

28 May 2010

Update


Real Estate Developers
Poland

Current price	PLN 23.8
Target price	PLN 23.9*
Market cap	PLN 5.2bn
Free float	PLN 2.3bn
Avg daily trading volume (3M)	PLN 19.54m

* EUR 5.98 for PLN/EUR exchange rate of 4.0.

Shareholder Structure

Kardan N.V. (through GTC REH)	43.14%
AVIVA OFE BZ WBK	7.24%
ING OFE	6.24%

Free float 43.38%

Sector outlook

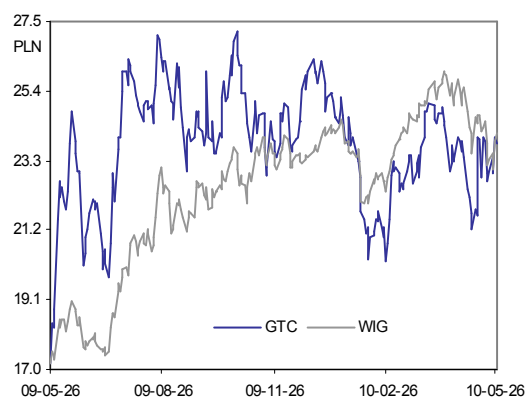
We are optimistic about the prospects for housing developers. We consider them a safer investment than construction companies and we believe they have greater upside potential than the biggest commercial developers. We are fairly neutral on commercial property development, which we consider defensive at the moment.

Company Profile

GTC is one of the biggest commercial developers in Central and Eastern Europe. Its portfolio encompasses properties with total surface of 457,000 square meters. GTC also builds and sells apartments.

Important dates

31.08.2010 - consolidated H1 2010 report
15.11.2010 - Q3 2010 report

GTC vs. WIG**Maciej Stokłosa**

(48 22) 697 47 41

maciej.stoklosa@dibre.com.pl

www.dibre.com.pl

GTC

GTCE.WA; GTC.PW

Hold

(Reiterated)

Defensive Company with No Potential

These days GTC is a defensive company. It has an extensive bank of finished projects, which should generate stable operating income. Individual one-time events, such as the sale of two office buildings in Warsaw, have a very limited impact on valuation (on the assumption that some of the proceeds are reinvested, the transaction could add no more than 1.5% to GTC's valuation given its extensive assets). The price of the Company's stock is still determined primarily by macroeconomic factors, such as bond yield and capitalization rates. A decline in the latter across Central Europe has been by and large priced in. GTC is trading at a premium to book value ($P/BV = 1.35$), which is justified by the expected increase in property valuations and by its investment program. We believe there is little potential for our forecasts to be exceeded as far as new projects are concerned. Despite the tough macroeconomic situation, the commercial property market lacks typical distressed assets. Given the better-than-expected asset parameters (cf. data published in March 2010), we are increasing our target price without a change in our rating. We believe other property developers have greater potential.

Data on Assets at the End of 2009 vs. Our Assumptions

We liked the data on assets that GTC released after the publication of its earnings report for 2009. Capitalization rates exceeded our expectations, which stems from more conservative assumptions used in the valuation of properties. We believe this increase in cap rates is a temporary phenomenon that should be reversed soon. On the other hand, rents turned out to be higher than expected. Though in some projects they are quite high compared to the market, we expect them to remain stable due to long-term rental contracts.

Convergence of Capitalization Rates vs. Company Valuations

The current valuation of GTC discounts future the convergence of capitalization rates to EU levels. We believe this process will indeed take place and we have factored it into our forecasts. In a number of countries, cap rates are much higher than the yield on treasury bonds. By way of example, the current yield on Polish 10Y treasury bonds is 5.8%, and on commercial property, 6.9-8.5%. We believe in the future the gap between bond yield and cap rates will approach 1% on average (within a 0.25-1.5% bracket).

(EUR m)	2008	2009	2010F	2011F	2012F
Revenue	114.5	156.4	193.0	188.2	205.4
EBIT excl. revaluation	48.3	50.1	80.5	84.5	91.4
EBIT margin	42.1%	32.0%	41.7%	44.9%	44.5%
Property valuation	235.6	-172.3	193.0	227.8	223.9
EBIT incl. revaluation	283.9	-122.1	273.6	312.3	315.3
Net profit	165.2	-125.2	184.3	175.3	182.9
P/BV	1.2	1.4	1.1	1.0	0.9
P/E	7.9	-	7.1	7.4	7.1
P/CE	7.9	-	7.1	7.4	7.1
EV/EBITDA	7.5	-20.2	9.4	8.6	8.7
DYield	0.0%	0.0%	0.0%	0.0%	0.0%



Q1 2010 Results

No Surprises in Q1 2010 Earnings

GTC's earnings for Q1 2010 are neutral vis-à-vis our forecasts, despite discrepancies at individual levels of the income statement. The gap in revenues arose because we overestimated revenues from residential property development. (In this segment, revenue is recognized when homes are delivered to buyers). Earnings from commercial property development were close to our expectations. We are neutral as regards the lack of gains on the valuation of work in progress, as it is immaterial when these are going to be recognized (Q1 or Q2). GTC's earnings for Q1 2010 have little impact on our assessment of its attractiveness. For the shareholders, the key issue is the value of assets, which is determined primarily by macroeconomic factors. Financial data, in line with our forecasting methodology, are presented in the PLN. In the future, we will follow the consensus forecast and prepare our forecasts in the EUR.

Reported vs. forecasted Q1 2010 results

(PLN m)	Q1 2010	Q1 2010F	Difference	PAP consensus	Difference	Q1 2009	Change
Sales revenue	148.2	220.5	-32.8%	162.3	-8.7%	203.2	-27.1%
Gross profit	98.0	104.6	-6.3%	-	-	95.9	2.2%
<i>Pct. margin</i>	66.1%	47.4%	-	-	-	47.2%	-
EBIT before revaluations	75.7	79.3	-4.5%	-	-	38.8	95.0%
<i>Pct. margin</i>	51.1%	36.0%	-	-	-	19.1%	-
Real-estate valuation	-1.7	22.5	-107.6%	-	-	113.5	-101.5%
EBIT	74.0	101.8	-27.3%	85.7	-13.6%	152.3	-51.4%
<i>Pct. margin</i>	50.0%	46.2%	-	52.8%	-	75.0%	-
Pre-tax profit	22.9	55.3	-58.6%	-	-	100.3	-77.2%
<i>Pct. margin</i>	15.4%	25.1%	-	-	-	49.3%	-
Net income	24.8	40.6	-38.9%	39.3	-36.7%	9.7	157.4%
<i>Pct. margin</i>	16.8%	18.4%	-	24.2%	-	4.7%	-

Source: BRE Bank Securities, GTC, PAP

GTC's Q1'10 revenues undershot our forecast by a wide margin, which is primarily a consequence of our overestimation of revenues from residential property development. Revenues for services and residential development considered jointly figured to PLN 53.9m (vs. PLN 194.3m forecasted). The aggregate gross margin for these two segments was 6.9%, i.e. it was lower than we expected (12.5%). In turn, net rental revenue was higher than we expected (PLN 94.3m vs. PLN 92.5m).

Quarterly results and forecasts by business segment

(PLN m)	Rents	Services	Property development
Revenue		28.0	25.9
Expenses		26.7	23.5
Gross profit	94.3	1.3	2.4
<i>Pct. margin</i>		4.6%	9.3%

Source: BRE Bank Securities, GTC, PAP

General expenses were lower than expected (PLN 22.6m vs. PLN 24.7m). Instead of the expected PLN 22.5m gain on the valuation of work in progress, GTC reported property valuation losses in the amount of PLN 1.7m. We are neutral as far as this surprise is concerned, as we believe it is immaterial whether such valuation gains are booked in Q1 2010 or Q2 2010. Other net operating income undershot our forecasts by PLN 1m.

The Company posted finance losses of PLN 51.1m (vs. PLN 46.6m forecasted), the discrepancy stemming primarily from a lower share in profits of associates (PLN 5.3m vs. PLN 14.8m forecasted). We expected this position to include revaluation of work in progress in the Czech Republic, which possibly did not take place. Net interest expenses were PLN 61.4m (vs. PLN 54.6m forecasted), F/X losses figured to PLN 1.85m (vs. PLN 0m).

Deferred tax was PLN 6.8m (vs. PLN 10.5m), and minority losses amounted to PLN 8.8m (vs. PLN 4.1m profit forecasted). All in all, net profit amounted to PLN 24.8m vs. PLN 40.6m forecasted.



Valuation of Assets

Commercial Property Portfolio

Below, we present a valuation of the individual assets owned by GTC. Since our last report, we have incorporated the data on assets GTC published in March. Compared to our earlier assumptions, capitalization rates at the end of 2009 were higher, as were rents; all in all, this implies a higher value for assets.

Completed commercial projects (% m2, EUR/m2, %, EUR m)

Project	City	GTC's Interest	Floor space*	Average rent		Yield		Valuation *	
				2009	2010F	2009	2010F	2009	2010F
Offices									
Globis Poznań	Poznań	100.0%	13 000	15.0	15.5	7.35%	7.0%	30.4	34.4
Topaz **	Warsaw	100.0%	11 080	16.0	16.5	7.50%	7.0%	28.0	0.0 **
Galileo	Kraków	100.0%	10 300	11.8	12.8	8.25%	7.0%	20.5	22.6
Newton	Kraków	100.0%	10 480	11.8	12.2	8.10%	7.0%	21.0	21.8
Edison	Kraków	100.0%	10 400	17.0	17.5	7.75%	7.0%	24.2	31.2
Nothus (Okęcie BP)	Warsaw	100.0%	9 140	18.0	18.5	7.50%	7.0%	22.9	29.0
Zephyrus	Warsaw	100.0%	9 140	17.0	17.5	7.75%	7.0%	22.4	27.4
Platinum 1	Warsaw	100.0%	9 040	21.0	21.6	7.50%	7.3%	27.0	32.4
Platinum 2	Warsaw	100.0%	8 900	21.0	21.6	7.60%	7.3%	26.0	31.7
Platinum 3	Warsaw	100.0%	11 300	17.0	17.5	7.50%	7.0%	25.7	33.7
Nefryt **	Warsaw	100.0%	15 300	19.0	19.6	7.50%	7.0%	42.8	0.0 **
Globis Wrocław	Wrocław	100.0%	14 700	16.0	16.5	7.75%	7.0%	36.1	41.4
CB Kazimierz	Kraków	100.0%	15 300	18.0	18.5	7.75%	7.0%	38.1	48.1
Center Point I + II	Budapest	100.0%	41 760	14.0	14.4	7.75%	7.0%	102.7	102.5
Spiral 1+2	Budapest	100.0%	31 069	14.0	14.4	8.75%	7.5%	46.0	70.9
GTC House	Belgrade	100.0%	13 500	18.0	18.9	9.00%	8.3%	38.0	36.9
Avenue 19	Belgrade	100.0%	17 846	19.0	19.6	9.00%	8.3%	47.3	49.3
GTC Square	Belgrade	100.0%	23 590	16.0	16.5	9.00%	8.3%	41.9	54.5
City Gate	Bucharest	61.8%	43 000	23.0	25.0	9.50%	8.0%	164.0	160.0
Prague Marina 1	Prague	32.1%	4 241	14.5	14.5	7.80%	7.0%	6.2	10.6
Office and commercial									
Avenue Center, Avenue Mall	Zagreb	70.0%	33 500	28.9	30.0	7.30%	7.0%	176.3	172.3
Office and storage									
Sarka BP	Prague	32.1%	7 509	7.0	5.3	10.50%	8.7%	4.7	5.7
Shopping malls									
Galeria Kazimierz	Kraków	50.0%	19 100	22.0	24.5	7.00%	7.0%	80.0	80.2
Galeria Mokotów	Warsaw	50.0%	31 050	30.5	32.5	6.90%	6.9%	183.6	175.5
Galeria Jurajska	Częstochowa	100.0%	49 000	24.0	24.7	7.50%	7.0%	179.3	207.4
Galeria Suceava	Suceava (Romania)	50.0%	5 400	10.0	13.0	9.80%	8.3%	9.1	9.1
Galeria Buzau	Buzau (Romania)	50.0%	6 700	13.0	13.4	9.00%	8.3%	13.4	13.4
Galeria Piatra Neamt	Piatra (Romania)	50.0%	6 400	12.0	12.4	9.73%	8.3%	11.0	11.4
Total (EUR)								1 462.4	1 502.9

Source: BRE Bank Securities, GTC; *data as consolidated in GTC's balance sheet; **the sale is expected to be concluded soon

**Overvalued Office Buildings in Poland?**

In some office complexes, rental rates are significantly higher than the rates prevalent in the Polish market. This is particularly true of Platinum 1 and Platinum 2 in Warsaw, which were rented out when the EUR/PLN exchange rate was low. The high rental rates were not significantly revised down in 2009, despite the tough economic situation. We do not expect such revisions before rental agreements expire in 2013. Rental rates are also relatively high in such buildings as Nothus, CB Kazimierz. In general, our valuation does not take into account a long-term risk that rental rates will grow slower than inflation in selected projects. This risk, which does apply in 2013 and beyond, is not being fully priced in by foreign investors either, as shown by some developments in the market (cf. the Nefryt building). It is worth pointing out here that GTC also owns two buildings with very low rental rates (Galileo and Newton), where rental agreements will be extended in 2010-2012, which should lead to higher rates.

Projects with non-average rental rates (% , m2, EUR/m2)

Project	City	GTC's interest	Area (sqm)	Rental rate	Contract expiration	Comparable object	Rental rate
Galileo	Krakov	100.0%	10 300	11.8	2010-2012	Edison	17.0
Newton	Kraków	100.0%	10 480	11.8	2012	Edison	17.0
Nothus (Okęcie BP)	Warsaw	100.0%	9 140	18.0	2013	Zephyrus	17.0
Platinum 1	Warsaw	100.0%	9 040	21.0	2013	Platinum 3	17.0
Platinum 2	Warsaw	100.0%	8 900	21.0	2013	Platinum 3	17.0
Nefryt	Warsaw	100.0%	15 300	19.0	2013	Platinum 3	17.0
CB Kazimierz	Kraków	100.0%	15 300	18.0	2014	-	-

Source: BRE Bank Securities, GTC

Commercial Spaces Under Construction**Projects scheduled for completion in 2010 (% , m2, EUR/m2, EUR m)**

Project	City	GTC's Interest	Floor space*	Average rent		Yield		Valuation *	
				2009	2010F	2009	2010F	2009	2010F
GTC Metro	Budapest	100.0%	15 800	12.0	12.6	8.0%	7.3%	25.2	33.0
Galeria Varna	Varna (Bulgaria)	65.0%	38 243	19.3	19.3	9.7%	8.3%	60.5	106.0
Galeria Stara Zagora	Stara Zagora (Bulgaria)	75.0%	25 812	19.3	19.3	9.7%	8.3%	41.7	71.6
Galeria Arad	Arad (Romania)	75.0%	24 000	16.0	16.0	9.3%	8.3%	41.2	55.2
Galeria Harfa	Prague	32.1%	13 055	23.2	23.2	7.3%	7.0%	35.3	51.6
CB Francuska **	Katowice	100.0%	21 000		14.5	8.3%	7.0%	29.2	51.8
University BP **	Łódź	100.0%	36 800		11.5	7.5%	7.3%	37.6	69.0
Total (EUR)								235.4	386.5

Source: BRE Bank Securities, GTC; *data as consolidated in GTC's balance sheet; ** at the end of 2009 valued at cost of construction; other properties – at fair value

Projects scheduled for completion in 2011/2122 (% , m2, EUR/m2, EUR m)

Project	City	GTC's Interest	Floor space*	Average rent		Yield		Valuation *	
				2011F	2012F	2011F	2012F	2011F	2012F
Platinum 4	Warsaw	100.0%	12 500	17.0		7.2%	6.7%	24.8	39.2
Okęcie BP 3	Warsaw	100.0%	9 000	17.0		7.2%	6.7%	17.9	28.2
Aurora BP	Bucarest	100.0%	28 900	11.5		8.3%	7.7%	33.6	53.3
Galeria Osijek	Osijek (Croatia)	100.0%	26 000	18.0		7.0%	6.7%	80.2	86.3
Galeria Burgas	Burgas (Bulgaria)	65.0%	35 680	17.0		8.3%	7.7%	74.5	97.4
Jarosova		70.0%	11 500	15.0		8.0%	6.7%	22.0	31.8
Total (EUR)								253.0	336.3

Source: BRE Bank Securities, GTC; *data as consolidated in GTC's balance sheet

**Joint project with Polnord set for launch in 2011 (% , m2, EUR/m2, EUR m)**

Project	City	GTC's Interest	Floor space*	Average rent 2011	Yield (F)			Valuation* (F)		
					2011	2012	2013	2011	2012	2013
CH Wilanów	Warsaw	50.0%	30 000	25.0	7.7%	7.0%	6.7%	29.2	83.6	134.3

Source: BRE Bank Securities, GTC; *data as consolidated in GTC's balance sheet

Assumptions Concerning Valuation and Capital Requirements**Overview of assumptions concerning property valuation and CAPEX**

(EUR m)	Q4 2009	Q4 2010F	2011F	2012F	2013F
Commercial property					
Completed	1 457.5	1 889.4	2 054.1	2 544.4	2 620.8
In progress, market to fair value	158.3	47.5	253.0	0.0	0.0
In progress, at cost of construction	356.1	274.0	225.0	225.0	225.0
Investments in associates	49.5	70.1	74.9	79.8	81.9
CH Wilanów		9.5	29.2	83.6	134.3
Gains on investment property revaluations					
Completed		111.3	130.2	154.1	76.3
In progress, market to fair value		59.4	34.5	0.0	0.0
In progress, at cost of construction		14.0	55.1	49.5	0.0
Investments in associates		12.6	4.8	4.9	2.1
CH Wilanów		0.0	8.0	20.4	21.0
Capital expenses					
Completed		0.0	0.0	0.0	0.0
In progress, marked to fair value		91.7	0.0	0.0	0.0
In progress, at cost of construction		33.4	101.4	33.8	0.0
Investments in associates		8.0	0.0	0.0	0.0
CH Wilanów		9.5	11.8	34.0	29.7
Asset divestment					
Book value		70.8			
Selling price		79.1			
Pre-tax profit		8.3			

Source: BRE Bank Securities

Residential Projects**Residential projects (% , m2, units)**

Project	City	GTC's Interest	Usable space	Number of apartments	Apartments sold	Other
Konstancja stage D	Warsaw	100%	10 200	36	29	7
Konstancja stage E*	Warsaw	100%	9 100	38	0	38
Sasad Resort F1	Budapest	50.1%	12 024	271	202	69
Rose Garden	Bucharest	50.1%	42 084	908	592	316
Felicity F1	Bucharest	50.1%	11 022	162	105	57
Felicity F2	Bucharest	50.1%	11 022	162	0	162
Vinohrady E1/A&B	Bratislava	70%	19 000	177	117	60
Park Apartments (19A Block)	Belgrade	100%	20 000	181	181	0
Prague Marina	Prague	32.1%	12 840	340	257	83
Zelene Mesto	Prague	32.1%	14 766	430	280	150
Ogrody Galileo *	Krakow	100%	41 000	300	0	300

Source: BRE Bank Securities; *new project

Forecasted deliveries, earnings and inventories (units, EUR m)

	2010F	2011F	2012F	2013F
Number of apartments to be delivered, sales (unist)				
Ready for delivery	742	364	500	200
Sales / delivery	416	326	300	200
Other	326	38	200	0
New projects ready for delivery	38	462	0	0
Earnings				
Revenue	59.2	46.5	59.5	39.7
COGS	54	42	51	34
Margin	10.5%	10.5%	17.7%	17.7%
Balance Sheet				
Inventories WIP	67.3	63.2	33.7	0.0
Inventories land	124.0	124.0	124.0	124.0

Source: BRE Bank Securities

Financial forecasts
Operating earnings forecasts, 2008-2013F

(PLN m)		2008	2009	2010F	2011F	2012F	2013F
Consolidated	Revenue	114.5	156.4	193.0	188.2	205.4	190.0
	Gross profit	62.7	85.2	107.4	112.1	119.8	120.2
	Pct. margin	54.71%	54.48%	55.62%	59.58%	58.34%	63.27%
Commercial	Sales	72.1	96.2	133.9	141.7	145.9	150.3
	Gross profit	53.5	73.9	101.7	107.7	110.9	114.2
	Pct. margin	74.25%	76.80%	76.00%	76.00%	76.00%	76.00%
Housing loans	Sales	42.5	60.1	59.2	46.5	59.5	39.7
	Gross profit	9.1	11.3	5.6	4.4	8.9	5.9
	Pct. margin	21.52%	18.76%	9.50%	9.50%	15.00%	15.00%

Source: BRE Bank Securities

Valuation of GTC

We used two methods to estimate GTC's value: the Net Asset Value approach, and relative valuation. We assigned a higher, 90% weight to the NAV methodology because it takes a more complete account of GTC's unique characteristics, growth prospects, and investment plans. The two methods yielded a per-share price target of PLN 23.9 (EUR 6.0 assuming EUR/PLN = 4.0), which is 0.5% higher than the current market price; accordingly, we recommend holding the stock.

Valuation of GTC

	Valuation
NAV (EUR/share)	5.6
Relative valuation (EUR/share)	4.9
Value per share (EUR/share)	5.5
Cost of equity (9M)	8.0%
Target price (EUR/share)	6.0
EUR/PLN exchange rate	4.0
9M Target Price (PLN)	23.9

Source: BRE Bank Securities

Valuation Based on Net Asset Value

An investor with a long-term horizon will probably want to look at GTC's book-to-market ratio. We agree that a reliable estimate of future book value makes as good a measure of GTC's share value as the future asset value (we do not intend to review the company's land bank). That is why we based our valuation on net present value discounted at weighted average cost of capital. The one problem with this approach is that the expected increase in the values of investment properties cause discounted equity value to rise until 2016, and fall in subsequent years.

We expect the overall value of GTC's assets to increase going forward on the back of new developments as well as rising valuations of existing properties. The horizon of our forecasts for the company's new projects ends in 2012. An expected appreciation in the value of the existing portfolio will be a result of rising rental rates and declining capitalization rates. We assume that CEE capitalization rates will converge with EU levels in 2016, after which property values will increase at a pace equal to the inflation rate / rent increase rate.

We decided that the most reliable approach is to determine the net present value of GTC's equity as at 2012, which takes full account of the company's ability to finance new projects, and its large general expenses which are often ignored in asset-based approaches. Our forecasts are based on projected capitalization rate of 6.7% in 2012 (i.e., for example, 1% higher than the current interest rate on 10Y treasury bonds). We have not factored in full convergence in cap rates to 5.5% in 2016 (which is a possible date of Poland's entry into the Eurozone). Such an approach would be unduly favorable to GTC. The values of other property developers are also expected to increase in the future, in line with decreasing bond yields (lower WACC), but these prospects are not yet priced in WSE stock values.

Valuation Assumptions:

- Capital expenditure as described above.
- No major housing projects resulting in a decrease in inventories and more free cash.
- Rental rates increase by 3% a year starting in 2010, with few exceptions.
- Capitalization rates decrease from an average 8.0% in 2009 to 6.7% in 2012.
- Discount rate estimated based on WACC.
- No new projects in 2011+, except for a shopping mall in Warsaw-Wilanów
- Topaz and Nefryt office buildings to be sold
- No other asset divestments

Valuation Based on Net Asset Value

(EUR m)	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F
Equity	1 148.5	1 323.8	1 506.7	1 593.1	1 670.0	1 751.3	1 837.5	1 928.5	2 024.6	2 125.8
Discount rate	8.2%	8.1%	8.1%	8.1%	8.0%	8.0%	8.0%	8.0%	8.0%	7.8%
Discount factor	95.5%	88.3%	81.7%	75.6%	70.0%	64.9%	60.1%	55.7%	51.6%	47.8%
Discounted equity	1 097.0	1 169.5	1 231.5	1 204.8	1 169.8	1 136.3	1 104.3	1 073.6	1 044.0	1 017.1
Number of shares	219.4	219.4	219.4	219.4	219.4	219.4	219.4	219.4	219.4	219.4
Equity per share (EUR)	5.0	5.3	5.6	5.5	5.3	5.2	5.0	4.9	4.8	4.6
EUR/PLN	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Equity per share (PLN)	20.0	21.3	22.5	22.0	21.3	20.7	20.1	19.6	19.0	18.5
WACC	8.2%	8.1%	8.1%	8.1%	8.0%	8.0%	8.0%	8.0%	8.0%	7.8%
Cost of debt	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	6.8%
Risk-free rate	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%	5.6%
Credit risk premium	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Effective tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
Net debt / EV	51.2%	52.1%	53.0%	53.0%	55.4%	55.4%	55.4%	55.4%	55.4%	55.4%
Cost of equity	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.6%
Risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Source: BRE Bank Securities

Relative Valuation of GTC

In building a peer group against which to assess GTC we chose international commercial developers meeting the following criteria:

- safe LTV levels (50-60%) ensuring sustained financial health (a criterion which is not met by, for example, Orco Property Group)
- assets that are at least 70% comprised of completed commercial projects. and less than 30% comprised of land purchased at inflated prices. This requirements is not met, among others, by Plaza Centers and AFI Development.

The resulting comparable group consists of firms focused on commercial property rentals, operating mostly in developed countries (France, Germany, Austria, UK,...) - a factor which may lower the valuation of GTC (we think that the upside potential of commercial property values is much weaker in developed countries). To account for GTC's investment plans, we assigned the highest weights to financial years 2011 and 2012.

The result of peer group comparison was an estimated per-share value of PLN 18.5, which entails a 9-month price target of PLN 20 per share.

Relative Valuation of GTC

	2009 P/BV	2010F P/BV	2011F P/BV	2012F P/BV
Echo Investment	1.04	0.99	0.90	
Sparkassen Immo	0.63	0.62	0.55	0.51
CA Immo International	0.65	0.74	0.71	
Corio N.V.	0.87	0.86	0.82	0.73
Citycon Oyj	0.72	0.73	0.70	0.68
Deutsche Euroshop	0.95	0.94	0.90	0.85
Hammerson	0.90	0.83	0.78	0.73
Klepierre	1.04	0.94	0.95	0.73
Capital Shopping Centers Group	0.76	0.95	0.90	0.83
Unibail Rodamco	0.93	0.94	0.86	0.79
British Land	1.03	0.99	0.87	0.81
Median	0.85	0.88	0.82	0.72
GTC	1.31	1.10	0.95	0.84
Premium	54.09%	25.09%	16.06%	17.09%
Year weight	5.0%	15.0%	50.0%	30.0%

Source: BRE Bank Securities

**Income Statement**

(EUR m)	2006	2007	2008	2009	2010F	2011F	2012F
Sales revenue	80.9	73.6	114.5	156.4	193.0	188.2	205.4
Change	-15.4%	-9.0%	55.6%	36.5%	23.4%	-2.5%	9.2%
Revenues: from space leases	65.0	52.3	72.1	96.2	133.9	141.7	145.9
Revenues: from housing construction	15.9	21.3	42.5	60.1	59.2	46.5	59.5
COGS	32.1	23.7	51.9	71.2	85.7	76.1	85.6
Gross profit	48.8	49.9	62.7	85.2	107.4	112.1	119.8
gross margin	60.3%	67.9%	54.7%	54.5%	55.6%	59.6%	58.3%
Gross profit from space leases	46.1	41.1	53.5	73.9	101.7	107.7	110.9
gross margin	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit from housing construction	2.7	8.8	9.1	11.3	5.6	4.4	8.9
gross margin	17.0%	41.3%	21.5%	18.8%	9.5%	9.5%	15.0%
Commercial expenses	-2.9	-4.3	-4.3	-5.0	-5.2	-5.3	-5.5
General and administrative expenses	-14.9	-17.2	-18.1	-20.1	-20.7	-21.3	-21.9
Other net operating income	2.5	2.3	8.0	-10.0	-1.0	-1.0	-1.1
EBIT before revaluations	33.5	30.8	48.3	50.1	80.5	84.5	91.4
Investment property	199.1	292.4	235.6	-172.3	193.0	227.8	223.9
EBIT	232.6	323.2	283.9	-122.1	273.6	312.3	315.3
Change	18.8%	38.9%	-12.2%	-143.0%	-324.0%	14.2%	1.0%
EBIT margin	287.6%	439.0%	247.8%	-78.1%	141.7%	166.0%	153.5%
Profit/loss on financial activity	0.8	-28.7	-14.9	-37.1	-64.5	-72.8	-74.6
Extraordinary gains/losses	4.2	4.7	-1.0	-2.5	12.6	4.8	4.9
Gross profit	237.6	299.1	267.9	-161.7	221.7	244.3	245.5
Tax	-39.6	-37.7	-78.8	25.4	-25.6	-46.4	-46.7
Minority interests	2.9	27.0	23.9	-11.1	11.8	22.5	16.0
Net income	195.1	234.4	165.2	-125.2	184.3	175.3	182.9
Change	-	20.2%	-29.5%	-177.6%	-243.6%	-4.9%	4.3%
Margin	241.2%	318.5%	144.3%	-80.1%	95.5%	93.2%	89.0%
D&A expenses	0.3	0.3	0.5	0.4	0.4	0.4	0.4
EBITDA	232.8	323.5	284.3	-121.7	274.0	312.7	315.7
Change	18.8%	38.9%	-12.1%	-142.8%	-325.1%	14.1%	1.0%
EBITDA margin	287.9%	439.4%	248.2%	-77.8%	141.9%	166.2%	153.7%
Shares at year-end (millions)	215.3	220.4	220.2	219.4	219.4	219.4	219.4
EPS	0.9	1.1	0.8	-0.6	0.8	0.8	0.8
CEPS	0.9	1.1	0.8	-0.6	0.8	0.8	0.8
ROAE	30.6%	27.7%	16.1%	-12.1%	17.4%	14.2%	12.9%
ROAA	17.2%	15.3%	7.5%	-4.8%	6.8%	5.9%	5.6%

**Balance Sheet**

(EUR m)	2006	2007	2008	2009	2010F	2011F	2012F
ASSETS	1 210.8	1 861.2	2 558.4	2 622.6	2 829.5	3 110.8	3 407.3
Fixed assets	775.8	1 219.8	1 931.4	2 083.3	2 406.7	2 752.4	3 048.9
Loans and advances to subsidiaries	12.2	22.1	52.3	54.0	54.0	54.0	54.0
Investment property	712.0	1147.3	1827.8	1971.9	2220.5	2561.4	2853.0
Property, plant and equipment	0.0	0.0	1.4	1.1	1.1	1.1	1.1
Investments in associates	28.5	27.9	44.9	49.5	70.1	74.9	79.8
Land earmarked for construction	0.0	0.0	0.0	0.0	54.2	54.2	54.2
Other	23.0	22.5	5.1	6.8	6.8	6.8	6.8
Current assets	435.0	641.4	627.0	539.3	422.9	358.5	358.3
Inventories	115.8	212.9	322.0	270.8	191.4	187.2	157.7
Receivables and advances	38.5	65.9	100.6	51.3	100.4	97.8	101.8
Derivatives	0.7	12.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	277.6	345.6	200.8	185.6	86.6	26.4	50.4
Other	2.5	5.0	3.6	31.5	44.5	47.0	48.4
(EUR m)	2006	2007	2008	2009	2010F	2011F	2012F
LIABILITIES	1 210.8	1 861.2	2 558.4	2 622.6	2 829.5	3 110.8	3 407.3
Equity	731.1	958.7	1 098.9	964.2	1 148.5	1 323.8	1 506.7
Minority interests	0.0	29.4	57.0	46.5	58.4	80.9	96.8
Long-term liabilities	326.4	697.7	1 160.8	1 420.3	1 457.0	1 550.2	1 642.8
Loans	258.5	578.5	926.1	1 234.0	1 234.0	1 284.0	1 334.0
Deferred tax provision	54.3	93.7	154.4	117.3	154.0	197.3	239.8
Derivatives	0.0	0.0	67.9	62.5	62.5	62.5	62.5
Reserves and other	13.6	25.5	12.4	6.4	6.4	6.4	6.4
Short-term liabilities	153.3	175.5	241.7	191.6	165.7	155.9	160.9
Loans	54.8	33.1	50.7	59.7	59.7	59.7	59.7
Derivatives	0.1	0.0	5.2	14.3	14.3	14.3	14.3
Trade and other creditors	64.9	41.4	117.3	96.9	82.1	72.9	82.1
Advances received	14.1	60.2	51.4	20.6	9.4	8.9	4.7
Accruals	19.5	40.8	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	17.2	0.2	0.2	0.2	0.2
Debt	313.3	611.6	976.8	1 293.7	1 293.7	1 343.7	1 393.7
Net debt	35.6	266.0	776.0	1 108.0	1 207.1	1 317.3	1 343.3
(Net debt / Equity)	4.9%	27.7%	70.6%	114.9%	105.1%	99.5%	89.2%
(Net debt / EBITDA)	0.2	0.8	2.7	-9.1	4.4	4.2	4.3
BVPS	3.4	4.3	5.0	4.4	5.2	6.0	6.9

**Cash Flows**

(EUR m)	2006	2007	2008	2009	2010F	2011F	2012F
Cash flows from operating activities	-16.0	-4.7	-86.5	23.4	29.3	76.3	116.8
Gross profit	237.6	299.1	267.9	-164.8	221.7	244.3	245.5
D&A expenses	0.3	0.3	0.5	0.4	0.4	0.4	0.4
Working capital	-38.8	-29.0	-125.3	-25.9	-62.7	-5.5	29.1
Other	-199.1	-292.4	-243.5	172.3	-193.0	-227.8	-223.9
	-15.9	17.2	13.9	41.4	62.9	64.9	65.6
Cash flows from investing activities	127.0	-192.3	-417.1	-299.8	-63.9	-113.6	-68.2
CAPEX	121.1	-209.3	-324.6	-267.7	-63.5	-113.2	-67.7
Equity investments	21.6	44.9	-53.4	-22.9	0.0	0.0	0.0
Other	-15.7	-27.9	-39.1	-9.2	-0.4	-0.4	-0.4
Cash flows from financing activities	114.8	276.8	366.9	275.9	-64.5	-22.8	-24.6
Stock offering	122.1	-1.4	-3.2	0.2	0.0	0.0	0.0
Debt	-6.7	277.5	404.9	324.8	0.0	50.0	50.0
Dividends (buyback)	-0.6	0.6	-34.9	-49.2	-64.5	-72.8	-74.6
Exchange differences	-9.9	-11.7	-8.1	-14.6	0.0	0.0	0.0
Change in cash	215.8	68.0	-144.9	-15.1	-99.1	-60.2	24.0
Cash at end of period	277.6	345.6	200.8	185.6	86.6	26.4	50.4
DPS (PLN)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF	137.4	-162.6	-462.9	-266.4	-45.7	-34.2	52.7
(CAPEX / Sales)	-149.8%	284.3%	283.4%	171.2%	32.9%	60.1%	33.0%

Market multiples

	2006	2007	2008	2009	2010F	2011F	2012F
P/E	6.6	5.6	7.9	-10.4	7.1	7.4	7.1
P/CE	6.6	5.6	7.9	-10.5	7.1	7.4	7.1
P/BV	1.8	1.4	1.2	1.4	1.1	1.0	0.9
P/S	15.8	17.8	11.4	8.3	6.8	6.9	6.4
FCF/EV	10.4%	-10.1%	-21.6%	-10.8%	-1.8%	-1.3%	1.9%
EV/EBITDA	5.7	5.0	7.5	-20.2	9.4	8.6	8.7
EV/EBIT	5.7	5.0	7.5	-20.1	9.4	8.7	8.7
EV/S	16.3	21.8	18.7	15.7	13.3	14.4	13.4
DYield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Price (EUR) at EUR/PLN = 4.0	6.0						
Shares at year-end (millions)	215.3	220.4	220.2	219.4	219.4	219.4	219.4
MC (PLN m)	1280.8	1311.5	1310.0	1305.3	1305.3	1305.3	1305.3
Equity attributable to minority shareholders (PLN m)	0.0	29.4	57.0	46.5	58.4	80.9	96.8
EV (PLN m)	1 316.5	1 606.9	2 143.1	2 459.8	2 570.8	2 703.4	2 745.4



Michał Marczak tel. (+48 22) 697 47 38
Managing Director
Head of Research
michal.marczak@dibre.com.pl
Strategy, Telco, Mining, Metals, Media

Research Department:

Marta Jeżewska tel. (+48 22) 697 47 37
Deputy Director
marta.jezewska@dibre.com.pl
Banks

Analysts:

Kamil Kliszcz tel. (+48 22) 697 47 06
kamil.klischcz@dibre.com.pl
Fuels, Chemicals, Energy, Retail

Piotr Grzybowski tel. (+48 22) 697 47 17
piotr.grzybowski@dibre.com.pl
IT, Media

Maciej Stokłosa tel. (+48 22) 697 47 41
maciej.stoklosa@dibre.com.pl
Construction, Real-Estate Developers

Jakub Szkopek tel. (+48 22) 697 47 40
jakub.szkopek@dibre.com.pl
Manufacturers

Sales and Trading:

Piotr Dudziński tel. (+48 22) 697 48 22
Director
piotr.dudzinski@dibre.com.pl

Marzena Łempicka-Wilim tel. (+48 22) 697 48 95
Deputy Director
marzena.lempicka@dibre.com.pl

Traders:

Emil Onyszczyk tel. (+48 22) 697 49 63
emil.onyszczyk@dibre.com.pl

Grzegorz Stępien tel. (+48 22) 697 48 62
grzegorz.stepien@dibre.com.pl

Tomasz Dudź tel. (+48 22) 697 49 68
tomasz.dudz@dibre.com.pl

Michał Jakubowski tel. (+48 22) 697 47 44
michal.jakubowski@dibre.com.pl

Tomasz Jakubiec tel. (+48 22) 697 47 31
tomasz.jakubiec@dibre.com.pl

Grzegorz Strublewski tel. (+48 22) 697 48 76
grzegorz.strublewski@dibre.com.pl

Foreign Markets Unit:

Adam Prokop tel. (+48 22) 697 48 46
Foreign Markets Manager
adam.prokop@dibre.com.pl

Michał Roźmiej tel. (+48 22) 697 48 64
michal.rozmiej@dibre.com.pl

Jakub Słotkiewicz tel. (+48 22) 697 48 64
jakub.slotkiewicz@dibre.com.pl

Jacek Wrześniewski tel. (+48 22) 697 49 85
jacek.wrzesniewski@dibre.com.pl

"Private Broker"

Jacek Szczepański tel. (+48 22) 697 48 26
Director
jacek.szczepanski@dibre.com.pl

Paweł Szczepaniak tel. (+48 22) 697 49 47
Sales
pawel.szczepaniak@dibre.com.pl

Dom Inwestycyjny
BRE Banku S.A.
ul. Wspólna 47/49
00-950 Warszawa
www.dibre.com.pl

**List of abbreviations and ratios contained in the report:**

EV – net debt + market value
EBIT – Earnings Before Interest and Taxes
EBITDA – EBIT + Depreciation and Amortisation
P/CE – price to earnings with amortisation
MC/S – market capitalisation to sales
EBIT/EV – operating profit to economic value
P/E – (Price/Earnings) – price divided by annual net profit per share
ROE – (Return on Equity) – annual net profit divided by average equity
P/BV – (Price/Book Value) – price divided by book value per share
Net debt – credits + debt papers + interest bearing loans – cash and cash equivalents
EBITDA margin – EBITDA/Sales

Recommendations of BRE Bank Securities

A recommendation is valid for a period of 6-9 months, unless a subsequent recommendation is issued within this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 15%
ACCUMULATE – we expect that the rate of return from an investment will range from 5% to 15%
HOLD – we expect that the rate of return from an investment will range from -5% to +5%
REDUCE – we expect that the rate of return from an investment will range from -5% to -15%
SELL – we expect that an investment will bear a loss greater than 15%
 Recommendations are updated at least once every nine months.

This document has been created and published by BRE Bank Securities S.A. The present report expresses the knowledge as well as opinions of the authors on day the report was prepared. The opinions and estimates contained herein constitute our best judgement at this date and time, and are subject to change without notice. The present report was prepared with due care and attention, observing principles of methodological correctness and objectivity, on the basis of sources available to the public, which BRE Bank Securities S.A. considers reliable, including information published by issuers, shares of which are subject to recommendations. However, BRE Bank Securities S.A., in no case, guarantees the accuracy and completeness of the report, in particular should sources on the basis of which the report was prepared prove to be inaccurate, incomplete or not fully consistent with the facts. BRE Bank Securities S.A. bears no responsibility for investment decisions taken on the basis of the present report or for any damages incurred as a result of investment decisions taken on the basis of the present report.

This document does not constitute an offer or invitation to subscribe for or purchase any financial instruments and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. It is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. This document nor any copy hereof is not to be distributed directly or indirectly in the United States, Australia, Canada or Japan.

Recommendations are based on essential data from the entire history of a company being the subject of a recommendation, with particular emphasis on the period since the previous recommendation. Investing in shares is connected with a number of risks including, but not limited to, the macroeconomic situation of the country, changes in legal regulations as well as changes on commodity markets. Full elimination of these risks is virtually impossible.

It is possible that BRE Bank Securities S.A. renders, will render or in the past has rendered services for companies and other entities mentioned in the present report.

The present report was not transferred to the issuer prior to its publication.
BRE Bank Securities S.A. receives remuneration from the issuer for services rendered.

BRE Bank Securities S.A., its shareholders and employees may hold long or short positions in the issuer's shares or other financial instruments related to the issuer's shares. BRE Bank Securities S.A., its affiliates and/or clients may conduct or may have conducted transactions for their own account or for account of another with respect to the financial instruments mentioned in this report or related investments before the recipient has received this report.

Copying or publishing the present report, in full or in part, or disseminating in any way information contained in the present report requires the prior written agreement of BRE Bank Securities S.A.

Recommendations are addressed to all Clients of BRE Bank Securities S.A. This report is not for distribution to third parties.
The activity of BRE Bank Securities S.A. is subject to the supervision of the Polish Financial Supervision Commission.

Individuals who did not participate in the preparation of this recommendation, but had or could have had access to the recommendation prior to its publication, are employees of BRE Bank Securities S.A. authorised to access the premises in which recommendations are prepared, other than the analysts mentioned as the authors of the present recommendation.

Strong and weak points of valuation methods used in recommendations:

DCF – acknowledged as the most methodologically correct method of valuation; it is based in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model.
Comparative – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.

Previous ratings issued for GTC

Rating	Accumulate	Hold	Reduce	Hold
Date issued	2010-02-12	2010-03-05	2010-04-07	2010-05-06
Price on rating day	20.30	23.00	24.95	22.20
WIG on rating day	37322.52	39885.37	43562.01	41287.90