, Warsaw, one of GTC's key shopping mall projects. In Belgrade, the first building of the FortyOne office park was handed over to its tenants. We are analysing a number of investment opportunities across the CEE and SEE regions and we remain focused on our mission to invest in assets with upside potential and other selected development projects" – **Mr Kurzmann** added.

FINANCIAL HIGHLIGHTS

Rental and service revenues at €26m in Q2 2015 compared to €27m in Q2 2014 and at **€53m in H1 2015** compared to €55m in H1 2014, mostly due to disposal of Kazimierz Office Center and Galleria Buzau. **Margin on rental activities** was improved to **77% in Q2 2015** from 75% in Q2 2014 and to **75% in H1 2015** from 74% in H1 2014.

Gross profit from operations was kept unchanged at **€20m in Q2 2015** compared to €21m in Q2 2014 and **€40m in H1 2015** compared to €41m in H1 2014.

Administrative expenses, excluding provision for stock based program, decreased to **€2.5m in Q2 2015** compared to €3.2m in Q2 2014 and to **€4.8m in H1 2015** compared to €6.2m in H1 2014 due to cost efficiency.

Underlying profit before tax¹ up to **€10m in Q2 2015** compared to €8m in Q2 2014 and up to **€19m in H1 2015** compared to €14m in H1 2014 due to cost savings.

Financial expenses net were at the level of **€8m in Q2 2015** compared to €11m in Q2 2014 and at **€16m in Q2 2015** compared to €22m in Q2 2014 due to deleveraging activity.

Profit before tax was at **€7m in Q2 2015** compared to €71m loss in Q2 2014 and **€11m profit in H1 2015** compared to €68m loss in H1 2014.

Tax charge was **€9m in Q2 2015** compared to €1m of tax benefit in Q2 2014 and tax charge was at **€5m in H1 2015** compared to €4m in H1 2014.

Net loss of €2m in Q2 2015 compared to €70m in Q2 2014 and **net profit of €6m in H1 2015** compared to €72m loss in H1 2014 due to improved operating results combined with no movement in the valuation of investment property and impairment of residential projects and taxation charge.

Value of the properties at **€1,231m** as of 30 June 2015 compared to €1,293m as of 31 December 2014 due to disposal of Kazimierz Office Centre.

Total bank debt and financial liability down to **€726m as of 30 June 2015** from €811m as of 31 December 2014. The weighted average debt maturity was **3.2 years** and the average cost of debt was **4.3% p.a.**

Loan to value ratio was at the level of **50% as at 30 June 2015** compared to 54% as at 31 December 2014.

Interest coverage was at **2.5x as at 30 June 2015** compared to 2.1x as at 31 December 2014.

NAV (before minority) per share stood at **€1.3 as at 30 June 2015** compared to €1.4 as at 31 December 2014.

Cash flow from operations went up to **€24m in H1 2015** (€21m in H1 2014) mostly due cost savings.

¹ Profit before taxes, movement in valuation of investment assets, depreciation and change in fair value of hedges

KEY ACHIEVEMENTS

Commencement of construction of Galeria Północna (Warsaw, Poland)

Restructuring of debt (Romania, Bulgaria and Croatia)

Disposal of non-core assets (Romania and Croatia)

Shareholders approved a capital increase and SPO is planned in Q3 2015

Construction of Galeria Północna launched (Warsaw, Poland)

In June 2015, GTC reached an important milestone when it obtained a building permit for one of its key retail projects, Galeria Północna in Warsaw, Poland. Construction is progressing on schedule and the feedback from tenants is positive. GTC also recently signed a €116m construction loan and €150m investment loan agreements with Bank Pekao to finance the project.

Debt restructuring (Romania, Bulgaria and Croatia)

In June/July 2015, GTC successfully restructured the loan agreements of its Romanian, Croatian and Bulgaria subsidiaries, OTP and MKB, with the European Bank for Reconstruction and Development. Under these agreements, GTC was released from guaranteeing the loans and instead became a co-borrower alongside its subsidiaries. As of today, GTC is not in breach of the covenants under any of its loans

Disposal of non-core assets (Romania and Croatia)

During the first half of 2015, GTC continued to dispose of its non-core assets, selling the Felicity residential project (Romania), Galleria Buzau (Romania), Avenue Mall Osijek (Croatia) and Galleria Varna Project (Bulgaria). All the sales were at book value.

Shareholders approved a capital increase; SPO planned in Q3 2015

On 30 June 2015, the Extraordinary General Meeting of Shareholders adopted a resolution to increase GTC's share capital through a rights issue of ordinary bearer shares and a public offering of newly issued shares. The record date for pre-emptive rights related to newly issued shares was set for 10 September 2015. This will allow the company to focus on its mission to invest in assets with upside potential and create profit from the active management of an expanding real estate portfolio.

Annex 1 Consolidated Statement of Financial Position as at 30 June 2015

(ths. EUR)	30 June 2015 (unaudited)	30 June 2014 (unaudited)	31 December 2014
ASSETS			
Non-current assets			
Investment property	1,189,823	1,326,433	1,221,319
Residential landbank	30,553	61,189	41,444
Investment in associates and joint ventures	27,529	110,213	96,046
Property, plant and equipment	1,217	1,736	1,480
Deferred tax asset	2,041	3,668	2,245
Long term deposits	-	800	-
Other non-current assets	272	631	639
	1,251,435	1,504,670	1,363,173
Assets held for sale	6,764	5,816	6,654
Current assets			
Inventory	4,237	32,252	23,539
Debtors	5,708	5,051	5,035
Accrued income	871	1,058	1,358
VAT and other tax recoverable	1,978	2,566	1,840
Income tax recoverable	663	495	429
Prepayments and deferred expenses	2,822	3,192	2,268
Short-term deposits	28,951	34,476	31,705
Cash and cash equivalents	80,812	89,533	81,063
	126,042	168,623	147,237
TOTAL ASSETS	1,384,241	1,679,109	1,517,064

Annex 1 Consolidated Statement of Financial Position as at 30 June 2015 (cont.)

(ths. EUR)	30 June 2015 (unaudited)	30 June 2014 (unaudited)	31 December 2014
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	7,849	7,849	7,849
Share premium	364,228	364,228	364,228
Capital reserve	(27,376)	8,392	8,392
Hedge reserve	(2,501)	(7,465)	(3,839)
Foreign currency translation	1,443	1,946	1,128
Accumulated profit	117,840	231,445	111,455
	461,483	606,395	489,213
Non-controlling interest	(17,421)	(46,709)	(62,032)
Total Equity	444,062	559,686	427,181
Non-current liabilities			
Long-term portion of long-term loans and bonds	699,521	848,103	802,631
Deposits from tenants	5,476	5,608	5,415
Long term payable	3,371	5,962	3,391
Provision for share based payment	394	1,742	289
Derivatives	1,763	4,037	2,892
Provision for deferred tax liability	129,794	123,094	130,062
	840,319	988,546	944,680
Current liabilities			
Trade and other payables	18,671	19,406	19,650
Current portion of long-term loans and bonds	68,003	100,862	119,560
VAT and other taxes payable	10,843	2,062	1,736
Income tax payable	481	388	521
Derivatives	1,493	6,677	3,152
Advances received	369	1,482	584
	99,860	130,877	145,203
TOTAL EQUITY AND LIABILITIES	1,384,241	1,679,109	1,517,064

Annex 2 Consolidated Income Statement for the three and six-month period ended 30 June 2015

(ths. EUR)	Note	Six-month period ended 30 June 2015 (unaudited)	Six-month period ended 30 June 2014 (unaudited)	Three-month period ended 30 June 2015 (unaudited)	Three-month period ended 30 June 2014 (unaudited)	Year ended 31 December 2014
Revenues from operations	7	60,031	63,741	30,435	32,780	124,284
Cost of operations	8	(19,877)	(22,822)	(10,291)	(11,715)	(43,155)
Gross margin from operations		40,154	40,919	20,144	21,065	81,129
Selling expenses		(1,230)	(1,380)	(706)	(768)	(2,884)
Administration expenses	10	(4,939)	(5,092)	(2,529)	(3,235)	(8,781)
Loss from revaluation/ impairment of assets	12	(446)	(56,125)	(64)	(54,539)	(160,325)
Impairment of residential projects		(1,380)	(11,232)	(1,380)	(10,857)	(34,079)
Other income		1,400	982	138	901	3,145
Other expenses		(1,128)	(991)	(288)	(354)	(2,529)
Profit (loss) from continuing operations before tax and finance income / (expense)		32,431	(32,919)	15,315	(47,787)	(124,324)
Foreign exchange differences loss, net		(1,634)	(1,720)	1,819	(937)	(93)
Finance income		1,917	1,580	940	686	3,904
Finance cost		(17,892)	(23,792)	(8,656)	(11,402)	(46,441)
Share of profit of associates and joint ventures		(3,581)	(10,988)	(1,975)	(11,411)	(27,568)
Profit (loss) before tax		11,241	(67,839)	7,443	(70,851)	(194,522)
Taxation		(5,177)	(4,060)	(9,246)	712	(12,868)
Profit (loss) for the period		6,064	(71,899)	(1,803)	(70,139)	(207,390)
Attributable to:						
Equity holders of the parent		6,385	(63,832)	(1,868)	(62,719)	(183,822)
Non-controlling interest		(321)	(8,067)	65	(7,420)	(23,568)
Basic earnings per share (in Euro)	16	0.02	(0.18)	(0.01)	(0.18)	(0.53)

	Six-month period ended 30 June 2015 <u>(unaudited)</u>	Six-month period ended 30 June 2014 <u>(unaudited)</u>	Year ended 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before tax	11,241	(67,839)	(194,522)
Adjustments for:			
Loss from revaluation/impairment of assets and residential projects	1,826	67,357	194,404
Share of profit of associates and joint ventures	3,581	10,988	27,568
Profit/(Loss) on disposal of assets	(1,039)	-	(4)
Foreign exchange differences loss, net	1,634	1,525	(445)
Finance income	(1,917)	(1,580)	(3,904)
Finance cost	17,892	23,792	46,441
Share based payment loss (income)	105	(1,117)	(2,538)
Depreciation and amortization	252	218	499
Operating cash before working capital changes	33,575	33,344	67,499
Increase in debtors and prepayments and other current assets	(2,595)	(1,215)	(1,680)
Decrease in inventory	6,135	7,417	12,895
Decrease in advances received	(208)	(1,295)	(2,082)
Decrease in deposits from tenants	-	28	17
Decrease in trade and other payables	(304)	(393)	(945)
Cash generated from/ (used in) operations	36,603	37,886	75,704
Tax paid in the period	(1,442)	(1,345)	(2,452)
Net cash from operating activities	35,161	36,541	73,252
CASH FLOWS FROM INVESTING ACTIVITIES:			
Expenditure on investment property under construction	(11,683)	(14,670)	(25,821)
Sale of investment	51,279	1,678	10,614
Purchase of minority	(800)	(279)	(279)
Liquidation of Joint ventures	3,890	-	-
VAT/CIT on sale of investment property	5,001	-	-
Interest received	419	1,148	2,019
Lease origination expenses	-	(112)	(208)
Loans granted	23	(379)	(566)
Loans repayments	-	289	330
Net cash from (used in) investing activities	48,129	(12,325)	(13,911)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of shares	-	53,680	53,680
Share issuance expenses	-	(841)	(841)
Proceeds from long-term borrowings	17,658	123,715	124,494
Repayment of long-term borrowings	(88,599)	(142,503)	(149,409)
Repayment of hedge	(1,489)	-	(20,762)
Interest paid	(14,335)	(19,109)	(38,456)
Loans origination cost	-	(1,547)	(1,561)
Decrease (increase) in short term deposits	2,936	(3,631)	(89)
Net cash from (used in) financing activities	(83,829)	9,764	(32,944)
Effect of foreign currency translation	665	(886)	(1,773)
Net increase in cash and cash equivalents	126	33,094	24,624
Cash and cash equivalents at the beginning of the period	81,063	56,439	56,439
Cash classified as part of assets held for sale	(377)	-	-
Cash and cash equivalents at the end of the period	80,812	89,533	81,063

The **GTC Group** is one of the leading commercial real estate companies in Central, Eastern and Southern Europe. Since 1994, the Group has been developing high standard, modern office and retail properties through CEE region. Today, GTC actively manages real estate portfolio of 33 commercial real estate projects providing approx. 613,000 sq m of office and retail space to its highly demanding tenants and customer in Poland, Serbia, Hungary, Romania, Croatia, Bulgaria, Slovakia and the Czech Republic.

GTC S.A. is listed on Warsaw Stock Exchange on WIG30 index. The company's shares are also included in the international indexes: Dow Jones STOXX Eastern Europe 300 index, GPR 250, which comprises the 250 largest and most liquid real estate companies of the world and the FTSE EPRA/NAREIT Emerging Index.

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