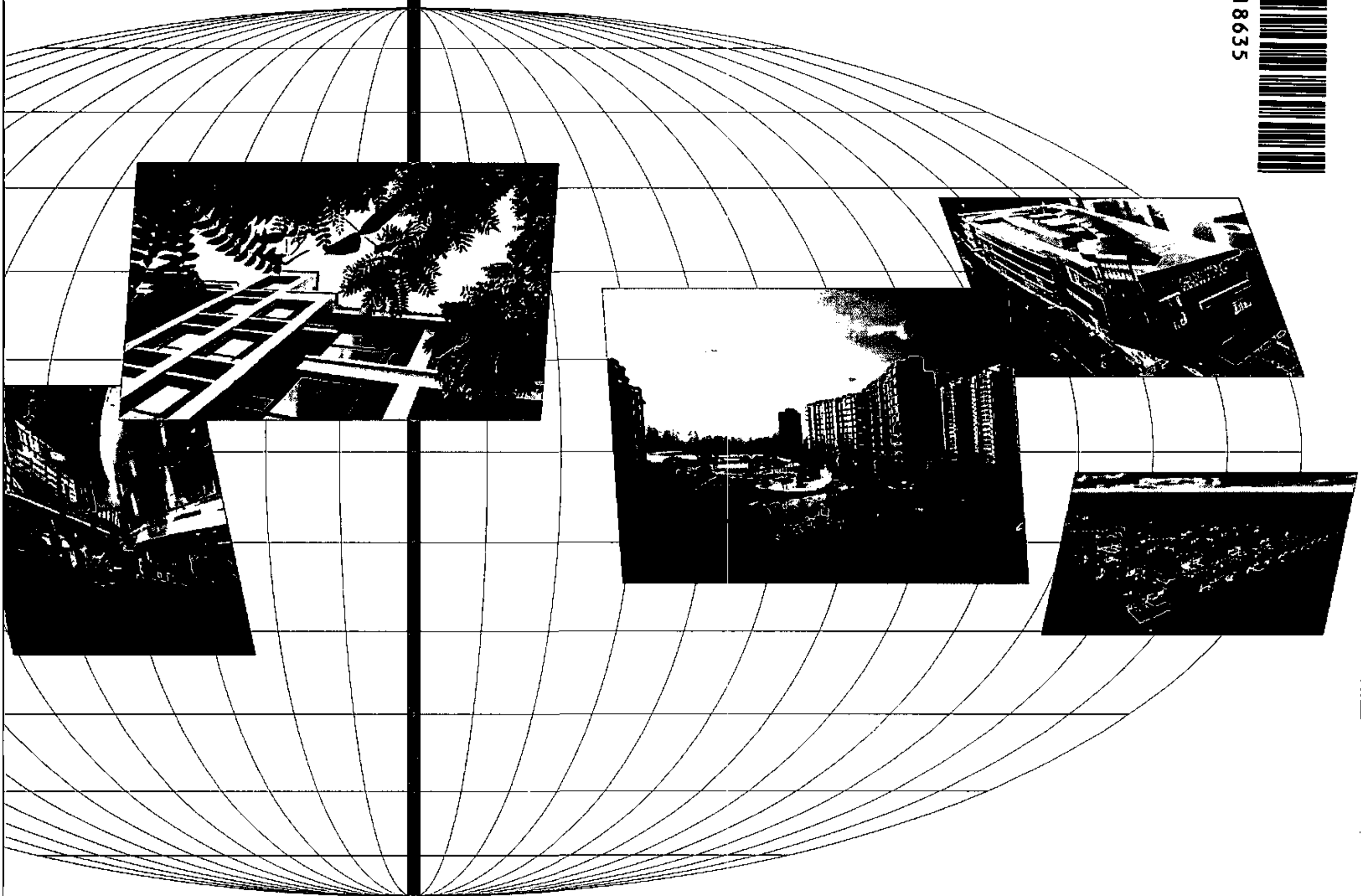
2007 Annual Report

GTC Real Estate N.V.



GTC REAL ESTATE N.V.

2007 Annual Report

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[redacted]

46.25%

Western Europe

GTC Investments
Germany, Switzerland

46.13%

Central & Eastern Europe

Globe Trade Centre SA
Poland

100%

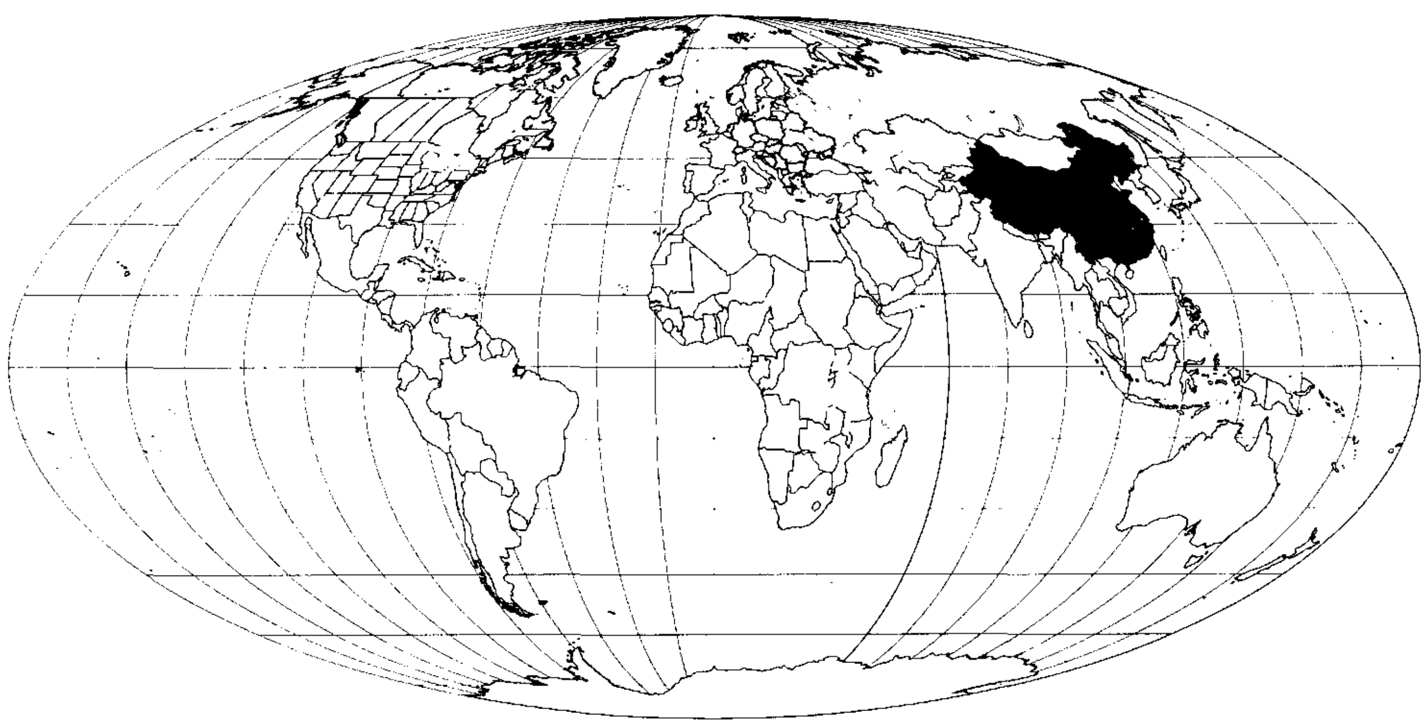
[redacted]

[redacted]

*India**

31.6%	97.2%	85.5%	95.0%	95.0%	97.5%	94.6%	97.5%	95.0%
Czech Republic	*Croatia*	*Ukraine*	*Slovakia*	*Bulgaria*	*Hungary*	*Romania*	*Serbia*	*Russia*
Czech subsidiaries	**GTC Real Estate Investments Croatia BV**	**GTC Real Estate Investments Ukraine BV**	**GTC Real Estate Investments Slovakia BV**	**GTC Real Estate Investments Bulgaria BV**	**GTC Hungary Real Estate Development Company RT**	**GTC Real Estate Investments Romania BV**	**GTC Real Estate Investments Serbia BV**	**GTC Real Estate Investments Russia BV**

* under establishment



Profile

GTC Real Estate N.V. (GTC RE) is a real estate investment company, incorporated in the Netherlands, listed on the Tel Aviv Stock Exchange.

GTC RE's business is developing, managing and investing in real estate mainly in emerging markets. GTC RE is active through its holdings in three major investee companies: Globe Trade Centre S.A. (GTC SA), GTC Real Estate China Ltd. (GTC China), and GTC Investments B.V.

Through GTC SA, GTC RE is engaged in the development of office and retail space and in the development and sale of residential units and apartments in Central and Eastern Europe. GTC SA is listed on the Warsaw Stock Exchange.

Through GTC China, GTC RE is engaged in mainly residential developments in China. Currently, GTC China has three residential projects and one commercial project.

GTC Investments B.V. is a joint venture through which GTC RE invests in income-generating real estate in Western Europe.

At the end of 2007, GTC RE initiated activity in India.

GTC RE holds controlling interests in most of its investee companies and is actively involved in the definition and implementation of their strategy.

GTC RE provides capital, management and administrative services and other resources to its Group companies.

GTC RE reinforces its growth by forming strategic partnerships with leading international institutions, in order to add value to the business through brand recognition, operational expertise or international presence.

Key figures

€ in thousands	2007	2006	2005
Revenues	[illegible]	93,160	77,510
Gross profit from operations	57,172	54,609	45,599
Net Result for the year	[illegible]	40,785	19,644
Cash and Cash Equivalents	[illegible]	287,567	72,667
Investment Properties	[illegible]	624,876	629,588
Real Estate under Construction	[illegible]	170,742	122,631
Shareholders' Equity	[illegible]	184,379	109,366
Total Assets	2,249,490	1,349,539	978,071
Solvency % (*)	40.1%	42.7%	34.6%
Return on Equity(**)	[illegible]	22.1%	18.0%
Average number of employees in the Group	[illegible]	210	79
Per Share Data			
– Net Result (in EUR)	[illegible]	0.59	0.35
– Shareholders equity (in EUR)	[illegible]	2.54	1.76
Number of ordinary shares issued			
– At year-end	[illegible]	72,727,635	62,598,244
– Weighted average for the year	[illegible]	69,109,538	56,550,595
– Fully diluted	[illegible]	69,109,538	56,550,595

(*) The sum of shareholders' equity and minority interests divided by total assets (31 December)
(**) Net profit or loss for the period divided by shareholders' equity (31 December)

Shareholders' information

The par value of ordinary shares of GTC RE is EUR 0.20. The ordinary shares of GTC RE were first listed on the Tel Aviv Stock Exchange on 9 September 2004.

Distribution of shares

As of 31 December 2007 a total of 84,212,967 ordinary shares have been issued and are outstanding.

The following table presents shareholdings of 5% or more and of related parties:

	Number of shares held (ordinary shares of € 0.20 each)	Convertible debentures (NIS par value)	Holding rate		Holding rate in full dilution (1)	
			In capital %	In voting %	In capital %	In voting %
Kardan N.V.	47,032,533	26.41	55.85	55.85	54.34	54.34
Kardan Real Estate Enterprise and Development Ltd. (2)	10,295,060	-	12.23	12.23	11.89	11.89
Yosef Grunfeld (3)	568,452	-	0.68	0.68	0.66	0.66
Avner Schnur (4)	2,300,363	-	2.73	2.73	2.66	2.66
Eytan Rechter (5)	21,667	-	0.03	0.03	0.03	0.03
Alain Ickovics (6)	69,031	-	0.08	0.08	0.08	0.08
Alon Shlank (7)	12,400	-	0.01	0.01	0.01	0.01
Einat Gabber (8)	2,827	-	0.00	0.00	0.00	0.00
Boudewijn Bremer (9)	20,000	-	0.02	0.02	0.05	0.05

(1) Under assumption that all convertible debentures and employee options will be exercised or converted into shares of GTC RE.
(2) Kardan Real Estate Enterprise and Development Ltd. is an Israeli private company. Approximately 100% of its shares are held by Kardan Israel Ltd. Kardan Israel Ltd is controlled by Kardan N.V.
(3) Mr. Grunfeld holds the shares through Talromit Financial Holdings (1999) Ltd., a company under his control (95%). Talromit and Mr. Grunfeld holds 0.68% of GTC RE N.V. and 25.41% of the shares of Kardan N.V.
(4) Mr. Schnur holds the shares through Raitalon Ltd., which is wholly owned by Mr. Schnur. Raitalon holds 2.73% of the shares of GTC RE N.V.; and 21.61% of the shares of Kardan N.V.
(5) Mr. Rechter holds the shares through Shamait Ltd., a company wholly owned by Mr. E. Rechter and Mrs. K. Rechter. Shamait holds 0.03% of the shares of GTC RE and 5.01% of the shares of Kardan N.V.
(6) Mr. Ickovics is a member of the Management Board of GTC RE
(7) Mr. Shlank is a member of the Management Board of GTC RE
(8) Mrs. Gabber is a member of the Management Board of GTC RE
(9) Mr. Bremer is a member of the Supervisory Board of GTC RE.

Key financials per share

(in EUR)	2007	2006	2005
Net result	[illegible]	0.59	0.35
Shareholders' equity	[illegible]	2.54	1.76

Share prices

(in NIS)	Tel-Aviv	Tel-Aviv	Tel-Aviv
Highest share price	[illegible]	50.62	19.09
Lowest share price	[illegible]	18.15	8.83
Year-end	[illegible]	45.80	17.77

Financial Calendar

Annual General Meeting of Shareholders – 26 June 2008

Dividend Policy

Any payment by GTC RE of future dividends and the amounts thereof will depend upon earnings, statutory and financial requirements and other factors deemed relevant by the Management Board. The payment of dividend will be subject to withholding tax in the Netherlands. GTC RE may, pursuant to the Articles of Association, declare and pay dividends either in cash or in kind, in the form of shares or certain other securities.

Additional information

Additional information can be obtained from:

GTC Real Estate N.V.
Claude Debussylaan 30
Vinoly Buidling 13th Floor
1082 MD AMSTERDAM
The Netherlands
Tel. +31 (0) 20 305 0010

Other publications and information: www.kardan.com

Structure & Composition Boards

Management Board

Below is a profile of the Management Board of GTC RE as of the date of the report. All members of the Management Board are appointed for a period of 3 years, but may make themselves available for re-appointment following the expiry of the term of appointment.

Mr. Alain Ickovics (1959)
Position: Managing Director
Nationality: Israeli and Belgian
Appointed: 5 September 2007
Current term: AGM 2010
Education: MBA in Finance from Columbia University and a BA in Industrial Engineering from the Technion Israeli Institute of Technology.
Previous positions: Joined the Kardan Group in 1994 as Chairman of the Management Board of Globe Trade Centre S.A.
2001–2006: Director of International Operations of Kardan N.V. and Managing Director of GTC International S.A., and Director of several of its operational subsidiaries.
Other positions: Managing Director and Supervisory Director of various other companies within the Kardan Group, including Kardan N.V., Kardan Financial Services B.V., TBIF Financial Services B.V., TBIH Financial Services Group N.V., Tahal Group B.V., and Globe Trade Centre S.A.

Mr. Alon Y. Shlank (1959)
Position: Managing Director
Nationality: Israeli
Appointed: 1 July 2006
Current term: AGM 2009
Education: LL.B. degree in law from Tel Aviv University, Israel.
Previous positions: Until 1994, partner in a law firm in Israel, specializing in Securities, Mergers and Acquisitions, Investments, and Corporate law.
1994–2000: CEO of Alrig S3R Ltd. and Director of several companies within the Alrig Group.
2001: Joined the Kardan Group.
Other positions: Managing Director and Supervisory Director in various other companies within the Kardan Group, including Kardan N.V., TBIH Financial Services Group N.V., Kardan Financial Services B.V. and Globe Trade Centre S.A.

Mr. Ferdinand I.M Houterman (1949)
Position: Managing Director
Nationality: Dutch
Appointed: 1 February 2002
Reappointed: 2 August 2004 and 5 September 2007
Current term: AGM 2010
Education: Degree of the College of Business Administration (hogeschool bedrijfskunde) in Enschede and a degree in Economics of the upper secondary vocational education (middelbaar beroepsonderwijs) in Rotterdam
Previous positions: managing director of Knorr Holland. In 2002, Mr. Houterman joined the GTC Group.
Other positions: Mr. Houterman is a member of the non executive board of Zenitel N.V. (a Belgian company listed on the Brussels Stock Exhange), advisor in various Dutch companies and governing bodies and Supervisory Board member in the Dutch companies Philipp Morris Holland B.V., Holland Casino, RAI Holding B.V. and Eden Hotel Group B.V.

Mrs. Einat Gabber (1971)
Position: Managing Director (CFO)
Nationality: Israeli
Appointed: 1 July 2006
Current term: AGM 2009
Education: Certified Public Accountant (Israel) and B.A. in Economics and Accounting from Tel Aviv University, Israel.
Previous positions: 1997–2001: Accountant and auditor in Israel with Luboshitz Kasierer (Arthur Andersen).
2001–2003: Deloitte & Touche Accountants (formerly Arthur Andersen) in the Netherlands.
Since mid-2003: Controller of the Kardan Group.
Since May 2005: Chief Financial Officer (CFO) of GTC Real Estate N.V. and Kardan N.V.
Other positions: Managing Director and Supervisory Director in various other companies within the Kardan Group, including kardan N.V., Kardan Financial Services B.V., TBIF Financial Services B.V. and Tahal Group B.V.

Mr. Walter van Damme (1972)
Position: Managing Director
Nationality: Dutch
Appointed: 5 September 2007
Current term: AGM 2010
Education: Law degree from the University of Amsterdam.
Previous position: 1996–2000: Lawyer at different law firms.
2000–2006: One of the founding partners of First Dutch Capital.
2007: Joined the Kardan Group.
Other positions: Managing Director and Supervisory Director in various other companies within the Kardan Group, including Kardan N.V., Globe Trade Centre S.A., Tahal Group B.V., Kardan Financial Services B.V., and TBIF Financial Services B.V.

Supervisory Board

Below is a profile of the Supervisory Board of GTC Real Estate N.V. as of the date of the report. All members of the Supervisory Board are appointed for a period of 3 years and may be re-appointed for no more than two times.

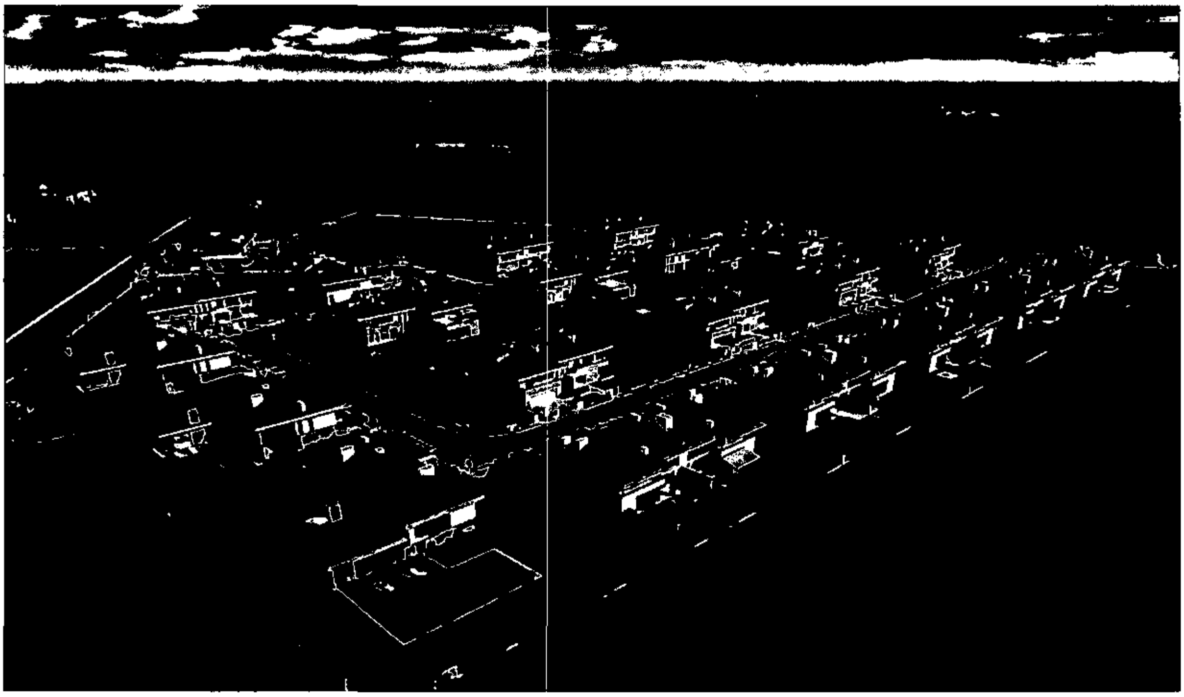
Mr. Boudewijn Bremer
Date of birth: 30 October 1944
Position: Chairman of the Supervisory Board and member of the Audit Committee
Nationality: Dutch
Appointed: 3 August 2004
Re-appointed: 5 September 2007
Current term: AGM 2010
Mr. Bremer has served for thirteen years as a managing partner of predecessor firms of PricewaterhouseCoopers. Currently, Mr. Bremer serves as a director in Rerem B.V., and Residence Alliance B.V. and besides GTC RE he also serves as a director in various other companies within the Kardan Group.

Mr. Henri S. Morcaut
Date of birth: 22 August 1959
Position: Supervisory Director and Chairman of the Audit Committee
Nationality: Belgian
Appointed: 3 August 2004
Re-appointed: 5 September 2007
Current term: AGM 2010
Mr. Morcaut has been a Real Estate Consultant in the last fifteen years in the Real Estate Corporate Market. Currently, he also serves as a managing director in Commor SA, as managing partner in Real Estate Consultancy SPRL and as President of Pylos France SAS.

Mr. Zachary Rubin
Date of Birth: 18 November 1973
Position: Supervisory Director
Nationality: Dutch
Appointed: September 5, 2007
Current term: AGM 2010
Before Mr. Rubin joined the Kardan Group, of which GTC Real Estate N.V. forms part, he first worked in the Private Equity Division of BNP Paribas in the Netherlands and after that he worked for Goldman Sachs in London, in the Equities and Investment Banking divisions, and finally he was a managing director of RTG and active as a corporate finance consultant.
Currently, he also serves as a managing director and supervisory director in various other companies within the Kardan Group, including Kardan N.V., Kardan Financial Services B.V., TBIF Financial Services B.V., Globe Trade Centre S.A., and Tahal Group B.V.

Mrs. Esther Goren
Date of birth: 11 October 1947
Position: Supervisory Director and member of the Audit Committee
Nationality: Israeli
Appointed: 1 September 2004
Re-appointed: 5 September 2007
Current term: AGM 2010
Mrs. Goren has been a Department Manager in the Real Estate sector of Bank Ha'poalim Ltd. in Israel until December 2002 and since then served as a member of the board of directors of three Israeli public companies.

Mr. Hagai Harel
Date of birth: 13 March 1962
Position: Supervisory Director
Nationality: Israeli
Appointed: 5 September 2007
Current term: AGM 2010
Mr. Harel has been serving as the Managing Director of GTC International B.V. (a company that has been merged into GTC RE in April 2006). During the years 1994-1999 he served as the Chief Financial Officer of Kardan Real Estate Enterprise & Development Ltd. and during the years 2003 until 2005 he served as a managing director of Kardan N.V. Currently, he also holds several other positions within the Kardan Group, including but not limited to being a managing director of Globe Trade Centre S.A.



Report of the Supervisory Board

We are pleased to present the Annual Report for the year 2007 of GTC Real Estate N.V. (GTC RE), including the 2007 annual accounts. The 2007 annual accounts have been audited by Ernst & Young Accountants. The auditors' report is included on page 121 of this Annual Report.

The Annual Report for the year 2007 and the 2007 annual accounts have been presented to the Supervisory Board. The 2007 annual accounts and the auditors' report were discussed by the Audit Committee with the Management Board and the external auditor. On the basis of these discussions we are convinced that the Annual Report for the year 2007, including the 2007 annual accounts, meets transparency requirements and we endorse this Annual Report. In our opinion it forms a sound basis for the reporting by the Supervisory Board on the supervision exercised in the financial year 2007.

We recommend the General Meeting of Shareholders to adopt the 2007 annual accounts included in this Annual Report during the Annual General Meeting of Shareholders (AGM) to be held on 26 June 2008. The Management Board has decided not to declare dividends for the financial year 2007 and to add the net profit for the year 2007 attributable to the equity holders of the parent of EUR 20.3 million to the retained earnings in order to invest in future growth. We approve this proposal and recommend the General Meeting of Shareholders to endorse this.

Upon adoption of the 2007 annual accounts, a separate proposal will be put before the General Meeting of Shareholders during the AGM to be held on 26 June 2008 discharging the members of the Management Board from all liability with respect to their management during 2007 and the members of the Supervisory Board from all liability with respect to their supervision in the same period.

Composition of the supervisory board

During the AGM, held on 5 September 2007, Mr. B. Bremer, Mr. H. Morcaut and Mrs. E. Goren have been re-appointed as members of the Supervisory Board for a period of three years. Furthermore, during the same AGM, Mr. A. Ickovics resigned as member of the Supervisory Board and Mr. H. Harel and Mr. Z. Rubin were appointed as members of to the Supervisory Board for a period of three years. As of 1 September 2007, Mr. A. Mantel is no longer a member of the Supervisory Board.

After the aforementioned changes, the Supervisory Board comprises of five members, being Mr. B. Bremer (chairman), Mrs. E. Goren, Mr. H. Morcaut, Mr. H. Harel, and Mr. Z. Rubin, of which two members can be regarded as independent under the criteria laid down in the provisions III.2.1 through III.2.3 of the Dutch Corporate Governance Code ("Code"). These are Mr. Morcaut and Mrs. Goren. The other members, being Mr. Bremer, Mr. Harel and Mr. Rubin, are not independent under these criteria as they have all been members of the Management Board of GTC RE in the preceding five years prior to their appointment as Supervisory Board members. The Supervisory Board intends to propose to the General Meeting of Shareholders during the AGM to be held on 26 June 2008, to appoint Mr. J. Slootweg as member of the Supervisory Board in order to replace Mr. Rubin who wishes to resign in order to be able to contribute all his effort and all of his time in the financial services activities within the group of companies of which Kardan is the top holding company ("Kardan Group") through TBIF Financial Services B.V. and its subsidiaries. Upon the resignation of Mr. Rubin and the appointment of Mr. Slootweg, three members of the Supervisory Board of GTC RE can be regarded as independent under the criteria laid down in the Code. GTC RE does currently not consider it appropriate to follow provisions III.2.1 through III.2.3, taking into account the specific knowledge and experience that rest with its senior management and from which a Supervisory Board may well benefit when performing its tasks. Furthermore, given the extensive provisions on conflict of interest in its articles of association and the Supervisory Board regulations, GTC RE feels that there are - without jeopardizing the corporate governance system - good grounds for not following these provisions.

The profile of the Supervisory Board is such that each member shall be capable of assessing the broad outline of the overall policy and shall have the specific expertise required for the fulfillment of the duties assigned to the role designated to him or her within the framework of the profile. Each member shall be capable of performing his or her function properly and contributing to an adequate composition of the Supervisory Board. Each member shall have an international background whereby various nationalities shall be represented. The Supervisory Board shall consist of a mix of persons with, amongst others, (i) expertise in managing enterprises, in financial administration and accounting from listed companies and other large entities, (ii) specific know-how in respect of the various aspects of the business operations of GTC RE, and (iii) awareness of and the skills to indentify international, social, economic, political and social developments that are relevant to GTC RE. The Supervisory Board has ensured the composition of its board to fit the profile and thus to be as diverse as possible and it therefore feels that with its current composition, it has the expertise necessary to supervise GTC RE, bearing in mind the nature and characteristics of GTC RE.

Supervisory Board meetings

The Supervisory Board held six meetings during the year 2007 in the presence of the Management Board, two of which were held via conference call. Most of the meetings were attended by the full Supervisory Board. There was no frequent absence of any of the members of the Supervisory Board.

The subjects that were discussed during the six Supervisory Board meetings held during the year 2007 were amongst others:

- company strategy, objectives and budget;
- the results of and developments within the business sectors and the group as a whole, geographical expansion with a focus on the evolution of the international economical and financial environment
- 2006 annual financial statements and the 2007 quarterly financial statements;
- the policy to be pursued with regard to financing the investments;
- the structure of the management of GTC RE to support the growth of the Group; and
- corporate governance (including risk management) and other elements of compliance.

In addition to the six formal meetings, informal discussions were held frequently between the chairman of the Supervisory Board and one or more members of the Management Board.

Opportunities for acquisitions as well as expansion of activities, including strategic and financial aspects as well as possible risks, were discussed with the Management Board. GTC RE's strategy focuses on investment opportunities with high-growth potential. The Supervisory Board endorses the policy of the Management Board to further strengthen the structure of GTC RE and its policy for growth, particularly in the Central and Eastern Europe countries and in China.

Supervisory Board Committees

The Supervisory Board has appointed an Audit Committee from amongst its members. Currently, the Audit Committee comprises of three members, being Mr. H. Morcaut (chairman), Mrs. E. Goren and Mr. B. Bremer.

The Audit Committee is responsible for the assessment of the provision of the financial information and devoted particular attention to the functioning of the internal risk control and monitoring systems, the relationship with the external auditor and the impact of the revised International Financial Reporting Standards (IFRS).

The Audit Committee met three times during the year 2007 and paid special attention to the following subjects during these meetings:
- 2006 annual financial statements and the 2007 quarterly financial statements, including specific accounting issues arising from such financial statements;
- risk management; and
- compliance.

Most of the meetings were attended by the full Audit Committee. There was no frequent absence of any of the members of the Audit Committee. GTC RE's external auditor attended the Audit Committee meeting during which the 2006 annual results were discussed.

In addition to the formal meetings, informal discussions were held frequently between the chairman of the Audit Committee and the chief financial officer and controller and/or the external auditor.

Given the size and structure of GTC RE, the Supervisory Board considers it not necessary and opportune to appoint a Selection and Appointment Committee and a Remuneration Committee.

The General Meeting of Shareholders establishes the remuneration of individual members of the Management Board based on a proposal of the Supervisory Board. The individual remuneration was adopted by the General Meeting of Shareholders during the AGM held on 5 September 2007. A specification of the remuneration of the members of the Management Board and of the members of the Supervisory Board is included in the notes to the annual accounts on page 110 of this Annual Report.

The Supervisory Board prepares its remuneration proposal on the basis of a remuneration policy which aims to offer remuneration appropriate to attracting qualified directors to an international company, bearing in mind the nature and character of GTC RE. The policy is challenging such that it also motivates directors to achieve quality performance.

Corporate Governance

In the meetings with the Management Board, we devoted attention to the financial and commercial developments and management issues, such as the quality of corporate governance and the risk management policy.

The chosen approach of GTC RE towards the implementation of the Code, including a description of the provisions that are not fully applied and stating the reasons for such non-application, has been specified in the chapter on corporate governance on page 23 of this Annual Report. We, the Supervisory Board, fully subscribe the meaning and usefulness for GTC RE of the Code and the ensuing changes in the law in the Netherlands. We endorse the chosen approach of GTC RE towards the implementation of the Code and we agree with the provisions that are not fully applied as we feel these provisions do not fully fit the character and size of GTC RE.

In conclusion

The Supervisory Board expresses its special appreciation for all the effort invested by the Management Board and all of GTC RE's staff. Everyone across the whole organization worked with enthusiasm and dedication to further strengthen GTC RE.

Amsterdam, June 11, 2008

On behalf of the Supervisory Board,
Boudewijn Bremer

General course of events 2007

January

- **GTC RE to raises EUR 100 million through issuance of non-convertible debentures**
  GTC RE raised approximately EUR 100 million through a private placement of non convertible debentures to Israeli industrial investors.
  The issue was approximately 7 times oversubscribed.

February

- **GTC SA hailed as WIG20 index best investments**
  GTC SA has been awarded the Bull & Bear trophy and found as the best stock exchange investment on WIG20.
- **GTC SA acclaimed as Forbes Diamond**
  GTC SA has been awarded the first place in the ranking of the most valuable big Polish enterprises.

March

- **GTC SA to develop a shopping and office project in Zagreb, Croatia**
  GTC SA acquired a plot in Zagreb to build 24,000 sqm of shopping and office space.

April

- **GTC SA issues EUR 212 million bonds**
  GTC SA raised approximately EUR 212 million through the issuance of bonds. The proceeds will be issued for the purchase of land and he construction of new real estate projects in central and eastern Europe.
- **GTC SA new investment in Budapest, Hungary**
  GTC SA has acquired a plot for construction of new office centre Renaissance Plaza in Budapest.
  GTC SA has acquired 6,000 sq.m of land at Vaci ut street in Budapest, where it is planning to develop a modern office complex. In the new A-class facility the developer will offer some 23,500 sqm net of office space.
- **GTC SA begins construction of GALLERIA chain in Romania**
  GTC SA plans to build more than 10 GALLERIA shopping centers over the next 4 years.

May

- **GTC SA accelerates its investments in Bulgaria**
  GTC SA has acquired a retail site in Varna, Bulgaria, to be developed to a 37,000 sqm NRA shopping mall.

June

- **GTC SA acquires 200,000 sqm of new building rights in Poland, Hungary and Serbia**
  GTC SA agreed the terms of acquisition for two residential projects in Łódź and Budapest, and two mixed-use retail and office developments in Belgrade. The four projects will increase GTC SA's portfolio by 200,000 sqm of net building rights.

July

- **GTC China enters new city in China to develop first shopping mall project**
  GTC China has won, together with its local partner, Lucky Hope, the ownership of the 20,000 sqm new development site in Chengdu. On the site, GTC RE plans to develop a 40,000 sqm shopping mall over the next 3 years.
- **GTC SA new investments in Romania, Hungary and Bulgaria**
  In Romania – GTC SA has acquired a 66.6% share of a company which plans to develop 2 new residential projects of 100,000 sq.m and 57,000 sqm in Bucharest.
  In Hungary - GTC SA has signed an agreement of acquisition of 61,000 sqm site in Budapest to be developed into a residential project.
  In Bulgaria – GTC SA has acquired 75% of shares in a company building a 23,000 sqm shopping mall in the city of Stara Zagora.

September

- **Avenue Mall in Zagreb starts its activity**
  Avenue Mall – the first third – generation shopping center in Zagreb. The mall features 130 shops, 36,500 sqm. of gross retail space (26,500 sq.m NRA), and some of the biggest names in the fashion world.
  GTC SA sells class-A office building in Romania
  GTC SA sells American House office building in Bucharest, valued at EUR 120 million.
  GTC continues its expansion in Bulgaria
  GTC SA has acquired shares in a company developing Galeria Burgas, a modern shopping mall being build in the fourth-largest city in Bulgaria. The size of the shopping mall to be developed is 36,000 sqm.

October

- **Lighthouse Building in Prague Sold**
  An affiliate of GTC SA has sold its 87.5% interest in the company owning the Lighthouse Vltava office building in Prague, Czech Republic. The transaction was based on an evaluation of EUR 76.5 million for the Lighthouse Building, representing a yield of 5.65%

November

- **GTC RE to expand its activity into India**
  GTC RE signed a term sheet for the development of a commercial and residential project in Pune, India, comprising 1.5 to 2 million sqm of building rights.
- **GTC RE to raise EUR 143 million through issuance of non-convertible debentures.**
  GTC RE completed a tender to Israeli institutional investors for a private placement of non-convertible debentures, raising approximately EUR 143 million. GTC RE intends to use the funds for further expansion of its activities.

Report of the Management Board

GTC RE operations in the real estate segment are carried out in three regions: Central Eastern Europe (CEE), Western Europe and China.

GTC RE is listed on the Tel Aviv Stock Exchange and is included in several of its indices.

In the CEE, GTC RE is active via its 46.13% holding in GTC SA, one of the leading real estate developers in the CEE. GTC SA is listed on the Warsaw Stock Exchange and is included in major indices, such as the WIG20, MSCI and GPR250. Its activities include the development and management of office buildings, shopping centers and residential projects. GTC SA has vast experience in the region and is currently active in ten countries: Poland, Hungary, the Czech Republic, Romania, Serbia, Croatia, Slovakia, Bulgaria and the Ukraine and Russia. GTC SA's strategy is to focus on large scale projects in prime locations.

In China, GTC RE is active through its 100% holding in GTC RE China Limited. GTC RE has gradually expanded its activities in the Chinese market. GTC RE studied the business environment, recruited a local team, and opened a Chinese office. In the last three years, GTC China has entered into six agreements for the acquisition or lease of land for real estate development, mainly residential, in large-scale cities together with its partner Lucky Hope.

In Western Europe, GTC RE conducts its limited activities through GTC Investments B.V. Due to the market conditions, GTC RE has slowed its investment pace in Western Europe.

Overview 2007

During the year under review, the real estate segment continued expanding its activities through accelerated expansion in all existing countries.

Raising new equity helped to accelerate the pace of new acquisitions during 2007. In January 2007, GTC RE raised EUR 100 million by issuance of bonds to leading Israeli institutional and private investors.

In April 2007, GTC SA successfully raised EUR 212 million by issuance of bonds to leading Polish institutional investors. In November 2007 GTC RE expanded the bonds series and raised an additional EUR 143 million.

Revenues from the rental activities amounted to EUR 59.0 million in 2007 (2006: EUR 70.9 million) and revenues from sale of apartments amounted to EUR 27.4 million (2006: EUR 22.2 million). The decrease in the results of the rental activities is the result of selling the main rentable asset (Galleria Mokotow) at the end of 2006. The increase in the results of the residential activities is the result of finishing several phases of residential projects in Poland and China. Gains from the revaluation of investment properties amounted to EUR 287.3 million in 2007 (2006: EUR 213.2 million).

Finance expenses in 2007 amounted to EUR 101.4 million net, (2006: EUR 90.3 million). Most of the increase is the result of the measurement of options issued by GTC RE or its subsidiaries to the public and debt holders to their fair market value as changes in the fair values should be recognized as profit or loss. The value of the options depends highly on the price of the underlying GTC RE shares, which has increased over the last year from NIS 45.84 at 31 December 2006 to NIS 59.5 at 31 December 2007. This resulted in a higher value of the options and a corresponding loss.

In GTC RE's acquisition strategy and management philosophy, options play an essential role. The option mechanism promotes the entrepreneurial spirit within the companies GTC RE invests in.

In 2007, GTC RE recognized a total loss of EUR 2 million as a result of exercise of warrants held by the chairman of the supervisory board of GTC SA to shares. GTC RE's interest in GTC SA was reduced from 46.4% at 31 December 2006 to 46.13% at 31 December 2007. Despite the fact that GTC RE holds less than 50% of the shares of GTC SA it still exercises control and accordingly the results of the CEE activities are fully consolidated in GTC RE.

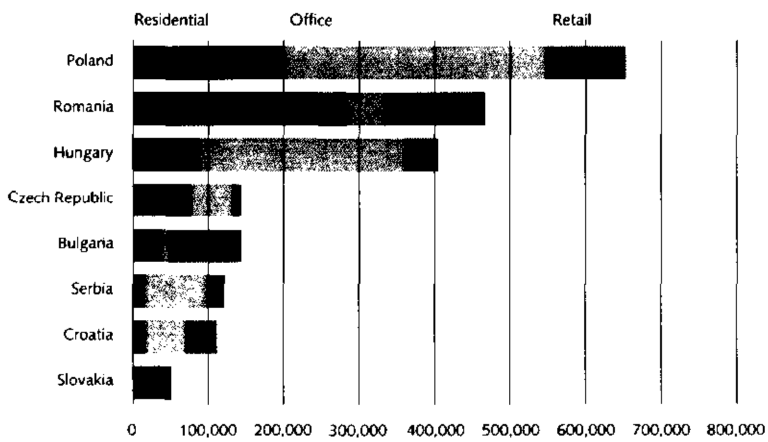
Net profit attributable to equity holders for the year 2007 amounted to EUR 20.3 million (2006 EUR 40.8 million).

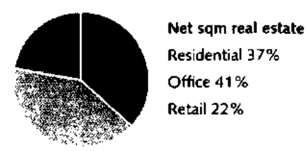
CEE

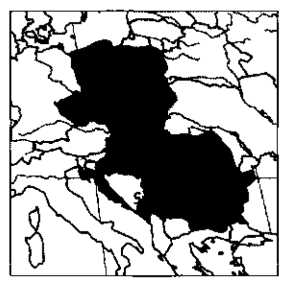
GTC SA posted record results over 2007, with a profit of EUR 261 million. The total portfolio of pipeline projects exceeds 2.1 million sqm. of net office, retail and residential space. In total, GTC SA acquired nearly 700,000 sqm of potential net building rights in 2007. GTC SA raised significant funds through the issuance of bonds and debentures. These funds enable the rapid investment strategy pursued by these businesses.

In 2007, the sale of both the America House office building in Bucharest and the Lighthouse building in Prague were completed. These transactions reflect an exit yield of 5.5% and 5.65% respectively. In addition six projects were completed: Avenue Mall shopping centre in Zagreb, the Newton and Edison office buildings in Cracow, Platinium I and Nothus office building in Warsaw and 19 Avenue office building in Belgrade. The total value of the projects completed in 2007 is EUR 360 million, leading to revaluation gains of almost EUR 200 million. Total revaluation gains included in the 2007 results amounted to EUR 287 million. The sale of these properties is part of GTC SA's

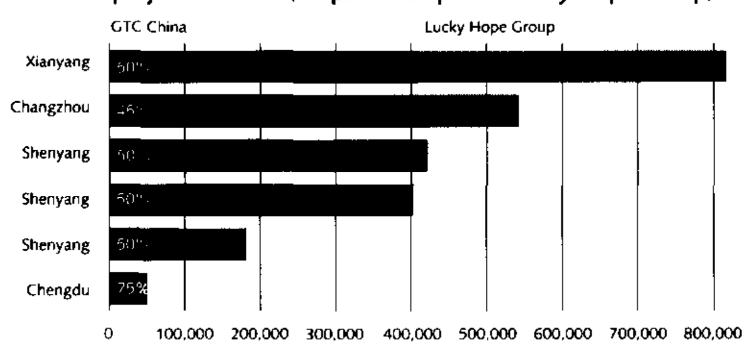
Real-estate projects in Europe, net sqm

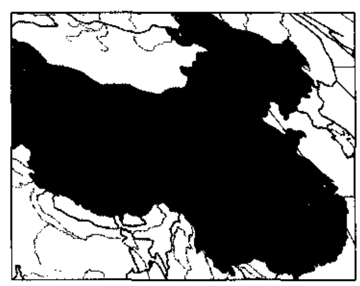






Real-estate projects in China, in partnership with Lucky Hope Group, net sqm





strategy to further diversify its property portfolio in terms of sector, geographical spread and maturity of assets. In April 2008, GTC SA announced that it intends to enter the Russian Real Estate market. Russia is the tenth country in which GTC SA operates.

GTC SA's successful activities in the region have also been acknowledged by real estate experts. After winning several development real estate awards, GTC SA has been awarded the best stock exchange investment of all WIG 20 companies.

Asia

In China building rights amount to approximately 2.6 million sqm, representing total investments of more than EUR 800 million. GTC RE's share in the Chinese projects is between 45%-75% (50% in most of the projects).

At the end of 2007, new operations began in India, with the signing of a term sheet for the development of a phased commercial and residential project in Pune.

Western Europe

Due to the current market conditions GTC Investments has decided to slow down its investment pace in Western Europe.

Throughout 2007 and 2008, significant market turmoil was experienced in the credit markets, beginning with concerns over US sub-prime mortgages and then widening into a general banking liquidity crisis. GTC RE management is carefully reviewing and monitoring the impact of the crisis on its financing position, valuation of assets and liquidity position. Despite the difficult circumstances in credit markets GTC RE was able to raise significant funding during 2007. Through a range of bond offerings it has secured a strong cash position and real estate in Central and Eastern Europe has, in the opinion of management and as validated by external appraisers, not yet suffered. GTC RE focuses on emerging markets, which the current economic turmoil has only slightly affected so far.

Outlook

In the upcoming year, GTC intends to continue its growth through the investment and development in new residential, commercial and office buildings according to market conditions.

CEE - GTC SA plans to continue developing projects in CEE and acquire additional building rights in various existing countries of operation. GTC SA is also considering expansion into new markets.

China - GTC RE China plans to expand its activities in different second and third tier cities in China, as well as to expand its activities to the development of mix use projects.

India - GTC RE will continue exploring the investment possibilities in India.

Amsterdam, June 11, 2008
Management Board

W. Van Damme

E. Gabber

F. Houterman

A. Ickovics

A. Shlank

Personnel and Organization

In 2007 GTC RE accelerated its growth and expanded into new countries of operation and secured new projects in all the countries of operation.
As at year-end 2007, the number of employees engaged by GTC RE and its consolidated companies had increased from 210 to 324. This was the result of the expansion of the group activities and the organic growth. Even though staff number increased, costs were carefully managed.

GTC RE headquarters are in Amsterdam, the Netherlands. The majority of the employees engaged by the Group are in Central and Eastern Europe, where GTC RE conducts most of its activities.

Excellent management is essential to our future.
GTC RE has a lean management structure with an entrepreneurial character and is actively involved in the management of its investee companies. GTC RE is responsible for the strategic development as well as steering the policies of its subsidiaries, while contributing its business experience, local and international network and financial resources. An experienced manager with relevant background heads each sector of activity.

GTC RE believes its senior management team is its major asset, and views its senior managers as business partners. Therefore, GTC RE grants them equity rights in the companies they manage. Various bonus and incentive schemes are in place.

Risk Management

GTC RE is a Group Company of Kardan N.V. (Kardan). Kardan's general approach to risk management and internal control is that Group companies are accountable for the design and operational effectiveness of their risk management practices. This is consistent with the Kardan Group's decentralized management structure and its diversified business sectors as well as its wide geographic area. Therefore, throughout the Kardan Group, including GTC RE, all managers at all levels have responsibility for managing risk as an integral part of their day-to-day operations and decisions. The risk management and internal control activities are regularly reported to and discussed with the Supervisory Board and the Audit Committee. The Audit Committee monitors these risk management and control activities within the Group and provides the Supervisory Board with an overview thereof.

The risk management section in Kardan's annual report 2007 provides an overview of some of the Group's strategic, operational, financial reporting, and compliance risks areas. The following risk factors are specific risks related to Kardan's business in the real estate sector conducted through GTC RE:

- development projects require large initial investments, which will only start generating income after a long period and are subject to certain risks, such as delays or cost overruns and lower than expected actual income from rent or sale;
- a decreased demand for, or an increased supply of, office and commercial space or a contraction of the market for residential real estate in case of an economic downturn;
- GTC RE's reliance on (leveraged) financing which may increase damages from project delays, cost overruns and market decline;
- GTC RE continued success depends on the services of a relatively small number of key executives that are highly skilled and are experienced in their fields

Throughout 2007, significant market turmoil was experienced in the credit markets, beginning with concerns over US sub-prime mortgages and then widening into a general banking liquidity crisis. Management is carefully reviewing and monitoring the impact of this (credit) crisis on its financing position, valuation of assets and liquidity position.

The risk management section in Kardan's annual report 2007 also contains a description of the main components and attributes of the Kardan Group's risk management and internal control systems. The following risk management policies and practices are part of the Kardan Group and also specific to GTC RE:

- ongoing monitoring of economic conditions and developments;
- ongoing monitoring of individual investment properties on aspects as quality of tenants, current and expected vacancies, and zoning;
- independent appraisals of real estate;
- comprehensive due diligence reviews of investment /development proposals;
- phased development of projects in line with market demand.

The aforementioned description of GTC RE's risk profile is not exhaustive. There may be other significant risks GTC RE has not yet identified or have been assessed as not having a significant potential impact on the business but which at a later stage could materialize as such. GTC RE's risk management and business control framework is in line with the framework of Kardan. For further detail on the Kardan risk management framework please refer to the Kardan annual report 2007. GTE RE's risk management and internal control systems as described above have been discussed with the Audit Committee, the Supervisory Board and the external auditor.

Based on our review of GTC RE's risk management and internal control systems, and cognisant of their inherent limitations as described below, we have concluded that there is reasonable assurance that:

- We have sufficient insight into the extent to which GTC RE's strategic and operational targets will be realized;
- GTC RE's internal and external (financial) reports are reliable; and
- Applicable laws and regulations are being complied with.

It is important to note that effective risk management, with embedded internal control, no matter how well designed and operated, provides only reasonable assurance to the Management and Supervisory Boards regarding achievement of an entity's objectives.

In this context reasonable assurance refers to a degree of certainty that would be satisfactory for a prudent manager in the management of his affairs in the given circumstances. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's standing policies, procedures and instructions may deteriorate.

Achievement of objectives is affected by limitations inherent in all management processes. These include the realities that human judgment in decision-making can be faulty and that breakdowns can occur because of such human failures as simple error or mistake. Additionally, controls can be circumvented by the collusion of two or more people, and management has the ability to override the enterprise risk management process, including risk response decisions and control activities. Another limiting factor is the need to consider the relative costs and benefits of risk responses.

Corporate Governance

Introduction

GTC Real Estate N.V. (GTC RE) was incorporated in The Netherlands and acts as a holding company for the real estate activities of Kardan N.V. (Kardan). In August 2004, GTC RE changed its name from Nobdanco Belegging en Vastgoed B.V. to its current name and was converted from a limited liability company to a public company. In September 2004, GTC RE issued securities to the public in Israel and its shares were listed for trading on the Tel Aviv Stock Exchange (TASE).

Since the shares of GTC RE are listed on TASE, GTC RE has been enhancing and improving its compliance with corporate governance standards as set out in the applicable laws and regulations. Most notable is the Dutch Corporate Governance Code adopted on 9 December 2003 (the Code), which became effective under the Dutch Civil Code in December 2004. This chapter describes the general corporate governance structure at GTC RE. The Management Board and the Supervisory Board of GTC RE acknowledge their responsibility for GTC RE's corporate governance and for compliance with the Code. GTC RE applies the Code's principles and best practice provisions, except for the following principles and best practice provisions that are not fully applied:

- *best practice provisions II.1.3 (b) and II.1.6* – implementation of a code of conduct and whistleblower policy: GTC RE has not adopted a general code of conduct and whistleblower policy as suggested by the Code as its parent company, Kardan, has already adopted such code and policy which apply to the employees of GTC RE as GTC RE is part of the Kardan Group;
- *the best practice provisions relating to principle II.2* – remuneration of the members of the Management Board: the General Meeting of Shareholders of GTC RE determines the remuneration amount and composition of the remuneration of the members of the Management Board based on a proposal of the Supervisory Board. Accordingly, GTC RE believes that the provisions relating to principle II.2 of the Code have already been properly dealt with although it does not strictly follow these provisions. More information regarding the remuneration of the Management Board members and the deviations from the Code in this respect can be found in this chapter and in the report of the Supervisory Board. Furthermore, detailed information can be found in the notes to the financial statements (page 110 of this Annual Report);
- *best practice provisions II.2.6 and III.7.3* – adoption of regulations containing rules governing ownership of and transactions by Management Board members or Supervisory Board members in securities in Dutch listed companies other than their 'own' company: with respect to the notification by members of the Supervisory Board or the members of the Management Board of all changes in holdings of shares in Dutch listed companies other than GTC RE as recommended in provisions II.2.6 and III.7.3 of the Code, GTC RE has investigated the consequences of implementation of such provisions. The conclusion of this investigation was that GTC RE will not implement these provisions, as it feels that this is a private matter and is already adequately regulated by the current regulations on insider trading and conflict of interest. Of course, should ownership of securities constitute a material conflict of interest, the relevant member of the Management Board or Supervisory Board will have to comply with the rules on conflicts as further described in this chapter;
- *best practice provision II.2.7* – maximum remuneration in the event of dismissal of members of the Management Board: there are no agreements between GTC RE and its members of the Management Board that include provisions relating to severance payments in case of dismissal as this is not felt to be in the interest of GTC RE;
- *best practice provisions III.2.1 through III.2.3* – independency of the Supervisory Board members: two members of the Supervisory Board of GTC RE can be regarded as independent under the criteria laid down in the Code. These are Mr. H. Morcaut and Mrs. E. Goren. The other members, being Mr. B. Bremer, Mr. H. Harel and Mr. Z. Rubin, are not

independent under these criteria as they have all been members of the Management Board of GTC RE in the preceding five years prior to their appointment as Supervisory Board members. The Supervisory Board intends to propose to the General Meeting of Shareholders during the AGM to be held on 26 June 2008, to appoint Mr. J. Slootweg as member of the Supervisory Board in order to replace Mr. Z. Rubin who wishes to resign in order to be able to contribute all his effort and all of his time in the financial services activities within the group of companies of which Kardan is the top holding company (Kardan Group) through TBIF Financial Services B.V. and its subsidiaries. Upon the resignation of Mr. Rubin and the appointment of Mr. Slootweg, three members of the Supervisory Board of GTC RE can be regarded as independent under the criteria laid down in the Code. GTC RE does currently not consider it appropriate to follow provisions III.2.1 through III.2.3, taking into account the specific knowledge and experience that rest with its senior management and from which a Supervisory Board may well benefit when performing its tasks. Furthermore, given the extensive provisions on conflict of interest in its articles of association and the Supervisory Board regulations, GTC RE feels that there are - without jeopardizing the corporate governance system - good grounds for not following these provisions;

- *best practice provisions III.3.3 and III.4.1 (a) and (f)* – introductions and education or training program and the election of a vice chairman by the Supervisory Board: GTC RE does not consider it necessary to make an introduction program mandatory for each newly appointed Supervisory Board member. If a newly appointed Supervisory Board member considers it to be necessary or desirable, he may follow an introduction program, that covers general financial and legal matters, financial reporting by GTC RE, any specific aspects that are unique to GTC RE and its business activities and the responsibilities of a Supervisory Board member. Furthermore, GTC RE did not appoint a vice chairman in deviation of best practice provision III.4.1 (f) as it does not consider it necessary to have a vice chairman;
- *best practice provision III.4.2* – the chairman of the Supervisory Board shall not be a former member of the Management Board: the current chairman, Mr. Bremer, is a former member of the Management Board. GTC RE does not consider it appropriate to comply with this provision, taking into account the specific knowledge and experience that rest with its senior management and from which a Supervisory Board may well benefit when performing its tasks;
- *principle 5.III and the related best practice provision* – if the Supervisory Board comprises of more than four members, the Supervisory Board should designate an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee from its midst: although the Supervisory Board of GTC RE comprises of five members, it considers it unnecessary to designate a Remuneration Committee and a Selection and Appointment Committee given the size and structure of GTC RE;
- *best practice provision III.5.6* – the chairman of the Audit Committee shall not be a former member of the Management Board: although GTC RE is currently in compliance with the Code, it considers it in the interest of GTC RE not to exclude this possibility for the future and has therefore implemented this vision in the terms of reference of the Audit Committee;
- *best practice provisions III.7.1 and III.7.2* – no shares or options to shares shall be granted to Supervisory Board members as remuneration: the fact that options have been granted to Mr. Bremer, chairman of the Supervisory Board of GTC RE, is a deviation from provisions III.7.1. and III.7.2 of the Code. GTC RE believes that it is not necessary to completely adhere to these provisions. The granting of the options to Mr. Bremer was based on his current achievements and the wish for further continuation;
- *best practice provision IV.1.1* – the adoption of a resolution to cancel the binding nature of a nomination for the appointment of a member of the Management Board or of the Supervisory Board

and/or a resolution to dismiss a member of the Management Board or of the Supervisory Board: GTC RE considers it in the interest of GTC RE that the Supervisory Board's right of nomination shall be binding, unless the General Meeting of Shareholders deprives the binding character, by a resolution passed with a majority of two-thirds of the votes cast representing more than half of GTC RE's issued capital, which forms a deviation from provision IV.1.1 of the Code.

Each important change to GTC RE's corporate governance structure and each change in the compliance with the Code will be submitted to the annual General Meeting of Shareholders for discussion as a separate agenda item. During the annual General Meeting of Shareholders held on 29 June 2006, GTC RE's corporate governance deviations from the Code were discussed for the first time. On the agenda of the coming annual General Meeting of Shareholders, GTC RE will again put 'corporate governance' as a separate discussion item.

Further details on the extent and manner of implementation of the Code are found in (i) this chapter and in the risk management chapter (page 21 of the Annual Report), and (ii) in GTC RE's Articles of Association, the Supervisory Board regulations (including profile and Audit Committee terms) and the Management Board regulations which can all be obtained at the offices of GTC RE.

Structure

GTC RE has a two-tier structure with a Management Board and a Supervisory Board. The members of the Management Board are all executive directors and the members of the Supervisory Board are all non-executive directors.

The management of GTC RE is entrusted to the Management Board, which means, among other things, that the Management Board is responsible for the development and implementation of GTC RE's objectives, strategy and policies. Under Dutch law, the members of the Management Board hold their duties and responsibilities collectively. The Management Board is accountable to the Supervisory Board and to the General Meeting of Shareholders. In performing its duties and responsibilities, the Management Board is guided by the interests of GTC RE and its affiliated enterprises, and takes the interests of GTC RE's stakeholders into consideration. The Management Board is subject to the Management Board regulations.

The Supervisory Board is separate from and independent of the Management Board. The Supervisory Board supervises and advises on the actions and policies of the Management Board and the general course of GTC RE's business activities. The supervision of the Management Board by the Supervisory Board includes the following: (i) achievement of GTC RE's objectives, (ii) corporate strategy and the risks inherent in the business activities, (iii) the structure and operation of the internal risk management and control systems, (iv) the financial reporting process, and (v) compliance with legislation and regulations. In its supervisory capacity, the Supervisory Board assists and advises the Management Board in the performance of its managerial duties. In performing their duties, the members of the Supervisory Board shall act in accordance with the interests of GTC RE and the business connected with it, and shall take into account the relevant interests of GTC RE's stakeholders. The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board is subject to the Supervisory Board regulations.

The Management Board provides the Supervisory Board in a timely manner with all information necessary for the exercise of the duties of the Supervisory Board.

Appointment and composition of the Management Board

The Supervisory Board has the right to make binding nominations for candidates for the Management Board that are subsequently appointed by the General Meeting of Shareholders. Each member of the Management Board is appointed for a period of three years, but may be re-appointed following the expiry of his term of office. At present there are five members of the Management Board; their profiles and an appointment scheme can be found on page 9 and 31 of this Annual Report.

A member of the Management Board may not be a supervisory director of more than two listed companies. Nor may a member of the Management Board be the chairman of the Supervisory Board of a listed company. Membership of the Supervisory Board of another company within the group of companies of which GTC RE is the top holding company (GTC Group) does not count for this purpose. Currently, no member of the Management Board serves as a member of a Supervisory Board of more than two listed companies outside the GTC Group and no member of the Management Board is the chairman of the Supervisory Board of a listed company outside the GTC Group. The acceptance by a member of the Management Board of membership of the Supervisory Board of a listed company outside the GTC Group requires the approval of the Supervisory Board. Other important positions held by a member of the Management Board shall be notified to the Supervisory Board.

The Supervisory Board may elect one of the members of the Management Board as chairman of the Management Board. In the event that no chairman has been elected by the Supervisory Board, the meeting of the Management Board will itself designate a chairman for each separate meeting. The Management Board meets regularly. It also meets whenever the chairman or two other members of the Management Board or the Supervisory Board consider a meeting necessary. Resolutions of the Management Board are adopted if an absolute majority of the votes cast are in favor.

Risk management and conflicts of interest of the Management Board

GTC RE considers a professional risk management and control system to be a vital element of its strategic policy. Running risks is an integral part of the business operations of GTC RE and can play a part in both gains and losses, in both opportunities and threats. The policy of GTC RE is to ensure that risks are identified in a timely manner, adequately understood, properly assessed and effectively responded to by the responsible employees at all levels within the GTC Group. Through the risk management and control system of GTC RE, it seeks to provide reasonable assurance that business objectives can be achieved and obligations to third parties can be met. More information on this subject can be found in the risk management chapter on page 21 of this Annual Report.

The Articles of Association of GTC RE include extensive provisions on conflicts of interest between GTC RE and Holders of Control (as defined in the Articles of Association), which are also applicable if these Holders of Control hold a position in the Management Board. In addition, GTC RE endorses the principles and provisions of the Code that address conflicts of interest between GTC RE and one or more members of the Management Board. To this effect provisions have been included in the Management Board regulations.

Remuneration and shareholdings of the Management Board

The General Meeting of Shareholders determines the remuneration amount and composition of the remuneration of the members of the Management Board upon a proposal of the Supervisory Board. Accordingly, GTC RE believes that the provisions relating to principle II.2 of the Code have already been properly dealt with. Detailed information about the remuneration of the members of the Management Board can be found in the notes to the financial statements on page 110 of this Annual Report.

Currently, no member of the Management Board has been granted a loan, guarantee or the like and no member of the Management Board has been granted shares in the capital of GTC RE by way of remuneration.

The following members of the Management Board hold shares in the capital of GTC RE:
- Mr. A. Ickovics, who currently holds 69,031 shares in the capital of GTC RE;
- Mr. A. Shlank, who currently holds 12,400 shares in the capital of GTC RE; and
- Mrs. E. Gabber who currently holds 2,827 shares in the capital of GTC RE.

Furthermore, Mr. A. Ickovics holds 225 shares in GTC Investments B.V., a company that is part of the GTC Group.

Currently, none of the members of the Management Board hold options to shares in GTC RE. However, GTC RE does not exclude the possibility that in the future this situation might change (and if so, it will then decide on its position on the recommendations of the Code in this respect) as GTC RE believes that its senior management team is a major asset. In order to minimize the risk of management changes, GTC RE considers it to be in the best interest of GTC RE and the GTC Group that incentive-based policies be applied throughout the GTC Group. A key element of these policies is the granting of share options or shares.

The members of the Management Board are subject to the insider trading policy of GTC RE which amongst others contains rules of conduct to prevent trading in GTC RE's securities when holding inside information.

Appointment and composition of the Supervisory Board

The Supervisory Board itself has the right to make binding nominations for the candidates for the position of supervisory director that are subsequently appointed by the General Meeting of Shareholders. Each member of the Supervisory Board is appointed for a period of three years and may be re-appointed for no more than two times. The Supervisory Board itself determines the number of supervisory directors, but there must always be at least three members. At present, the Supervisory Board consists of five members; their profiles and an appointment scheme can be found on page 9 of the Annual Report. Furthermore, the Supervisory Board regulations include a profile of the Supervisory Board, its size and composition.

Each supervisory director must be capable of assessing the broad outline of GTC RE's overall policy and must have the specific expertise required for the fulfillment of the duties assigned to the role designated to the supervisory director in the Supervisory Board profile. It is considered desirable for the Supervisory Board to have, where possible, a wide range of expertise so that it has relevant knowledge and experience of business management, financial administration and accounting for listed companies and other large legal entities. If a newly appointed supervisory director considers it to be necessary or desirable, the supervisory director may follow an introduction program, that covers general financial and legal matters, financial reporting by GTC RE, any specific aspects that are unique to GTC RE and its business activities and the responsibilities of a supervisory director. GTC RE does not consider it necessary to make an introduction program mandatory for each newly appointed supervisory director.

The Supervisory Board can request supervisory directors to retire early in the event of inadequate performance or a structural incompatibility of interests.

At present, GTC RE is in compliance with provision III.3.4 of the Code, which states that the number of

Supervisory Boards of Dutch listed companies of which a supervisory director may be a member is limited to such an extent that the proper performance of the supervisory director's duties is assured and must in any event be no more than five, for which purpose the chairmanship of a Supervisory Board counts double. However, the Supervisory Board regulations provide that any new position that a supervisory director of GTC RE is planning to accept with another Dutch listed company will be notified to the Supervisory Board, after which the Supervisory Board will decide as a whole, on a case by case basis, and depending on the specific circumstances, whether the acceptance of such position would conflict with the ability of the relevant supervisory director to properly perform its role and as a result of which the relevant member would be requested to resign in case of acceptance of that position. GTC RE believes that a case by case assessment better serves the principle behind this provision of the Code, than applying absolute numerical criteria and therefore GTC RE does not prohibit more than five Supervisory Board memberships as such.

The Supervisory Board can elect a chairman from its members. The chairman of the Supervisory Board sets the agenda, chairs the Supervisory Board meetings, monitors the proper functioning of the Supervisory Board and the Audit Committee and arranges for the adequate provision of information to the supervisory directors. Furthermore, the chairman ensures that there is sufficient time for decision making, and acts on behalf of the Supervisory Board as the main point of contact towards the Management Board. The chairman of the Supervisory Board is also the chairman of the General Meeting of Shareholders.

The chairman of the Supervisory Board may arrange for the Supervisory Board to discuss its own functioning and that of its individual members, and the conclusions that could be drawn from this. The desired profile, composition and competence of the Supervisory Board may also be discussed.

Adoption of resolutions by the Supervisory Board requires an absolute majority of the votes cast. Supervisory directors who are frequently absent from the meetings may be asked by the Supervisory Board to account for their absence.

Conflict of Interest and remuneration of the Supervisory Board

The Articles of Association of GTC RE include extensive provisions on conflicts of interest between GTC RE and Holders of Control (as defined in the Articles of Association), which are also applicable if these Holders of Control hold a position in the Supervisory Board. In addition, GTC RE endorses the principles and provisions of the Code that address conflicts of interest between GTC RE and one or more members of the Supervisory Board. To this effect provisions have been included in the Supervisory Board regulations.

The General Meeting of Shareholders determines the remuneration of each supervisory director. The remuneration of a supervisory director is currently not dependent on the results of GTC RE. Shares and rights to shares are currently not granted to supervisory directors as remuneration with the exception of the options that were granted to Mr. Bremer, chairman of the Supervisory Board, as set out below. GTC RE has not granted personal loans, guarantees or the like to supervisory directors. Detailed information on the remuneration of the members of the Supervisory Board can be found in the notes to the financial statements on page 110 of this Annual Report.

During the annual General Meeting of Shareholders of GTC RE held on 29 June 2006, the General Meeting of Shareholders approved the granting to Mr. Bremer, chairman of the Supervisory Board, of 40,000 options to shares in GTC RE. The options were actually granted on 11 July 2006 for nil consideration and were accepted by Mr Bremer on 12 July 2006. The exercise price of each option amounts to NIS 8.63 adjusted to the changes in the Israeli CPI. In principle, the options can be exercised during a period of four years from the date on which the options were acquired. On 13 July 2007, Mr. Bremer exercised 20,000 of the options as a result of which 20,000 shares in GTC RE were issued to him on 13 July 2007.

In addition to this, it should be mentioned that Mr. H. Harel, member of the Supervisory Board, does hold, via a company that is being controlled by him, 175,270 shares in the capital of Globe Trade Centre S.A., a company listed on the Warsaw Stock Exchange and part of the GTC Group and that he has the right to obtain another 30,000 shares in this company.

The members of the Supervisory Board are subject to the insider trading policy of GTC RE which amongst others contains rules of conduct to prevent trading in GTC RE's securities when holding inside information.

Audit Committee

The Supervisory Board has elected three persons from its members to form an Audit Committee, without in any way derogating anything from its primary responsibilities.

The Audit Committee is subject to the terms of reference which form part of the Supervisory Board regulations.

The Audit Committee has the general task of evaluating and advising the Supervisory Board on matters concerning the financial administrative control, the financial reporting and the internal and external auditing. The Audit Committee shall act as the principal contact for the external auditor if the auditor discovers irregularities in the content of the financial reports. The Audit Committee is authorized to request advice from outside experts if it considers it necessary. Where possible, the Audit Committee consists of at least one financial expert. The chairman of the Supervisory Board does not chair the Audit Committee. If and to the extent practically possible, a maximum of one member may be not independent.

General Meeting of Shareholders and shareholders' rights

The General Meeting of Shareholders is the forum in which the Management Board and the Supervisory Board give their account with regard to the manner in which they have performed their duties. GTC RE considers it to be in the interest of GTC RE that as many shareholders as possible take part in the decision-making process in the General Meeting of Shareholders.

Each shareholder has the right to attend general meetings of shareholders, either in person or represented by proxy, to address the General Meeting of Shareholders and to exercise voting rights, subject to the provisions of the Articles of Association of GTC RE. If and to the extent practically possible, investors in Israel may participate in general meetings of shareholders by means of a conference call or a video conference.

Each share carries one vote. GTC RE has only one class of shares, being ordinary shares with a nominal value of EUR 0.20 each. GTC RE may set a record date for the exercise of the voting rights and the rights relating to general meetings of shareholders. Unless otherwise required by the Articles of Association or Dutch law, resolutions of the General Meeting of Shareholders require the approval of an absolute majority of the votes validly cast. Unless provided otherwise by Dutch law or GTC RE's Articles of Association, there are no quorum requirements.

General Meetings of Shareholders are held at least once a year in order to, amongst other things, discuss the report of the Management Board and the report of the Supervisory Board, to adopt the statutory financial statements, to appoint the external auditor, to adopt any proposal concerning dividends, to, if applicable, appoint members of the Supervisory Board and of the Management Board, and to consider any other matters proposed by the Supervisory Board, the Management Board or the shareholders in accordance with the

Articles of Association of GTC RE and Dutch law. Pursuant to both Dutch law and the Articles of Association, the General Meeting of Shareholders, under a separate agenda item, discusses and passes resolutions discharging the members of the Management Board and the Supervisory Board from their responsibilities for the performance of their respective duties in the preceding financial year. This discharge only covers the matters that are known to GTC RE and the shareholders when the resolution is adopted.

Other general meetings of shareholders may be held as often as the Management Board or the Supervisory Board deems necessary. Such a meeting must be held if requested in writing by one or more shareholders holding shares representing at least 10% of GTC RE's issued share capital. The request must be made to the Management Board or the Supervisory Board and must specify in detail the business to be dealt with. If the Management Board or the Supervisory Board fails to convene and hold a meeting within four weeks of its receipt of this request, the requesting shareholder(s) may call the meeting.

One or more shareholders holding shares representing at least 1% of GTC RE's issued share capital or representing a value of at least EUR 50 million has/have the right to request the Management Board or the Supervisory Board to place items on the agenda of a General Meeting of Shareholders. The Management Board or the Supervisory Board shall add the item to the agenda of the meeting, provided that GTC RE does not have a serious interest in not adding it to the agenda and that the request is received by the Management Board or Supervisory Board in writing at least fourteen days before the notice of the meeting will be given. Notice of a General Meeting of Shareholders shall be given no later than on the fifteenth day prior to the date of the meeting.

The external auditor will attend and be entitled to address the General Meeting of Shareholders.

Shareholders' rights, such as dividend rights, liquidation rights and rights in respect of amendments of the Articles of Association and reduction and increase of share capital are all described in the Articles of Association of GTC RE which can be obtained at the offices of GTC RE.

GTC RE does not have anti-takeover measures in the sense of measures that exclusively or almost exclusively have the purpose of frustrating an actual or attempted hostile takeover. However, in this event, the Management Board and Supervisory Board are authorized to exercise all powers held by them in the interest of GTC RE. Although GTC RE does not exclude the possibility of making its position public if and when a serious bid is made (see provision IV.1.3 of the Code), it considers it to be in the interest of GTC RE that the Management Board preserves all rights with regard to public statements in this respect.

Appointment Scheme GTC Real Estate N.V.

Management Board

Each member of the Management Board is appointed for a period of three years, but may make himself available for re-election following the expiry of his term of office.

Members of the Management Board who have to step down will do so as at the end of the annual general meeting of shareholders of the relevant financial year.

Name	Date of initial appointment	Date of re-appointment	End of present term
Ferdinand I.M. Houterman	1 February 2002	2 August 2004 and 5 September 2007	AGM 2010
Walter van Damme	5 September 2007	Not applicable	AGM 2010
Alain Ickovics	5 September 2007	Not applicable	AGM 2010
Einat Gabber	1 July 2006	Not applicable	AGM 2009
Alon Shlank	1 July 2006	Not applicable	AGM 2009

Supervisory Board

The members of the Supervisory Board shall be appointed for a period of three years and may be re-appointed no more than two times.

Members of the Supervisory Board who have to step down will do so as at the end of the annual general meeting of shareholders of the relevant financial year.

Name	Date of initial appointment	Date of re-appointment	End of present term
Boudewijn Bremer	3 August 2004	5 September 2007	AGM 2010
Henri S. Morcaut	3 August 2004	5 September 2007	AGM 2010
Hagai Harel	5 September 2007	Not applicable	AGM 2010
Esther Goren	1 September 2004	5 September 2007	AGM 2010
Zach Rubin	5 September 2007	Not applicable	AGM 2010

Financial Statements

Year ended December 31, 2007 by GTC Real Estate N.V., Amsterdam, the Netherlands

Consolidated IFRS Balance Sheet
At December 31, 2007

€ in thousands	Note	December 31, 2007	December 31, 2006
Assets			
Non-current assets			
Property and equipment	6	[redacted]	1,228
Property under construction	7	[redacted]	170,742
Investment properties	8	[redacted]	624,876
Goodwill	9	[redacted]	29,261
Investment in associates	10	[redacted]	24,855
Long term receivables	11	[redacted]	29,137
Deferred tax assets	30	[redacted]	2,684
Deferred expenses		[redacted]	1,768
		[redacted]	**884,551**
Current assets			
Inventories	12	[redacted]	130,109
Accounts receivable	13	[redacted]	3,510
VAT receivable		[redacted]	12,320
Income tax receivables		[redacted]	1,762
Other receivables	14	[redacted]	20,704
Restricted bank deposits	15	[redacted]	9,016
Cash and cash equivalents	16	[redacted]	287,567
		[redacted]	**464,988**
Total assets		[redacted]	**1,349,539**

The accompanying notes are an integral part of these consolidated financial statements.

€ in thousands	Note	December 31, 2007	December 31, 2006
Equity attributable to equity holders of the parent			
Issued capital	17	16,843	14,546
Share premium		247,700	95,263
Foreign currency translation reserve		12,137	15,846
Retained earnings		78,814	58,486
Hedge reserve		(3,578)	238
		351,916	**184,379**
Minority interests		**550,337**	**392,254**
Total equity		**902,253**	**576,633**
Non-current liabilities			
Interest bearing loans and borrowings	19	501,688	359,994
Convertible debentures	20	5,089	36,910
Other debentures	21	459,161	-
Options and equity rights in debentures	20	16,004	70,586
Put options of shareholders in group companies	22	20,080	9,721
Other non- current liabilities	22	6,414	4,171
Deferred tax liabilities	30	98,884	59,429
		1,106,820	**540,811**
Current liabilities			
Trade payables		40,781	44,229
Other payables	23	164,290	47,703
VAT payable		837	12,807
Income tax payables		1,467	10,797
Interest bearing loans and borrowings	24	33,042	116,559
		240,417	**232,095**
Total liabilities		**1,347,237**	**772,906**
Total equity and liabilities		**2,249,490**	**1,349,539**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated IFRS Income Statement

For the year ended

€ in thousands	Note	December 31, 2007	December 31, 2006
Revenues from rental and management of assets		[illegible]	70,945
Revenues from sale of apartments		[illegible]	22,215
Total revenues		[illegible]	93,160
Maintenance of rental assets		[illegible]	20,241
Cost of sold properties apartments		[illegible]	18,310
		[illegible]	38,551
Gross profit from operations		[illegible]	54,609
Net adjustment to fair value of investment properties	8	[illegible]	213,204
Selling and marketing expenses	26	[illegible]	(3,771)
General and administration expenses	27	[illegible]	(25,339)
Other income (expenses)		[illegible]	2,468
Profit from ordinary operations		[illegible]	241,171
Gain from sale of shares in subsidiaries to third parties		[illegible]	1,314
Gain (loss) from issue of shares in subsidiaries		[illegible]	32,423
Financial income	28	[illegible]	11,671
Financial expenses	28	[illegible]	(108,499)
Exchange differences, net		[illegible]	6,504
Company's share in profits of associates, net	10	[illegible]	4,366
Profit before tax		[illegible]	188,950
Income tax expenses	30	[illegible]	(42,954)
Net profit		[illegible]	145,996
Attributable to:			
Equity holders of the parent	29	[illegible]	40,785
Minority interests		[illegible]	105,211
		[illegible]	145,996
Earnings per share:	31		
Basic		0.27	0.59
Diluted		0.27	0.58

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated IFRS Statement of Changes in Equity

For the year ended December 31, 2007

€ in thousands	Attributable to equity holders of the parent							
	Issued and paid-in capital	Share premium	Retained earnings	Hedge reserve	Foreign currency translation reserve	Total	Minority interest	Total equity
Balance as of January 1, 2006	**12,768**	**62,593**	**35,180**	**(9)**	**(833)**	**109,699**	**229,581**	**339,280**
Impact of change in functional currency	(243)	(10,903)	(16,253)	12	27,387			-
Balance as of January 1, 2006	**12,525**	**51,690**	**18,297**	**3**	**26,554**	**109,699**	**229,581**	**339,280**
Profit from cash flow hedging, net	-	-	-	242	-	242	260	502
Put option granted to minority shareholders in subsidiaries	-	-	(1,226)	–	–	(1,226)	(1,414)	(2,640)
Realization of capital reserve in subsidiaries	-	(97)	–	(7)	(20)	(124)	–	(124)
Currency translation differences	-	-	-	-	(10,688)	(10,688)	(26,135)	(36,823)
Total income and (expense) for the year recognised directly in equity		(97)	(1,226)	235	(10,708)	(11,796)	(27,289)	(39,085)
Net profit for the period	–	–	40,785	–		40,785	105,211	145,996
Total income /(expense) for the year	–	(97)	39,559	235	(10,708)	28,989	77,922	106,911
Share based payment	-	1,826	-	-	-	1,826	1,722	3,548
Issue of shares in subsidiaries	-	-	-	-	-	–	83,029	83,029
Exercise of employee options and other options (series 2 and 3) to series of the company	733	16,924	–	–	–	17,657	–	17,657
Conversion of debentures into shares	1,288	24,920	–	–	–	26,208	–	26,208
Balance as of December 31, 2006	**14,546**	**95,263**	**58,486**	**238**	**15,846**	**184,379**	**392,254**	**576,633**

Consolidated IFRS Statement of Changes in Equity (continued)

For the year ended December 31, 2007

€ in thousands	Issued and paid-in capital	Share premium	Retained earnings	Hedge reserve	Foreign currency translation reserve	Total	Minority interest	Total equity
Balance as of January 1, 2007	**14,546**	**95,263**	**58,486**	**238**	**15,846**	[redacted]	[redacted]	[redacted]
Profit from cash flow hedging, net	-	-	-	(3,816)	-	[redacted]	[redacted]	[redacted]
Put option granted to minority shareholders in subsidiaries	-	-	-	-	-	[redacted]	[redacted]	[redacted]
Realization of capital reserve in subsidiaries	-	-	-	-	-	[redacted]	[redacted]	[redacted]
Currency translation differences	-	-	-	-	(3,709)	[redacted]	[redacted]	[redacted]
Total income and (expense) for the year recognised directly in equity	-	-	-	(3,816)	(3,709)	[redacted]	[redacted]	[redacted]
Net profit for the period	-	-	20,328	-	-	[redacted]	[redacted]	[redacted]
Total income /(expense) for the year	-	-	20,328	(3,816)	(3,709)	[redacted]	[redacted]	[redacted]
Share base payment	-	118	-	-	-	[redacted]	[redacted]	[redacted]
Issue of shares in subsidiaries	-	-	-	-	-	[redacted]	[redacted]	[redacted]
Exercise of employee options	12	25	-	-	-	[redacted]	[redacted]	[redacted]
Conversion of debentures into shares	2,285	152,294	-	-	-	[redacted]	[redacted]	[redacted]
Balance as of December 31, 2007	**16,843**	**247,700**	**78,814**	**(3,578)**	**12,137**	[redacted]	[redacted]	[redacted]

*) In accordance with the Dutch law part of the retained earnings is restricted for distribution following the regulations to maintain a revaluation reserve in respect of accounted real estate unrealized fair value adjustments (December 31, 2007 – EUR 172,845 thousand ;December 31, 2006 – EUR 105,127 thousand)

The accompanying notes are an integral part of these financial statements

Consolidated IFRS Cash Flow Statement

For the year ended

€ in thousands	December 31, 2007	December 31, 2006
Cash flow from operating activities		
Net profit for the year	174,470	145,996
Adjustments required to present cash flow from operating activities	(175,515)	(175,121)
Net cash (used in) operating activities	**(1,045)**	**(29,125)**
Cash flow from investing activities		
Investment in properties and construction activities	(209,514)	(127,885)
Proceeds from disposal of fixed assets	1,898	-
Purchase of minority interests shares in subsidiaries	-	(4,621)
Acquisition of newly consolidated subsidiaries, net of cash acquired (see A below)	(78,596)	(36,314)
Proceeds from sale of formerly consolidated subsidiary (see B below)	119,270	57,984
Investments in associates	(3,000)	-
Proceeds from realization of investment properties	-	217,342
Sale of subsidiary	5,402	-
Long-term loans granted	(17,849)	(38,042)
Proceeds from Long-term loans	10,206	3,060
decrease (Increase) in short term deposits	(6,169)	1,618
Deferred expenses	(1,111)	(1,169)
Tax paid in the period	(21,381)	3,036
Net cash (used in) provided by investing activities	**(200,844)**	**75,009**
Cash flow from financing activities		
Proceeds from the issue of shares in subsidiaries	109	125,066
Proceeds from issue of debentures	449,741	-
Proceeds from issuance of securities	36	7,250
Net Short-term loans from the banks	(1,474)	3.205
Proceeds from long-term debt	191,324	165,767
Repayment of long-term debt	(145,454)	(119,672)
Costs related to issue of debt and shares	(3,052)	(2,852)
Deposits from tenants	262	(798)
Net cash provided by financing activities	**491,492**	**177,966**
Foreign currency translation	(11,319)	(9,172)
Increase in cash and cash equivalents	278,284	214,678
Cash and cash equivalents at beginning of year	287,567	72,889
Cash and cash equivalents at end of year	**565,851**	**287,567**

The accompanying notes are an integral part of these financial statements.

Consolidated IFRS Cash Flow Statement (continued)

For the year ended December 31, 2007

€ in thousands	2007	2006
Adjustments to reconcile net income to net cash		
Charges/(credits) to income not affecting operating cash flows:		
– Depreciation and amortization	[redacted]	1,799
– Fair value adjustment of net assets	[redacted]	(213,204)
– Loss (gain) from issue of shares in subsidiary to the public and to third parties	[redacted]	(32,423)
– Gain of the sale of subsidiary	[redacted]	(1,314)
– Gain from early redemption of long-term loan	[redacted]	-
– Interest income and exchange differences from long-term liabilities, net	[redacted]	21,046
– Equity in net earnings of associated companies	[redacted]	(4,366)
– Dividend received	[redacted]	-
– Deferred tax, net	[redacted]	41,351
– Share based payment	[redacted]	3,548
– Revaluation of value of conversion term of debentures and options	[redacted]	81,744
– Changes of Fair value adjustment to hedge transactions	[redacted]	(2,169)
	[redacted]	**(103,988)**
Changes in operating assets and liabilities		
– Increase in trade and other receivables	[redacted]	(11,342)
– Decrease in inventory	[redacted]	(60,242)
– Increase (decrease) in trade and other payables	[redacted]	1,286
– Changes in advances received	[redacted]	18,135
– Interest paid	[redacted]	(22,925)
– Interest received	[redacted]	5,627
– Taxes paid	[redacted]	(1,672)
	[redacted]	**(71,133)**
Net cash used in operating activities	[redacted]	**(175,121)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated IFRS Cash Flow Statement (continued)

For the year ended December 31, 2007

€ in thousands	2007	2006
A. Acquisition of newly-consolidated subsidiaries, net of cash acquired		
Real estate under construction	55,198	18,469
Investment properties	-	1,997
Inventories	45,777	20,986
Current assets	4,386	541
Minority interests	(2,363)	(1)
Long-term liabilities	(12,259)	(4,984)
Current liabilities	(11,408)	(596)
Total purchase price	**79,331**	**36,412**
Less – cash in subsidiaries acquired	(735)	(98)
	78,596	**36,314**
B. Disposal of formerly-consolidated subsidiaries, net of cash disposed		
Investment properties	117,697	70,249
Working capital (including cash)	2,612	(214)
Property, plant and equipment and real estate under construction	18	
Long-term liabilities	-	(31,269)
Total purchase price	**120,327**	**38,766**
Less – cash in subsidiaries acquired	(1,057)	(1,056)
	119,270	**37,710**
Cash inflow resulted from sale of GTC	-	20,274
	119,270	**57,984**
Significant non-cash transactions		
Acquisition of shares in subsidiary against netting-off of loans	-	2,525
Purchase of real estate under construction against payables	35,321	17,270
Purchase of land against long term payables	-	1,350
Conversions of debentures into Company's shares	154,579	26,208
Exercise of options to company's shares	-	13,302
Receivable related to disposal of land	-	3,036

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the IFRS Consolidated Financial Statements

December 31, 2007

1 Introduction

GTC Real Estate N.V. ('the Company' or 'GTC RE') was incorporated in The Netherlands. The Company acts as an investment and finance company. The registered office address of the Company is located at Claude Debussylaan 30, Amsterdam. The ultimate parent company is Kardan N.V., a Dutch public company, whose shares are traded on the Euronext Amsterdam and on the Tel Aviv Stock Exchange ('TASE').

GTC RE is listed on the Tel Aviv Stock Exchange.

GTC RE holds a 46.13% interest in Globe Trade Centre S.A. ('GTC S.A.'). GTC S.A. and its subsidiaries and associates are engaged in the development of office and retail space and in the development and sale of residential units and apartments in Central and Eastern Europe. GTC S.A. operates in prime locations in all of its countries of operation, which currently include Poland, Hungary, the Czech Republic, Romania, Serbia, Croatia, Slovakia, Bulgaria and Ukraine. It is listed on the Warsaw Stock Exchange

Despite the fact that the Company does not longer hold more that 50% of the shares in GTC Poland, the Company has the right to nominate the majority of the Supervisory Board. The Supervisory Board by majority vote can appoint the Managing Board and can take all strategic decisions. Therefore the Company has de jure control of GTC SA and consolidation is continuing.

In addition, the Company is engaged in residential development in China, through its 100% subsidiary GTC Real Estate China Ltd., and has invested in income yielding properties in Western Europe through its 46.25% stake in the joint venture company, GTC Investments B.V.

The Company and its subsidiaries are referred to hereinafter as 'the Group'.

The statutory financial statements which comprises these consolidated IFRS financial statements and the company-only Dutch Gaap financial statements as included in pages 113 to 119 were authorized for issuance by the Management Board in June 11, 2008.

2 Basis of preparation

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments, and available-for-sale financial assets that have been measured at fair value.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these consolidated financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group.

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

As at December 31, 2007, due to the endorsement process of the EU, and activities of the Company, the following differences exists in the policies applied by the Company between IFRS and IFRS that have been endorsed by the Commission of the European Communities;

a) In the 2004 annotation, the fair value option for liabilities at initial recognition has been carved out (IAS39-34b). However, in 2005 the IASB changed IAS 39, allowing fair valuing liabilities but only if certain conditions are met, it is

i) Fair valuing liabilities would remove inconsistencies in the balance sheet (9B i)
ii) A group of assets and liabilities are together managed and its performance is measured on the basis of fair value (9B ii)

iii) An instrument includes an embedded derivative (11A).

Accordingly, the EU carve out has been withdrawn.

b) IAS 39 paragraph 84 does not allow hedge accounting of a portfolio of core deposits. The EU has carved out this restriction.

These differences do not affect the Company.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the companies that it controls as at December 31 each year. Control is present when the company has the power, directly and indirectly, to influence the financial and operational policies of the controlled company. In determining control the effect of potential voting rights existing as at the balance sheet date are taken into account. The company consolidates the companies that it controls from the moment it achieves control until the time this control ceases. The financial statements of the controlled companies are prepared for the same reporting year as the parent company, using consistent accounting policies.

All material intra group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognised in assets are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented within equity in the consolidated balance sheet, as a separate balance Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Companies under common control are consolidated by proportional consolidation. In its consolidated financial statements the company consolidates its share of the assets, liabilities, revenues and expenses of the commonly controlled entities with the relevant financial statement items.

All material intra group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions with companies under common control that are recognised in assets are eliminated in full.

Changes in accounting policies

The accounting policies adopted are consistent with those of previous financial year except as follows:·

As from 1 January 2007, the company changed its functional and presentational currency from US dollar to Euro. After the sale of Mokotow Business Park in December 2006, most of group activity is based on Euro, and therefore the company believes that Euro reflects in a more appropriate manner the Company's events and transactions. These financial statements are presented in Euro, the Company's functional currency.

A change in a Company's functional currency is prospective in nature only. However a change in presentation currency has to be applied retrospectively, unless deemed impractical,. Therefore, on January 1, 2007 all the Company's assets and liabilities were translated on the conversion date. Comparative numbers which were presented in the past in US dollar were translated to Euro as follows:

1 Assets and liabilities as at the balance sheet dates were translated at the closing rates for that balance sheet date.
2 Revenues, expenses and capital transactions for each reporting period were translated at the transaction dates.
3 All differences arising from the translation were presented as a separate item in equity.
4 The elements of the equity as at 1 January 2007 were translated using the exchange rate as at that date. Any differences between the historical balances of these items, as discussed above, were allocated to the capital reserve for translation differences.

For practical reasons, a rate that approximates the exchange rates at the dates of the transactions, like an average rate, was often used to translate income and expenses items. The functional currency change was not performed consistently within the Group.

Adoption of new interpretations and disclosures
The consolidated financial statements have been prepared in thousand Euros.
The Company followed the same accounting policies (except as described below) and methods of computation in these consolidated financial statements as compared with the consolidated financial statements for the year 2006.

The Company applied to this consolidated financial statements for the year ended 31 December 2007 all International Financial Reporting Standards (IFRS) effective for accounting periods beginning on 1 January 2007, and the standards that came into effect prior to 31 December 2007.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Group.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds (*)*
- IFRIC 6 *Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (*)*
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies".
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

* Not applicable to the Group due to nature of activities

The new standards and interpretations and amendments have been analysed by the Company. Except from the new disclosure resulted from IFRS 7 and change to IAS 1 the new standards/interpretations has not affected the financial statements for the year ended 31 December 2007. The changes in the standards and interpretations, except of new disclosure requirements, have no impact on the financial data presented in these consolidated financial statements.

The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements
This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

IFRS 8 Operating Segments
This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 25, including revised comparative information.

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions
The Group has elected to adopt IFRIC Interpretation 11 as of 1 January 2007, insofar as it applies to consolidated financial statements.

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Group.

IFRIC 10 Interim Financial Reporting and Impairment

The Group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

3 Significant accounting judgments, estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgements:

Estimates and assumptions

The preparation of the financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities disclosed in the notes as at balance sheet date as well as reported income and expenses for the period.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Investment properties

Investment properties are presented at fair value as at the balance sheet date. Any changes in the fair value are included in the income statement. Any change in fair value is determined by independent real estate valuation experts in accordance with recognised valuation techniques. These techniques include estimating future cash flows from assets and estimates of discount rates applicable to those assets. In some cases the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the company's assets.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present values of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and temporary differences that were not utilised to the extent it is probable that taxable profit will be available against which the losses and temporary differences can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

4 Summary of significant accounting policies

Interests in joint ventures

The Group has interest in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognised its interest in the joint venture using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items in the consolidated financial statements on a line-by-line basis. The financial statements of the joint venture are prepared for the same reporting year as the parent company using consistent accounting policies.

The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Foreign currency translation

Translation of assets, liabilities, income and expenses of foreign operations

Each entity in the Group, including associates consolidated using the equity method, determines its own functional currency and items included in the balance sheet and results of operations of each entity are measured using the functional currency. If the functional currency of an investee is different from that of the company, this investee represents a foreign operation whose financial statements are translated in order to include them with those of the company as follows:

a. Assets and liabilities at each balance sheet date (including comparatives) were translated at the closing rate as at the balance sheet date. Goodwill and all the adjustments to the book values as a result of changes in fair value of assets and liabilities since the acquisition date are dealt with as foreign assets and balances and translated at the closing rate as at the balance sheet date.

b. Revenues and expenses for all periods presented in the income statement (including comparatives) are translated using average rates for the period presented; However, in cases where there were significant movement in exchange rates, the revenues and expenses were translated using exchange rates on the date of the transactions .

c. Share capital, capital reserves and movements in equity are translated at the date these transactions occurred.

d. Retained earnings are translated based on opening balances that are themselves translated as at that date and other relevant movements arising during the period are translated as per sections b. and c. above.

e. All remaining exchange differences are allocated to a separate item in equity, in the capital reserve "foreign exchange differences".

Translation of assets, liabilities, income and expenses of foreign operations

Transactions in foreign currency are recorded when they are first recognised using the exchange rate ruling at the transaction date. Financial assets and liabilities denominated in foreign currency are translated to Euros using exchange rates at the balance sheet dates. Exchange differences are allocated to the income statement. Non-monetary assets and liabilities denominated in foreign currency and presented at fair value are translated to Euro at the date the fair value was determined at.

Property, plant and equipment

Property, plant and equipment are stated at cost increased by direct acquisition costs, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings	25 - 50 years
(Office) Equipment	3 – 17 years (mainly 5 years)
Vehicles	2 - 7 years
Office improvement	3 - 10 years

For the assessment for impairment of property, plant and equipment see note 6.

Property under construction

Buildings under construction are included at cost. The cost include finance expenses relating to the financing of the buildings until their operation, planning and design, indirect building costs and other related expenses.

Investment properties

Investment property includes real estate (land or building or both) held by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services or for administrative purposes or in the ordinary course of business.

Investment properties are measured initially at cost, including direct transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of the investment properties are included in the income statement in the year in which they arise.

At the time when the company completes the construction of an investment property, the difference between the fair value and the book value of the building under construction is included in the income statement.

The group bases the fair value of investment properties on valuations of external independent reputable valuers.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets and liabilities of the acquired business at fair value.

On acquisition there is a temporary allocation of the acquisition cost to the assets and liabilities acquired in the business combination. The value of the acquired assets and liabilities can be adjusted up to 12 months from the acquisition date.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is not amortized.For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.. Profit or loss on realisation of a part of a cash generating unit includes the relevant part of the measured goodwill related to the part of the cash generating unit.

Impairment write-down is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For impairment assessment of goodwill we refer to note 9.

Intangible assets and deferred expenses

Separately acquired intangible assets are measured upon initial recognition according to their cost increased by direct acquisition costs. Intangible assets acquired in a business combination are included at their fair value upon acquisition. After the initial recognition, intangible assets are presented at cost less accumulated amortisation less any impairment losses.

Agents' fees for the conclusion of lease rental agreements for investment properties, for which the building has not yet been completed, are capitalised. On completion of these buildings and upon revaluation to fair value, the balance of these agents' fees is written off to the income statement together with the fair value gains or losses.

Investments in associates

The Group's investment in its associates is accounted for under the equity method of accounting. Under the equity method, the investment in associates is carried at the Group"s share in the Net Assets of the associates increased by any goodwill.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. As part of the impairment assessment, goodwill is assessed as part of the total investment in the associate.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes in its statement of changes in operations.

The company records its share of losses exceeding the associate's equity, if any, up to its investment in the associate with the addition of any loss as a result of a guarantee or other financial assistance.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when impairment is otherwise required, the Group writes down the asset to its recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and the value in use. In the estimation of the value in use estimated cash flows are discounted using a before tax discount rate which reflects the specific risks for each asset. For assets that do not produce separate cash flows the recoverable amount is established for the cash-generating unit to which the asset belongs.

Any impairment losses are included in the income statement.

The following characteristics are used for determining the impairment of specific assets:

1. Goodwill

The Company reviews goodwill for impairment, once a year or more regularly if there are events of other trigger events that point to impairment.

Impairment is determined for goodwill by comparison with the recoverable amount of a cash-generating-unit (or a group of cash-generating-units) to which the goodwill relates. If the recoverable amount of cash generating unit (or a group of cash generating units) is lower than the book value of the cash generating unit (or a group of cash generating units) that the goodwill has been attached to, an impairment loss is recognised. Goodwill impairment losses will not be reversed if it subsequently would appear that the reasons for impairment no longer exist.

2. Associates

The Company reviews the need to recognise an impairment loss after applying the equity method for an associate. The Company reviews at each balance sheet date if there is objective evidence that the investment in an associate is impaired. If required, an impairment loss is recognized and determined as the difference between the fair value of the investment in the associate and the book value. The impairment loss is recorded in the income statement in the line item Company's share in profits of associates, net.

Inventories

Costs relating to the construction of the residential properties are including the following:

- i costs incurred relating to phases of the project not available for sale; and
- ii costs incurred relating to units unsold associated with a phase of the project that is available for sale.

Such costs include:

- i leasehold rights for land, construction costs paid to subcontractors for the construction of housing units; and
- ii capitalized costs which include borrowing costs (see loan note), planning and design costs, construction overheads and other related costs.

Lease origination costs/deferred brokerage fees

The costs incurred to originate a lease (mainly brokers' fees) for available rental space are deferred until the date of revaluation of the related investment property to its fair value.

Advances received

Advances received (related to pre-sales of residential units) are deferred to the extent that they are not reflected as income as described below in note 23.

Cash and cash equivalents

Cash equivalents are considered to be investments with high liquidities including short term deposits where the original maturity is no more than three months from the investment date and that are not subject to a pledge.

Financial instruments

The accounting treatment of investment in financial assets and financial liabilities is based on their classification to one of five categories as follows:

- Financial assets and financial liabilities at fair value through profit or loss
- Held to maturity investments (financial assets only)
- Loans and receivables (financial assets only)
- Available for sale financial assets
- Financial liabilities at amortised cost

The table below presents the measurement categorisation of financial assets and liabilities:

Category	Balance sheet item	Measurement
Financial assets/ liabilities (excluding derivatives)		
Held for trading	Cash and cash equivalent	Fair value- adjusted to income statements
Held to maturity	Short-term deposits	Amortised costs
Loans and receivables originated by the enterprise	Trade and other debtors	Amortised costs
Other financial liabilities	Trade and other payables	Amortised costs
	Loans	Amortised costs
	Credit line	Amortised costs
	Long term payables	Amortised costs
Financial liability	Put option granted to minority	Re-estimated amortised cost. (see note 4 (g))
Derivatives		
Held for trading	Interest Rate Swap	Fair value- adjusted to income statements, presented as non current asset
Hedging (cash flow hedges)	Interest Rate Swaps	Fair value- adjusted to equity, presented as non current asset
Held for trading	Interest Rate collars	Fair value- adjusted to income statements, presented as current asset

Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities classified as held for trading are included in the category 'financial assets at fair value through profit or loss'.

Financial assets or liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Other financial assets and liabilities are classified at fair value through profit or loss on inception when such classification eliminates or significantly reduces a measurement or recognition inconsistency or a group of financial assets or financial liabilities or both is managed and its performance is evaluated on a fair value basis.

Investments in shares of companies in which the Group does not have significant influence are classified as financial assets at fair value through profit or loss.

In the cases where a contract contains one or more embedded derivatives, the total contract can be classified at fair value through profit or loss, except in cases where the embedded derivative is closely related to the host contract or in cases where the bifurcation is not allowed.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial measurement such assets are carried at amortised cost using the effective interest method less provision for impairment. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.
Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or that are not classified in one of the three categories above. After initial measurement, available-for-sale financial assets are measured at fair value. Unrealised profits or losses are allocated directly to the available-for-sale reserve in equity. When such assets are realised, any accumulated profit or loss allocated to equity in the past is allocated to the income statement. Interest income and expenses are recorded on the effective interest basis. Dividends received for these investments are allocated to the income statement when the Company has the right to receive them.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are categorised upon acquisition or inception. These liabilities are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.
Gains and losses are recognised in income when the financial liabilities at amortised cost are derecognised or impaired, as well as through the amortisation process.

Compound financial instruments

Convertible debentures, which contain both a liability and a conversion element, are separated into two components on initial issuance and where the conversion element is allocated to liabilities. The debt instrument is split into two liability components where the conversion element is calculated from inception as a financial derivative at fair value and the difference between the consideration received for the convertible debt and the fair value of the conversion rights is allocated to the debt portion. Direct transaction costs are allocated between the liability value of the conversion right and the liability value of the debt on the basis of the split of the consideration, determined as described above. The conversion right is treated as a financial derivative and is presented at the fair value at every balance sheet date. Any differences between the fair values are allocated to the income statement in financial income, expenses.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or a part of a financial asset from a group of similar financial assets, if relevant) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to

pay them in full without material delay to a third party under a pass through arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement. When the replacement or change is not material, they are treated as a change in the original terms of the liability and no amount is recognised in the income statement as a result of the replacement.

Provisions for doubtful debts

Provisions are recognised specifically for debts where *according to management settlement* is doubtful. In addition, the Company records a provision for groups of customers which are collectively assessed for impairment based on their credit risks. Customer debts that are impaired are derecognised from the time when it was determined that the debts were impaired.

Provisions

A provision is recognised in the balance sheet if the company has a current legal obligation or a constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. When significant such a provision is calculated by discounting expected future cash flows, using the pre-tax discount rate reflecting the market value of money and in specific circumstances, even reflecting the specific risks related to the liability.

Pensions

The Group does not operate any defined benefit pension plans.

Leases

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

The group uses estimates in determining the thousand represents value of the financial liability (see note 33)

The group uses estimates in determining the amount of provision and used amortization rates.

The group uses judgements in determining the settlement of share based payment in equity.

The determination of whether an arrangement is a finance leases – Group as lessee or an operational lease – Group as lessor is made when the lease is entered into according to the principles set out in IAS 17.

For purpose of these financial statements, the following policies in relation to leasing are provided:

Finance leases – Group as lessee

Finance leases – Group as lessee transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item. The leased asset is capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases – Group as lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Interest bearing debt

Credit and loans bearing interest are initially recognised at fair value net of related transaction costs. After initial recognition, interest bearing debt is presented at amortised cost using the effective interest method.

Capitalisation of borrowing costs

Borrowing costs are accrued and expensed in the period in which they are incurred except to the extent they are directly attributable to construction. In such a case, borrowing costs are capitalised as part of the cost of the asset. Borrowing costs include interest and foreign exchange differences to the extent that they are regarded as an adjustment to interest cost

The Company capitalises interest costs related to the investment of qualified assets (investment properties or inventory of buildings held for sale).

Capitalisation of borrowing costs starts on commencement of construction and finishes when construction is substantially complete.

Debt issuance expenses are deducted from the amount of debt originally recognised. These costs are amortised through the income statement over the estimated duration of the loan, except to the extent that they are directly attributable to construction. Debt issuance expenses represent an adjustment to effective interest rates.

General revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, and other sales taxes or duty.

Rendering of services (including management fees)

Revenues from services are recognized as the services are provided when the outcome of such transactions can be estimated reliably.

Interest and dividend income

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset).

Dividend income is recognised when the shareholders' right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. Costs of rental operations are recorded in the same period as rental income is recognised. The aggregate cost of rental incentives are recognised as a reduction of rental income over the lease term on a straight line basis.

Sale of apartments

Revenue from the sale of houses and apartments is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenues are recognised only when there is no longer any material uncertainty regarding the consideration for the transaction, when the related expenses are known, and when there is no longer any continuing management involvement relating to the apartments that were transferred. Normally, this criterion is considered to be met when construction is substantially completed, when the legal title of the apartment has been transferred to the buyer and the buyer is substantially committed to pay the full consideration.

The costs related to the real estate development incurred during the construction period are capitalized in inventory. Once revenue is recognised, the costs in respect of sold units are expensed.

Purchase of shares of minority

If the Company increases its share in the net assets of its controlled subsidiaries, the appropriate share of the net assets is transferred from the minority interest to the proper component of the equity attributable to equity holders of the parent.

If the Company increases its share in the net assets of its controlled subsidiaries (if the subsidiaries are considered businesses), the excess of the cost over the acquirer's interest in the net asset is recognised as goodwill. Impairment of goodwill is tested annually.

Earnings per share

Earning per share is calculated using the number of ordinary shares. The basic earnings per share if they are not considered anti dilutive include only those shares in issue during the period. Potential ordinary shares (for example as a result of conversion of convertible debentures and options) are only included in the diluted earnings per share. In addition, securities that were converted during the period are included in the diluted earnings per share calculation to the date of conversion, and from that date they are included in the basic earnings per share Instruments which could lead to issuance of additional shares are considered dilutive if their exercise would at reporting date lead to the issue of shares at a price which is lower than the share price as at that date

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary difference, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be used except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority and expected to settle net or simultaneously.

At each balance sheet date, the Group companies re-assess unrecognised deferred tax assets and the carrying amount of deferred tax assets. The companies recognise a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The companies conversely reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised.

Share-based payment transactions

Employees of the Group companies may receive remuneration in the form of equity settled share-based payments, ('equity settled transactions') or are eligible to receive cash settled share based payments which are calculated based on the increase in value of shares ('cash settled transactions').

In situations where some or all of the goods or services received by the entity as consideration for equity instruments cannot be measured, they are measured as the fair value of the shares received at the grant date.

Share issuance expenses

Share issuance costs are deducted from equity (share premium), net of any related income tax benefits.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they were granted. The fair value is determined by an external valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest . The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees as measured at the date of modification.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting commensurate with the recognition of the corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability;
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
- Hedges of a net investment in a foreign operation.

At the inception of the hedge relationship to Group classifies and documents the type of hedge it wishes the use for the purpose of financial reporting and its strategic goals for risk management relating to the specific hedging relationship. The documentation includes identification of the hedging instrument, the hedged item, the nature of the hedged risk and how the company assesses hedge effectiveness. Hedge effectiveness is remeasured at each reporting date.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The changes in fair value of a derivative classified as a fair value hedge are recognised in the income statement. A change in the fair value of the hedged item is also recognised in the income statement.

For fair value hedges which are related to items classified as "at amortised cost", the difference with the carrying amounts is amortised to the income statement over the period until maturity.

Cash flow hedges

The effective part of the gain or loss from the hedging instrument is recognised directly in equity with the ineffective portion being recognised directly in the income statement.

Amounts allocated to equity are recycled to the income statement when the hedged transaction effects income statement, such as when the hedged financial income or expense is recognised. Where the cost of non-financial assets or non-financial liabilities, the amounts taken to equity are transferred to the initial carrying amount of non financial asset or liability.

In cases where a forecast transaction is no longer forecasted to occur, any amounts previously allocated to equity are transferred to the income statement. In cases where the assets or liability hedged matures or is sold, is derecognised or is realised, or if the classification as an assets or liability hedged is cancelled, amounts recognised in the past in equity remain in equity until the hedging transaction is passed to the income statement.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in equity is transferred to profit or loss.

Put option granted to minority shareholders

The Group has granted to several key executives an option (Put Option) to sell any or all of their shares in certain subsidiaries within a certain period.

The Group recognises a financial liability under the above contract at its fair value. The minority interest reported in the financial statements is subsequently reclassified to a financial liability. Any changes in the fair value of that financial liability in subsequent periods are taken to the income statement or to goodwill if the put option can be classified as an IFRS 3 like transaction.

Future changes in accounting policies

The Group did not yet adopt the following new Standards and Interpretations. Adoption of these standards and interpretations is not expected to have any effect on the financial performance or position of the Group. They would however, give rise to additional disclosures, including revisions to accounting policies.

- IFRS 8 — Operating Segments
- IFRIC 11 — IFRS 2 – Group and Treasury share transactions
- IFRIC 13 — Customer loyalty programmes
- IFRIC 14 IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRS 8 – Operating segment

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment reporting.

IFRIC 11 - IFRS 2 – Group and Treasury share transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

IFRIC 13 – Customer loyalty programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted.

IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee benefits.

Information on exchange rates and consumer price indecis/index

	December 31, 2007	December 31, 2006
EUR/NIS	[illegible]	5.5643
Change in the year in %	[illegible]	2.2%
USD/NIS	[illegible]	4.225
Change in the year	[illegible]	(8.2%)
CPI in points	[illegible]	184.9
3 months EURIBOR	[illegible]	3.725%

5 Business combinations, Investment in subsidiaries and Joints Ventures.

The consolidated IFRS financial statements include the financial statements of the Company and the subsidiaries and joint ventures listed below:

Holding Company	Name of Company	% of ownership by the Group holding company as of		
		December 31, 2007	December 31, 2006	Country
GTC Real Estate N.V.	GTC Real Estate China Ltd.	100.0	100.0	Hong Kong
	GTC Investments B.V.	46.25	46.25	Netherlands
	Globe Trade Centre S.A.	46.18	46.41	Poland
Globe Trade Centre SA	GTC Real Estate Investments Romania B.V.	94.55	94.55	Netherlands
	GTC Hungary Real Estate Development Company Ltd.	97.48	97.48	Hungary
	GTC Real Estate Investments Serbia B.V.	97.48	97.48	Netherlands
	GTC Real Estate Investments Croatia B.V.	97.24	97.24	Netherlands
	GTC Real Estate Investments Ukraine	85.5	85.5	Netherlands
	GTC Real Estate Investments Bulgaria B.V.	95.0	95.0	Netherlands
	GTC Real Estate Investments Slovakia B.V.	95.0	95.0	Netherlands
	GTC Real Estate Investments Moldova B.V.	95.0	95.0	Netherlands
	GTC Mars Sp. z.o.o.	100.0	100.0	Poland
	GTC Taurus Sp. z.o.o.	100.0	100.0	Poland
	Darat Sp. z.o.o.	100.0	100.0	Poland
	GTC Konstancja Sp. z.o.o.	100.0	100.0	Poland
	GTC Korona S.A.	100.0	100.0	Poland
	Globis Poznan Sp. z.o.o.	100.0	100.0	Poland
	GTC Vega Sp. z.o.o.	100.0	100.0	Poland
	GTC Aeropark Sp. z.o.o.	100.0	100.0	Poland
	GTC Topaz Office Sp. z.o.o.	100.0	100.0	Poland
	Globis Wroclaw Sp. z.o.o.	100.0	100.0	Poland
	GTC Galeria Kazimierz Sp z.o.o	50.0	50.0	Poland
	GTC Nefrit Sp. z.o.o. (formerly GTC Orion Sp. z.o.o.)	100.0	100.0	Poland

Holding Company	Name of Company	% of ownership by the Group holding company as of		
		December 31, 2007	December 31, 2006	Country
	GTC Satellite Sp. z.o.o. (formerly GTC Saturn Sp. z.o.o.)	100.0	100.0	Poland
	GTC Sonata Sp. z.o.o.	100.0	100.0	Poland
	GTC Wroclaw Office Sp. z.o.o. (formerly GTC Kazimierz Office Sp. z.o.o.)	100.0	100.0	Poland
	Rodamco CH1 Sp. z.o.o	50.0	50.0	Poland
	GTC Com 1 Sp. z.o.o.	100.0	100.0	Poland
	GTC Com 2 Sp. z.o.o.	100.0	100.0	Poland
	GTC Galeria Office Sp. z.o.o (formerly GTC Kazimierz Hotel Sp. z.o.o.)	100.0	100.0	Poland
	GTC Com 3 Sp. z.o.o.	100.0	100.0	Poland
	GTC Com 4 Sp. z.o.o.	100.0	100.0	Poland
	GTC Com 5 Sp. z.o.o.	100.0	100.0	Poland
	GTC Galeria CTWA Sp. z.o.o.	100.0	100.0	Poland
	GTC Birant Sp. z.o.o	100.0	100.0	Poland
	GTC Diego Sp. z.o.o.	100.0	100.0	Poland
	GTC Cyril Sp. z.o.o.	100.0	100.0	Poland
	Alfa Development Inwestycje sp. z.o.o.	100.0	-	Poland
	Sigma Development Inwestycje sp. z.o.o.	100.0	-	Poland
	Omega Development Inwestycje sp. z.o.o.	100.0	-	Poland
	Delta Development Inwestycje sp. z.o.o.	100.0	-	Poland
GTC Real Estate Investments Romania B.V.	Galeria Shopping Centre SRL (formerly International Hotel and Tourism SRL)	100.0	100.0	Romania
	Towers International Properties SRL	100.0	100.0	Romania
	Green Dream SRL (formerly International Shopping Centre SRL)	100.0	100.0	Romania
	Titulescu Investments B.V.	100.0	100.0	Netherlands
	Complexul Multifunctional Victoria SRL	-	100.0	Romania
	Aurora Business Complex SRL	100.0	100.0	Romania
	Yasmine Residential Complex SRL	100.0	100.0	Romania
	Deco Intermed S.R.	100.0	-	Romania
	GML American Regency Pipera S.R.L.	63.7	-	Romania
	Mablethompe Investitii S.R.L.	100.0	100.0	Romania
	Operetico Enterprises Ltd.	66.7	-	Cyprus
	National Commercial Centers (NCC) B.V.	50.0	50.0	Netherlands
	Bucharest City Gate (BCG) B.V.	58.91	58.91	Netherlands

Holding Company	Name of Company	% of ownership by the Group holding company as of		
		December 31, 2007	December 31, 2006	Country
National Commercial Centers (NCC) B.V.	Mercury Commercial Center SRL	75.0	100.0	Romania
	Beaufort Commercial Center SRL	100.0	100.0	Romania
	Venus Commercial Center SRL	66.7	100.0	Romania
	Mars Commercial Center SRL	50.0	100.0	Romania
	Fajos S.R.L.	50.0	-	Romania
Bucharest City Gate (BCG) B.V.	City Gate SRL	100.0	100.0	Romania
	City Gate Bucharest SRL	100.0	100.0	Romania
GTC Hungary Real Estate Development Company Ltd	Center Point I Ltd.	100.0	100.0	Hungary
	Vaci Ut 81-85 Ltd.	100.0	100.0	Hungary
	Riverside Apartments Ltd.	100.0	100.0	Hungary
	River Loft Ltd.	100.0	100.0	Hungary
	Center Point II Ltd.	100.0	100.0	Hungary
	Spiral I Ltd.	100.0	100.0	Hungary
	Spiral II Ltd.	100.0	100.0	Hungary
	Spiral III Ltd.	100.0	100.0	Hungary
	SASAD Resort Ltd.	100.0	100.0	Hungary
	Spiral Holding Ltd.	50.1	50.1	Hungary
	Albert Falva Ltd.	100.0	100.0	Hungary
	GTC Metro Kft (formerly Jasmin Ingat Ianok Ltd.)	100.0	100.0	Hungary
	SASAD Resort offices Kft	100.0	-	Hungary
	Toborzo Szeplak Kft.	100.0	-	Hungary
	Mastix Champion Kft.	100.0	-	Hungary
	GTC Renaissance Plaza Kft.	100.0	-	Hungary
	SASAD II Kft.	50.1	-	Hungary
	Amarantan Ltd.	100.0	-	Hungary
	Abritus Kft.	100.0	-	Hungary
	Preston Park Kft.	100.0	100.0	Hungary
GTC Real Estate Investment Serbia B.V.	GTC International Development Doo	100.0	100.0	Serbia
	GTC Business Park Doo	100.0	100.0	Serbia
	GTC Commercial Centres Doo	100.0	100.0	Serbia
	GTC Real Estate Developments Doo	100.0	100.0	Serbia
	Atlas Centar Doo	100.0	100.0	Serbia
	GTC Commercial and Residential Ventures DOO	100.0	-	Serbia
	City Properties Serbia B.V.	100.0	-	Serbia

Holding Company	Name of Company	% of ownership by the Group holding company as of		
		December 31, 2007	December 31, 2006	Country
GTC Real Estate Investments Croatia B.V.	Euro Structor doo	[illegible]	70.0	Croatia
	GTC Nekretnine Zagreb doo	100.0	100.0	Croatia
	Marlera Golf LD. doo	80.0	75.0	Croatia
	GTC Center Point Ltd.	100	-	Croatia
	GTC Nekretnine Istok doo.	100	-	Croatia
	GTC Nekretnine Jug. doo	100	-	Croatia
	GTC Nekretnine Zapad doo.	100	-	Croatia
Marlera Golf LD. doo	Nova Istra Idaeus d.o.o.	[illegible]	-	Croatia
CTG Real Estate Investments Slovakia B.V.	CTG Real Estate Developments Bratislava B.V.	[illegible]	70.0	Netherlands
	GTC Real Estate Management S.R.O.	100.0	100.0	Slovakia
CTG Real Estate Developments Bratislava B.V.	GTC Real Estate Vinohardy SRO	100.0	100.0	Slovakia
	GTC Real Estate Park S.R.O.	100.0	100.0	Slovakia
	SPV Opus S.R.O.	100.0	-	Slovakia
	GTC Real Estate Vinohrady S.R.O.	100.0	-	Slovakia
	GTC Real Estate Vinohrady 2 S.R.O.	100.0	-	Slovakia
CTG Real Estate Investments Bulgaria B.V.	CTG Yuzhen Park EAD	100.0	100.0	Bulgaria
	Galeria Stara Zagora AD	75.0	-	Bulgaria
	Galeria Burgas JSC	66.7	-	Bulgaria
	GTC Galeria Varna EOOD	65.0	-	Bulgaria
	Galeria Ikonomov GmbH	65.0	-	Bulgaria
CTG Real Estate Investments Ukraine B.V.	GTC Real Estate Management Ukraine LLC	90.0	90.0	Ukraine
GTC Real Estate China Ltd.	Shenyang Real Estate Development Ltd.	50.0	50.0	China
	GTC Lucky Hope Dadong Ltd.	50.0	50.0	Hong-Kong
	Shenyang GTC Palm Garden Development Co. Ltd	50.0	50.0	China
	Sino Caste Development Ltd.	50.0	50.0	Hong-Kong
	Sino Court International Ltd.	50.0	50.0	Hong-Kong
	Shanxi GTC Lucky Hope Real Estate Development Ltd.	50.0	50.0	China
	Chengdu GTC Lucky Hope (HK) Real Estate Development Ltd.	75.0	-	Hong Kong
	Chengdu GTC Lucky Hope Real Estate Development Ltd.	75.0	-	China
	Rainfield Development Ltd.	50.0	-	Hong Kong
	Green Power Development Limited	50.0	-	Hong Kong

Holding Company	Name of Company	% of ownership by the Group holding company as of December 31, 2007	December 31, 2006	Country
	Well Strong Development Ltd.	100.0	-	Hong Kong
	Sharp Long Ltd.	100.0	-	Hong Kong
	Tidemark International Ltd.	100.0	-	Hong Kong
	South Pool Ltd.	100.0	-	Hong Kong
GTC Investments B.V.	Blitz Portfolio GmbH	85.0	85.0	Germany
	Bonn-Blitz Portfolio GmbH	94.0	94.0	Germany
	Essen-Blitz Portfolio GmbH	94.0	94.0	Germany
	Hamburg-Blitz Portfolio GmbH	94.0	94.0	Germany
	Munchen-Blitz Portfolio GmbH	94.0	94.0	Germany
	Mainz 1-Blitz Portfolio GmbH	94.0	94.0	Germany
	Mainz 2-Blitz Portfolio GmbH	94.0	94.0	Germany
	Mainz 3-Blitz Portfolio GmbH	94.0	94.0	Germany
	Durango Switzerland B.V.	80.0	80.0	Netherlands

Investments in joint ventures

The consolidated financial statements of the Company include proportionally consolidated assets and liabilities and results of Rodamco CH1 Sp. z.o.o., GTC Galeria Kazimierz Sp. z.o.o., National Commercial Centers (NCC) B.V., GTC Investments B.V. and joint venture companies held by GTC Real Estate China Ltd.

GTC RE's interest in the above mentioned entities comprises the following:

€ in thousands	December 31, 2007	December 31, 2006
Cash and short term investments	45,769	11,605
Non-current assets	363,751	231,963
Other current assets	63,688	3,566
Long term liabilities	(231,371)	(110,748)
Current liabilities	(55,001)	(6,727)
	186,836	**129,659**

€ in thousands	2007	2006
Income	80,227	64,594
Expenses	(32,986)	(29,359)
Minority interests	(890)	1,288
	46,351	**46,849**

6 Property and Equipment

€ in thousands	Buildings & leasehold improve-ments	Equipment	Vehicles	Total
Cost				
Balance at January 1, 2006	–	3,151	448	[illegible]
Additions	91	364	548	[illegible]
Disposals	–	(2,416)	(86)	[illegible]
Exchange differences	(2)	25	18	[illegible]
Balance at December 31, 2006	**89**	**1,124**	**928**	[illegible]
Additions	28	367	298	[illegible]
Disposals	(41)	(13)	(72)	[illegible]
Exchange differences	1	–	10	11
Balance at December 31, 2007	**77**	**1,478**	**1,164**	[illegible]
Accumulated depreciation				
Balance at January 1, 2006	–	2,750	175	[illegible]
Depreciation for the year	39	137	134	[illegible]
Disposals	–	(2,290)	(86)	[illegible]
Exchange differences	(1)	31	24	[illegible]
Balance at December 31, 2006	**38**	**628**	**247**	[illegible]
Depreciation for the year	14	97	211	322
Disposals	(41)	(13)	(35)	[illegible]
Exchange differences	9	2	10	[illegible]
Balance at December 31, 2007	**20**	**714**	**433**	[illegible]
Net book value at December 31, 2007	**57**	**764**	**731**	[illegible]
Net book value at December 31, 2006	**51**	**496**	**681**	[illegible]

Property and equipment is related to owner occupied property.

7 Property under Construction

Property under construction relates to development of investment properties. Movements are as follows:

€ in thousands	December 31, 2007	December 31, 2006
Opening balance	170,742	112,225
Additional costs in the period	216,993	115,768
Acquisition of subsidiaries	55,198	18,469
Disposals	–	(1,745)
Less – transfers to investment property	(163,958)	(78.171)
Translation differences	1,393	4,196
	280,368	**170,742**

Borrowing costs capitalised to real estate under construction amounted to € 2,694 thousand (2006: € 3,072 thousand), the average interest rate is EURIBOR + 3.25%.

The property under construction includes:

€ in thousands	December 31, 2007	December 31, 2006
Leasehold land	46,273	48,943
Freehold land	103,200	53,227
Other*	130,895	68,572
	280,368	**170,742**

* Other development costs.

Additional information:

The main projects included in property under construction as of December 31, 2007 are as follows:

Country	Property	Costs	Details
Poland	Globis Wroclaw	17,737	Office building in Wroclaw
	Nefryt	19,576	Office building in Wroclaw
	Konstancja commercial	10,548	Project in Konstancin
Hungary	Spiral 1	17,797	Office buildings in Budapest
Romania	City Gate	16,688	Office project in Bucharest
Serbia	Square 1	25,318	Office project in Belgrade

8 Investment Properties

The investment properties owned by the Group include office and commercial space. The movement in investment properties, which are valued at fair value, is as follows:

€ in thousands	2007	2006
Opening balance	[redacted]	631,461
Acquisition of newly consolidated subsidiaries	[redacted]	2,011
Capitalized subsequent expenditure and transfers from construction in progress	[redacted]	109,962
Investment properties sold (*)	[redacted]	(296,445)
Adjustment to fair value	[redacted]	213,204
Foreign currency translation differences	[redacted]	(39,617)
Reclassification to long term receivables	[redacted]	-
Deferred brokerage fees and other incentives	[redacted]	4,300
Closing balance	[redacted]	**624,876**

(*) On 28 September 2007, the Company sold 100% of the shares in S.C. Complexul Multifunctional Victoria SRL. The subsidiary is the owner of America House Building in Bucharest, Romania.
The shares were sold at a price of EUR 120 million, which reflects the value of the assets of the sold subsidiary. Prior to the transaction the Company revalued the investment property to the valuation implicit in the agreed upon transaction price. As a result, the Company has recognized a revaluation gain of EUR 16.4 million and has released the deferred tax liability previously recorded and accordingly income tax expenses reduced in the amount of EUR 13.9 million.

During 2007 the following projects were completed and classified to investment properties:

Date	Property name	Fair value adjustment	Value	Method
March – 07	Newton	11,325	23,208	NPV
June – 07	Avenue Mall	115,507	190,170	NPV
December – 07	Platinium	15,184	33,017	NPV
December – 07	Nothus	11,348	27,422	NPV
December – 07	Edison	18,057	28,172	NPV
December – 07	19 Avenue	27,912	54,000	NPV

The vacancy in the portfolio is insignificant and has been taken into account in the external appraisal valuations.

The allocation of investment properties built on leasehold land and freehold land is as follows:

€ in thousands	December 31, 2007	December 31, 2006
Leasehold	450,430	429,573
Freehold	493,106	195,303
	943,536	**624,876**

Part of the buildings and lands are being used as securities for long term loans from banks.

The investment property is built on leasehold land and based on IAS 17.18 and IAS 40.6 the land is recognised as an investment property since the leased land meets all the characteristics of an investment property.

9 Goodwill

€ in thousands	2007	2006
Cost at January 1	29,261	36,458
Additions	–	4,020
Decrease due to completion of projects and revaluation of assets	(6,435)	(5,606)
Decrease due to change in holding percentage in subsidiary	–	(1,955)
Translation	(105)	(3,655)
Cost at December 31	**22,721**	**29,261**

Goodwill acquired through business combinations has been allocated to the relevant cash-generating units, in each reportable segment, and is primarily allocated to anticipated future profits from development projects.

The recoverable amount of the goodwill has been determined based on the values used for valuations of each reportable segment, according to methods and assumptions applicable for such segment. The Company annually assesses impairment.

As of December 31, 2007 goodwill is allocated as follows:

	2007	2006
GTC SA	14,598	20,098
GTC Hungary	2,686	2,686
GTC Croatia	–	935
GTC Romania	5,297	5,297
GTC China	140	245
	22,721	**29,261**

10 Investments in Associates

The Company has (indirect) shareholdings in the following associates:

a. Composition:

Holding Company	Name of Company	% of ownership and control by the holding company as of December 31, 2007	December 31, 2006	Country
Globe Trade Centre S.A.	Lighthouse Holdings Ltd. S.A	[illegible]	31.6	Luxembourg
	Vokovice BCP Holding S.A.	[illegible]	31.6	Luxembourg
	Holesovice Residential Holding S.A.	[illegible]	31.6	Luxembourg
	CID Holding S.A.	[illegible]	31.6	Luxembourg
	ND Holdings S.A	[illegible]	-	Luxembourg
City Properties Serbia B.V.	Demo invest doo	[illegible]	-	Serbia

In August 2007, the Company purchased a 25% interest in the associate Demo Invest d.o.o. The completion of the acquisition of the remaining 75% is subject to certain conditions precedent related to the business. The Company's associate owns land and is involved in the real estate development in Serbia.

b. Specification

A specification of the investment in associates is as follows:

€ in thousands	December 31, 2007	December 31, 2006
Cost of shares	[illegible]	76
Accumulated profits since acquisition	[illegible]	6,682
Foreign currency translation differences	[illegible]	538
	[illegible]	**7,296**
Other investments:		
Loans and other long-term balances	[illegible]	17,559
	[illegible]	**24,855**

c The Movement in the Investment in Associates is as follows:

€ in thousands	2007	2006
Opening balance	24,855	12,470
Additional loans granted, net	352	9,469
Repayment of loans	(2,507)	–
Acquisition/establishment of new associate	3,010	–
Dividend	(6,735)	–
Share in result for year	4,709	4,366
Foreign currency differences	556	(1,450)
	24,240	**24,855**

The loans finance investments in those associates. The loans do not have specified maturity dates. The loans are denominated in EUR and bear interest based on EURIBOR plus a margin.

d GTC RE's interest in the above mentioned associates comprises the following:

The investment in associated companies includes loans as follows:

€ in thousands	December 31, 2007	December 31, 2006
Cash and short term investments	6,766	5,256
Non current assets	19,416	15,073
Other current assets	15,272	8,066
Long term liabilities	(23,662)	(23,168)
Current liabilities	(13,979)	(3,332)
	3,813	**1,895**

e A specification of the share in results of the above mentioned associates is as follows:

€ in thousands	December 31, 2007	December 31, 2006
Income	6,456	5,897
Expenses	(1,335)	(1,084)
Minority interests	(412)	(447)
	4,709	**4,366**

11 Long-term Receivables

€ in thousands	December 31, 2007	December 31, 2006
Loan to AYRAD[1]	10,203	7,714
Lucky Hope Holding Ltd[2]	2,276	3,368
Other minority shareholders[3]	1,266	393
Partners share in loans granted to joint ventures and others[4]	25,224	17,662
	38,969	**29,137**

1 1.The balance represents loans granted by GTC SA to Mr. Alroy, the chairman of the supervisory board or AYRAD, a company controlled by him (together 'AYRAD'). The loans are denominated in USD or EUR and bear interest of LIBOR or EURIBOR + 3%. AYRAD is required to on-lend this amount to subsidiaries at the same rate. The loans will be repaid based on the repayment of shareholders loans by the relevant subsidiary.
GTC undertakes to advance AYRAD with loans, in amounts that AYRAD is required to invest in a subsidiary.

2 1.The balance comprises loans granted by GTC Real Estate China Ltd. to its 50% partner in the joint venture company, Shenyang Real Estate Development Ltd., Lucky Hope Holding Ltd. A loan of USD 3,125 thousand (EUR 2,276) bears interest of 5% per annum and is repayable in 2009.

3 The balance comprises loans granted by GTC Investments to minority shareholders in subsidiaries in connection with the shareholders agreements signed between the parties.

4 The balance represents the proportionate share of the Group's loans granted to minority shareholders. The loans are denominated in USD, EUR, CHF or RMB, depending on the relevant currency in which the joint ventures are active. The loans bear various interest rates varying from fixed rates of 2.91% to 5% and variable rate of EURIBOR +3.2% on average.

Repayments of long-term receivables are scheduled as follows:

€ in thousands	December 31, 2007	December 31, 2006
Second year	[illegible]	875
Third year	[illegible]	11,130
Fourth year	[illegible]	2,246
Fifth year	[illegible]	25
Thereafter	[illegible]	560
Not yet determined[1]	[illegible]	14,326
	[illegible]	**29,137**

1 Mostly Loans to Ayrad, the loans will be repaid upon the repayment of shareholders loans by the relevant subsidiary.

12 Inventories

€ in thousands	December 31, 2007	December 31, 2006
Opening balance	[illegible]	28,099
Additional costs capitalized during the year	[illegible]	120,317
Less – costs charged to income statement	[illegible]	18,307
	[illegible]	**130,109**

Borrowing costs capitalised to inventories amounted to € 7,826 thousand (2006: € 755 thousand), the average interest rate is EURIBOR + 3.25%.

Inventories comprise residential projects developed for sale and are accounted for under the completed contract method.

As of December 31, 2007 advances from customers *amounted to EUR 106,177 thousand (2006 -* EUR 20,619 thousand). The advances are presented as short-term payables (see Note 23).

The main projects included in the Inventories are as follow:

Country	Property	Costs	Details
Hungary	Sasad resort	27,855	Residential project in Budapest
	Pascal	17,784	Residential project in Budapest
Romania	Rose Garden	25,846	Residential project in Bucharest
	Garden of Eden and Eve	28,847	Residential project in Bucharest
	Felicity	22,216	Residential project in Bucharest
Slovakia	Vineyard	24,115	Residential project in Bratislava
China	Olympic Garden	21,523	Residential project in Xi'an

13 Accounts Receivables

€ in thousands	December 31, 2007	December 31, 2006
Accounts receivables	3,387	3,564
Less - Provision for doubtful debts	-	54
	3,387	3,510

Accounts receivable as included under current assets mature within one year.
As of 31 December 2007 and 2006 there are no past due trade receivables that were not impaired.Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

14 Other Receivables

€ in thousands	December 31, 2007	December 31, 2006
Advances to contractors	31,398	2,990
Advance for land	5,659	888
Derivatives	11,983	653
Accrued income	6,227	12,983
Other receivables and prepaid expenses	6,821	3,180
	62,088	20,704

15 Restricted Bank Deposits

€ in thousands	December 31, 2007	December 31, 2006
Short-term deposits in Euro	[redacted]	5,169
Short-term deposits n U.S. Dollars	[redacted]	1,181
Short-term deposits in other currencies	[redacted]	2,666
	[redacted]	**9,016**

Restricted short-term deposits can be used for permitted purposes as determined in the loan agreements. An amount of EUR 212 thousand relates to funds deposited in escrow accounts until completion of certain transactions (mainly acquisition of land). As of December, 31 2007 the deposits carry an average interest of 3.5%.

16 Cash and Cash Equivalents

€ in thousands	December 31, 2007	December 31, 2006
Cash	[redacted]	10,169
Short-term deposits	[redacted]	277,398
	[redacted]	**287,567**

The average interest earned on short term deposits is 3% to 3.5%, the same as in 2006.

17 Issued Capital

a Composition:

Number of shares	December 31, 2007		December 31, 2006	
	Authorized	Issued and paid-in	Authorized	Issued and paid-in
Ordinary shares with nominal value of EUR 0.20 each	[redacted]	[redacted]	150,000,000	72,727,635

b Movement in Issued and Paid-in Shares:

	Number of shares	EURO par value
Balance as of January 1, 2006	62,598,294	12,519,659
Conversion of debentures to shares	6,462,777	1,292,555
Conversion of options to shares	3,666,564	733,313
Balance as of December 31, 2006	72,727,635	14,545,527
Conversion of debentures to shares	11,424,303	2,284,861
Conversion of options to shares	61,029	12,206
Balance as of December 31, 2007	**84,212,967**	**16,842,594**

The major shareholder of the Company as of 31 December 2007 is Kardan N.V. with total number of shares held of 47,032,533 which constitute 55.8% of total shares.

Other shareholders who as of 31 December 2007 held above 5% of the Company shares were as follows:
- Kardan Real Estate LTD - 10,295,060 shares which constitute 12.3% of total shares

18 Share-based Payments

a The expense recognized during the year is shown in the following table:

€ in thousands	2007	2006
Expense arising from equity-settled share-based payment transactions	2,458	3,548
Expense arising from cash-settled share-based payment transactions	9,496	7,452
	11,954	**11,000**

The share-based payment option plans granted by the Company to its employees and directors are described below. During the years 2006 and 2007 the option plans were not modified or cancelled.

b In July 2005, the management and supervisory board of the Company approved an employee option plan. According to the option plan, the Company will grant to employees of the parent company and subsidiaries of the company, without consideration, 280,000 options exercisable in up to 280,000 ordinary shares of the Company each having par value of EUR 0.20. The exercise price of each option equals to NIS 8.80 adjusted to the changes in the Israeli CPI.

The options can be exercised in two ways: (1) payment of the full exercise price and receiving the whole number of shares derived from the number of options exercised; or (2) not to pay the exercise price but to be entitled to the number of shares reflecting only the benefit component inherent in the options. The options can be exercised during the earliest of a period of 4 years from the determining date or 90 days following the termination of the employment relationship between the Company and the employees. Each employee shall be entitled to exercise half of the options granted after 1 year from the determining date and to exercise the remaining options after 2 years from the determining date. The options were granted on October 12, 2005, as for December 31, 2007 the employees are entitled to exercise all the options.

The fair value of the options as of the date of grant was estimated at approximately EUR 321 thousand.

c On July 11, 2006 the Company has granted an additional 40,000 employee options to the chairman of the supervisory board. The options have the same terms as the employees options granted in October 2005. The fair value of the options as of the date of grant is estimated at approximately EUR 128 thousand.

d 25,000 options were exercised during 2006 into 14,704 GTC RE ordinary shares 75,000 options were exercised during 2007 into 61,029 GTC RE ordinary shares

e The Company granted to Alroy and Ickovics a Put Option to sell to the Company any or all of their shares in GTC Investments. The Put Option can be exercised in whole or in part during a 12 months period commencing upon the later of five years from the effective date (being November 29, 2005) or the date Alroy and Ickovics ceased to provide consulting services to the Company. The exercise price of the option shall be the fair value of the shares transferred as of the date of exercise of the option, and shall be paid in cash or in shares at the discretion of the Company.

The Company estimated the fair value of this option as of December 31, 2007 at EUR 918 thousand, and recorded such cost in the income statement.

f In March 2006, GTC S.A. has granted certain key management personnel a total of 2,000,000 "Phantom Shares" that may be exercised in several tranches during the years 2007-2010 (subject to vesting period). The Phantom Shares grant the entitled persons a right for a settlement from GTC S.A. in the amount equal to the difference between the average closing price for GTC S.A.'s shares on the Warsaw Stock Exchange during the 30–day period prior to the date of delivery of the exercise notice, and PLN 22.5 (EUR 6.28) per share (adjustable for dividend). GTC S.A. may alternatively settle in the form of cash. As of the granting date the average fair value of the share options amounts to EUR 2 per option. The settlement of the Phantom Shares (cash or equity) is at the discretion of the shareholders of GTC S.A.

Phantom Shares expenses have been provided for assuming equity payments will be affected in accordance with IFRS 2.

g In addition the Supervisory Board of GTC S.A. has granted certain key management personnel the right to purchase 210,000 GTC S.A.'s shares for their nominal value in two equal tranches in May 2006 and 2007. The vesting conditions for all share-based payments require from the persons entitled to those instruments to remain as key management personnel.

h In June 26, 2006 the chairman of the Supervisory Board of GTC S.A. exercised 1,179,170 subscription warrants at a price of PLN 0.1 each and 83,960 subscription warrants at a price of PLN 4.282 each. The remaining 224,820 subscription warrants expired and will not be exercised. As a result, 1,263,130 shares were issued and the Company's interest was diluted from 46.7% to 46.4% and the Company recorded an equity loss of approximately EUR 1.9 million.

i In January 2007 the chairman has additionally exercised 1,341,450 subscription warrants for conversion into shares of GTC S.A. and the remaining 146,500 subscription warrants expired. As a result, the Company's interest in GTC S.A. was diluted to 46.1% and the Company recorded an equity loss of approximately EUR 2 million.

j On May 1, 2006 GTC S.A. has entered into agreement with the chairman of its supervisory board and AYRAD, a company under his control (together 'AYRAD). The agreement supersedes the agreement between the Company (as a successor of GTC International B.V.) and AYRAD dated March 8, 2004. Following are the main changes in the new agreement:

i The mechanism for calculation of the annual bonus
ii In the event that GTC S.A. undertakes any investment through a new subsidiary, AYRAD or a company under his control is entitled to acquire shares in such subsidiary in an amount equal to 5% of the combined holding of GTC S.A. and AYRAD.

iii GTC undertakes to advance AYRAD with loans, in amounts that AYRAD is required to invest in a subsidiary.

iv GTC S.A. granted AYRAD a Put Option to sell to GTC S.A. any or all of his shares in GTC S.A.'s subsidiaries within 24 months following the termination of AYRAD's relationship with such subsidiary. AYRAD granted GTC S.A. a Call Option to buy any or all of his shares in such subsidiaries within 30 days following the expiration of the above-mentioned Put Option. The exercise price of the options shall be the fair value of the shares being transferred, as of the date of the Put or Call exercise notice.

The Company considers the combination of existing shares and the put options thereon to be share appreciation rights and recognized a financial liability under the above contract at its fair value, amounting to EUR 19.2 million as of December 31, 2007. The impact on the Company's net profit for the year 2007 amounted to EUR 9.7 million, classifies as general and administrative costs and is included in the Company's consolidated income statement.

The fair value of the Put Option has been determined by an independent valuer as of December 31, 2007 and is presented as financial liability. Any subsequent re-measurement of financial liability is accounted for through the profit and loss account (general and administrative).

The main assumptions applied in determining the fair value of the financial liability were as follows:

- Investment properties were stated at their fair value as included in the financial statements.
- Projects in development stage were estimated using the residual value method to arrive at the respective fair value.
- Projects not yet in development stage were estimated using the comparable value method to arrive at respective fair value

As of the balance sheet date, there appeared to be a difference of opinion between AYRAD and the Company with regard to the amount of the financial liability related to the Put Option and included in the financials statements. AYRAD is of the opinion that the amount is substantially higher than the amount included in the financials statements. GTC SA management is of the opinion that the financial liability as determined by the independent valuer and included in the financial statements is adequately presenting the financial liability related to the Put Option. In case such dispute will exist upon exercising the Put Option (within 24 months following the termination of AYRAD agreement with GTC SA) the Put Option agreement stipulates that attorneys appointed by the parties will appoint an independent appraiser from the big four accounting firms in order to determine the fair value of the Put Options. The appraiser's decision shall be final and binding.

Movement in the year

The following table illustrates the number and weighted average exercise prices ('WAEP') of, and movement in, share options issued by the Company during the year:

	2007		2006	
	Number	WAEP (NIS)	Number	WAEP (NIS)
Outstanding at January 1	[redacted]	[redacted]	280,000	8.63
Granted during the year	[redacted]	[redacted]	40,000	8.80
Forteited during the year	[redacted]	[redacted]	-	
Exercised during the year	[redacted]	[redacted]	(25,000)	8,82
Expired during the year	[redacted]	[redacted]	-	
Outstanding at December 31	[redacted]	[redacted]	**295,000**	**8.65**
Exercisable at December 31	[redacted]	[redacted]	127,500	

The following table lists the inputs to the models used to determine the fair value of the equity-settled share-based payments:

	2007	2006
Expected volatility (%)	[redacted]	26%
Risk-free interest rate (%)	[redacted]	4.5%
Expected life of options (years)	[redacted]	3.2
Weighted average share price (NIS)	[redacted]	28.35

Model used Merton and adjusted Black & Scholtes

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

19 Interest-bearing Loans and Borrowings

a Composition

	Effective interest rate	December 31, 2007	December 31, 2006
	%	€ in thousands	€ in thousands
Banks			
In USD	7.33%	33,256	52,525
In EUR	5.97%	400,394	279,880
Other currencies (mainly CHF)	6.41%	44,235	43,701
Total Banks		**477,885**	**376,106**
Others			
In USD		1,138	53,248
Related parties (mainly in EUR)	EUR+3.25%	56,756	47,052
Total Others		**57,894**	**100,300**
		535,779	**476,407**
Debt issuance expenses		(2,586)	(2,891)
Total long-term debt		**533,193**	**473,516**
Less: Current portion		(31,505)	(113,522)
		501,688	**359,994**

b Repayments of long-term debt are scheduled as follows:

€ in thousands	December 31, 2007	December 31, 2006
First year	31,505	113,522
Second year	27,774	20,498
Third year	17,885	19,668
Fourth year	45,749	21,309
Fifth year	24,476	43,795
Thereafter	330,496	253,287
Not yet determined[1]	57,894	4,327
	535,779	**476,407**

1 Mainly loans from minority in subsidiaries.

Financial covenants and commitments to lenders

- In connection with a EUR 100 million credit facility, the Company has committed towards the lending bank to maintain certain financial covenants, including minimal shareholders' equity of USD 87 (EUR 59) million and equity to balance sheet ratio of 28%. As of December 31, 2007 the Company has withdrawn approximately EUR 69.9 million.
- As of December 31, 2007 the Company meets all financial covenants.
- During the first quarter of 2007 the Company has early repaid in full two loans with a total amount of approximately USD 65 million (approximately EUR 50 million). As a result, the Company has recognized a gain from early repayment of approximately USD 1.8 million (€1.3 million).
- The average effective interest rate on the Group's loans in 2007 was 6.1% (2006 – 5.85%).
- The fair value of loans bearing fixed interest rates is higher than the value at amortized cost presented in these financial statements (see Note 32).
- Substantially all investment properties and construction in progress have been pledged to secure long term loans from banks. The fair value of these assets exceeds the carrying value of the related loans.
- In most cases, in its financing agreements with banks, the GTC Group undertakes to comply with certain financial covenants that are prescribed in those agreements, the principal elements of which are: maintaining a balance in a certain amount in the bank accounts, maintaining a certain ratio between the loan and the value of the project, maintaining certain ratios between the net revenues from the lease of the financed project and the amounts of the various expenses, such as interest and commissions, maintaining certain ratios between the net revenues from the financed project and the principal and interest that the borrowing company is required to pay for a period of a quarter. As of the date of these financial statements, the borrowing Group companies are fulfilling their liabilities in connection with the financial covenants.

20 Convertible Debentures

a In August 2004, the Company issued to the public in Israel NIS 120 million (approximately EUR 21.9 million) par value of debentures (series A) convertible into ordinary shares of the Company. The debentures were offered to the public in units, each consisting of NIS 1,000 (EUR 182.4) par value debentures, 60 warrants (series 3) and 6 warrants (series 4).

The debentures (series A) bear annual interest rate of 6% linked (principal and interest) to the Israeli CPI. The interest is paid annually on August 31 of each of the years 2005 to 2009. The principal is payable in one payment on August 31, 2009.

The debentures (series A) are convertible into shares of the Company, in such a way that each NIS 16.4 par value is convertible into one ordinary share. Following the dividend distribution in February 2005 (see Note 18); the conversion price was reduced to NIS 16.093.

b In July 2005 the Company issued to its parent company, Kardan N.V., EUR 5,526 thousand par value of convertible debentures (series A). These debentures have the same terms of the debentures issued within the framework of the prospectus published in 2004.

c In September 2005, the Company issued additional NIS 101,462,000 par value convertible debentures (Series A) to institutional investors in Israel in consideration for approximately NIS 110,086 thousand (EUR 18.4 million). The newly issued debentures have the same terms of the debentures issued within the framework of the prospectus published in 2004.

d As of December 31, 2007 the balance of convertible debentures amounts to NIS 34,278,377 par value. For details regarding conversion of debentures into Company's shares reference is made to Note 17.

The market value of the debentures including the options element which is separately valued at EUR 16.4 million as at the date of the balance sheet is approximately EUR 22.7 million.

e In November 2007, Kardan NV has converted NIS 143,183,170 par value series A convertible debentures into 8,879,426 shares of the company. The impact on the share premium of the company due to the conversion amounted to EUR 101 million.

f Subsequent to the balance sheet date and until the date of approval of these financial statements NIS 9,658,213 par value of convertible debentures (Series A) was converted into 600,163 shares of the Company.

21 Other Debentures

a In January 2007 the Company has issued debentures (series B) to institutional investors in Israel in consideration of NIS 550 million (approximately EUR 100 million) (Issuance costs amounted to approximately EUR 500 thousand).
The debentures are linked to the Israeli CPI and bear an annual interest rate of 4.9%. The principal is repayable in 7 equal installments during the years 2014 to 2020. The interest payments will be made annually.
The debentures are rated AA- by Ma'alot (Standard & Poor's affiliate in Israel). In connection with the rating the Company has committed to maintain certain financial covenants.

According to the Deed of Trust relating to the debentures (series B), the trustee has the right to demand immediate repayment of the outstanding balance of the debentures, among others, in the following events:

(1) In the event that all of the following three conditions will occur: (a) the Company's interest in GTC S.A. will fall below 20% as a result of sale of GTC S.A. shares by the Company; (b) the consideration the Company will receive from such sale will be distributed as dividend; and (c) as a result of (a) and (b) above the rating of the debentures obtained from Ma'alot, as it might be at that time, is lowered and the reasoning for such reduction in rating will include (a) and (b) above.
(2) If another series of debentures issued by the Company, or a bank loan amounting to at least USD 50 million, has been brought for early repayment by a debenture holder and/or the trustee and/or one of the banks.

In June 2007 the debentures were listed for trade on the Tel Aviv Stock Exchange.

According to the terms of the debentures, the Company paid to the holders of the debentures an additional interest until the date of listing at a rate of 0.1685%.

Following the issuance of the debentures the Company has entered into a swap transaction according to which the Company has converted the cash received in NIS into Euro, and effectively swapped the related liability into a Euro loan bearing a fixed interest rate of 5.94% per annum.

The Company designates the cross-currency swap as a cash flow hedge of its exposure to changes in its functional currency equivalent cash flows on the debt. Accordingly in accordance with IAS 39:

- The loan is translated at spot rate. The translation gains and losses on the foreign currency denominated debt are taken in to the income statement;
- The fair value of the cross currency swap (an obligation of EUR 3,523 thousand as at December 31, 2007) is recorded in the balance sheet with entries for the effective part of the hedge to a separate component of equity (a loss of EUR 2,131 thousand) and a reclassification to expense at the time the hedged risk affects profit or loss to offset

retranslation of the hedged debt and interest expense.

b In April 2007, GTC S.A. has successfully completed a PLN 800 million (approximately EUR 212 million) bond offering to Polish institutional investors. The bonds were issued in two series, the first series (90% of the proceeds) has a 7-year maturity and the second series has 5-year maturity. The bonds are denominated in PLN and bear a variable interest rate, to be paid every 6 months.

Following the bond issue, GTC S.A. converted the received cash into Euro and swapped the related liability by entering into a Euro-PLN cross-currency Interest Rate Swap transaction, whereby the liability bears a fixed interest rate of 5.745% per year. The swap is deemed ineffective and accordingly all fair value gains and losses are taken into the income statements.

c In November 2007, the company expanded the bond series (series B) by 783,967,977 NIS in nominal value, through a private allocation for institution investors, in return for a sum of 805,919 thousand NIS (approximately EUR 143 million). The terms of the said issued bond (series B) are equal to the bond (series B) terms which were registered for trading according to the forecast mentioned in paragraph A., published by the company in May 2007. The rate of uniform weighted discount rate for the bonds (series B) of GTC RE is 1.9%.

In December 2007, following the raising of the bonds (series B), and for the purpose of matching the payments of the company's undertakings to the company cash flow resources, which are stated in Euros, the company engaged Discount Bank in a Swap transaction, under which, starting on the date each transaction is entered into, the bank shall pay the company the linked NIS cash flow required for repaying the bonds (series B), and on the other hand, the company shall pay the bank a corresponding cash flow in Euros, with a fixed annual interest of 6.44%. The fair value of the cross currency swap (an obligation of EUR 1,722 thousand as at December 31, 2007) is recorded in the balance sheet with entries for the effective part of the hedge to a separate component of equity (a loss of EUR 1,685 thousand) and a reclassification to expense at the time the hedged risk affects profit or loss to offset retranslation of the hedged debt and interest expense.

In January 2008, after the balance date, the company entered into a third transaction for 194,568,989 NIS in bond (series B) nominal value, and an annual rate of 6.21% for 193,430,049 NIS in bond (series B) nominal value.

22 Other Non-Current Liabilities

€ in thousands	December 31, 2007	December 31, 2006
Deposits from tenants	[illegible]	1,472
Long-term payable for land lease, net of current portion	[illegible]	2,699
Financial liabilities - Put Options[1]	[illegible]	9,721
	[illegible]	**13,892**

1 The balance includes the following Put options:

- As described in Note 18, on May 1, 2006, GTC SA granted AYRAD an option (Put Option) to sell to GTC SA any or all of his shares in GTC SA's subsidiaries within a certain period following termination of AYRAD's relationship with such subsidiary or with GTC SA.

As of May 1, 2006, GTC SA recognised a financial liability under the above contract at its fair value. The minority interest reported in the financial statements was reclassified to a financial liability and the difference between the fair value of that liability and

the minority interest as of 1 May 2006, was charged against retained earnings.
Any subsequent re-measurement of financial liability is accounted for through the profit and loss account (financial expenses).
The fair value of the Put Option amounting to EUR 19,155 thousand has been determined by an independent valuer as of December 31, 2007 and has been presented as financial liability.

The main methodology applied in determining the fair value of the financial liability was as follows:

Investment properties were accounted for in their fair value as included in the financial statements.
The fair values of projects in development stage were estimated using the residual value method.
The fair values of projects not yet in development stage were estimated using the comparable value method.

- As described in Note 18, the Company has granted Alroy and Ickovics a put option to sell their interest in GTC Investments to the Company. The fair value of the Put option is estimated at EUR 918 thousand.

23 Other Payables

€ in thousands	December 31, 2007	December 31, 2006
Non-trade accounts payable	218	749
Accrued expenses[1]	53,661	21,980
Deferred income	602	694
Hedge liability	5,246	–
Short-term portion of long-term payable	1,168	3,661
Advances from buyers[2]	103,395	20,619
	164,290	47,703

1 Mainly accrued interest, and payments to contractors.
2 The advances from residential buyers will offset in less than a year.

24 Interest Bearing Loans and Borrowings

€ in thousands	December 31, 2007	December 31, 2006
Credit line	1,537	3,037
Current maturities of long-term loans	31,505	113,522
	33,042	116,559

As of the reported periods the Company had the following agreements:

In March 2006 GTC Business Park (Serbia) signed a loan agreement with Raiffeisen Bank for a short term loan amounting to EUR 2.5 million. The loan was granted for a period of one year and it can be renewed for an additional year. The loan bears interest of 1 month EURIBOR + 1.5%. As a security for the loan, GTC International Development d.o.o. pledged a bank deposit of EUR 2.6 million. The loan was used for the acquisition of the land on which Block 19A project is developed. As of 31 December 2007 the outstanding amount was Euro 1,537 thousand.

25 Segment Reporting

€ in thousands	Central & Eastern Europe		China		Other		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Rental revenues	[illegible]	65,020	–	–	6,724	5,925	[illegible]	70,945
Residential revenues	[illegible]	15,863	[illegible]	6,352	–	–	[illegible]	22,212
Total revenues	[illegible]	80,883	[illegible]	6,352	6,724	5,925	[illegible]	93,160
Rental gross profit	[illegible]	45,702	–	–	[illegible]	5,002	[illegible]	50,704
Residential gross profit	[illegible]	2,714	[illegible]	1,191	–	-	[illegible]	3,905
Gross profit	[illegible]	48,416	[illegible]	1,191	[illegible]	5,002	[illegible]	54,609
Adjustment to fair value	[illegible]	207,860	–	–	[illegible]	5,344	[illegible]	213,204
Selling and marketing expenses								
Rental	[illegible]	2,137	–	–	–	–	[illegible]	2,137
Residential	[illegible]	795	[illegible]	839	–	–	[illegible]	1,634
	[illegible]	2,932	[illegible]	839	–	–	[illegible]	3,771
Segment results								
Rental	[illegible]	251,425	–	–	[illegible]	10,346	[illegible]	261,771
Residential	[illegible]	1,919	[illegible]	352	–	–	[illegible]	2,271
	[illegible]	253,344	[illegible]	352	[illegible]	10,346	[illegible]	264,042
Unallocated expenses							[illegible]	(22,871)
Profit from operations							[illegible]	**241,171**

€ in thousands	Central & Eastern Europe		China		Other		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
Rental allocated assets	1,066,512	665,168	14,588	–	85,581	90,359	1,166,681	755,527
Residential allocated assets	388,193	242,839	44,873	17,621	–	–	433,066	260,460
Unallocated assets							649,742	333,552
Total assets							**2,249,489**	**1,349,539**
Rental allocated liabilities	88,652	88,341	74	–	5,001	4,093	93,727	92,434
Residential allocated liabilities	70,748	48,260	44,347	8,277	–	–	115,095	56,538
Unallocated liabilities							1,138,416	623,934
Total liabilities							**1,347,238**	**772,907**
Other								
Rental capital expenditures	208,591	102,734	3	–	–	44,771	208,594	147,505
Residential capital expenditures	65,603	53,681	363	266	–	–	65,966	241
Depreciation	298	256	72	56	120	164	490	476
Non cash expenses	330	612	–	–	–	–	330	612

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis.

Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, and taxes currently payable and accrued liabilities.

26 Selling and Marketing Expenses

€ in thousands	2007	2006
Brokerage and similar fees	[illegible]	1,008
Advertising	[illegible]	2,208
Payroll and related expenses	[illegible]	437
Other	[illegible]	118
	[illegible]	**3,771**

27 General and Administrative Expenses

€ in thousands	2007	2006
Payroll and related expenses	[illegible]	4,216
Consulting and legal fees	[illegible]	2,747
Share based payment	[illegible]	11,000
Management fees	[illegible]	4,191
Office maintenance	[illegible]	757
Depreciation and amortization	[illegible]	272
Other expeses	[illegible]	2,156
	[illegible]	**25,339**

Share based payment substantially comprised the fair value adjustments of payment granted to management.

Payroll and related expenses are as follows:

€ in thousands	2007	2006
Wages and salaries	[illegible]	3,849
Pension expenses	131	14
Unemployment contributions	–	354
Other social expenses	16	–
	[illegible]	**4,216**

The average number of personnel on a consolidated basis during the period was 324 (including 100% of the China employees) (2006: 210).

28 Financial Expenses, Net

€ in thousands	2007	2006
Foreign currency exchange gains (losses), net	[illegible]	6,504
Interest income	[illegible]	8,426
Change in fair value of derivatives	[illegible]	2,978
Other financial income	[illegible]	267
	[illegible]	11,671
Interest expense on borrowings, net	[illegible]	26,342
Change in fair value of options of convertible debentures*	[illegible]	74,213
Other financial expenses	[illegible]	7,944
	[illegible]	108,499
Financial expense, net	[illegible]	90,324

* See Note 20

29 Net Income Attributable to the Equity Holders of the Parent

The net income attributable to the equity holders of the parent company is lower then the minority share due to finance expenses in the company only which offsets the company profit from the subsidiaries.

30 Income Taxes

a. Tax presented in the consolidated income statements is broken down as follows:

€ in thousands	2007	2006
Current tax expenses	4,631	20,103
Deferred tax expenses (income)	32,168	22,851
	36,799	**42,954**

The Group companies pay taxes in the following jurisdictions: Poland, Serbia, Romania, Hungary, Netherlands, Luxemburg, Croatia, Slovakia, the Czech Republic, Hong-Kong, China, Germany and Switzerland. The Group does not constitute a tax group under local legislation. Therefore every company in the Group is a separate taxpayer.

b. The composition of deferred taxes netted on a separate fiscal unity basis is as follows:

€ in thousands	Consolidated balance sheet		Consolidated income statement	
	2007	2006	2007	2006
Deferred tax assets				
Tax loss carry forward	[illegible]	2,786	[illegible]	555
Financial instruments	[illegible]	578	[illegible]	(1,125)
Impairment of assets	–	1,497	[illegible]	–
Other	[illegible]	(383)	[illegible]	(400)
Deferred tax liablilities netted with deferred tax assets				
Deferred taxation on revaluation	–	(442)	[illegible]	–
Basis differences in non current assets	[illegible]	593	[illegible]	588
Basis differences in inventory	[illegible]	412	[illegible]	1,129
Other	–	–	–	56
	[illegible]	5,041		
Valuation allowance	[illegible]	(2,357)	[illegible]	(378)
Net deferred tax asset	[illegible]	**2,684**		

€ in thousands	Consolidated balance sheet		Consolidated income statement	
	2007	2006	2007	2006
Deferred tax liabilities				
Deferred taxation on revaluation	[illegible]	(53,364)	[illegible]	(31,022)
Interest and financial instruments	[illegible]	(1,413)	[illegible]	9,118
Basis differences in non current assets	2,175	(334)	[illegible]	(7,647)
Depreciation of investment property	[illegible]	(3,290)	[illegible]	7,802
Basis differences in inventory	[illegible]	(58)	[illegible]	21
Deferred tax assets with liabilities				
Tax loss carry forward	[illegible]	806	[illegible]	(1,229)
Impairment of assets	(1,497)	(1,497)	–	–
Contract margin recognition	[illegible]	–	[illegible]	–
Other	(614)	(280)	[illegible]	(319)
	[illegible]	**(59,429)**	[illegible]	**(22,851)**

Tax charged directly to equity amounted in 2007 to EUR 12 thousands (2006 – 55).

The composition of deferred taxes as appears in the Balance:

€ in thousands	2007	2006
Deferred tax assets	11,474	2,684
Deferred tax liabilities	(98,384)	(59,429)
	(86,910)	(56,745)

c. The reconciliation between tax expense and the product of the accounting profit multiplied by the applicable tax rate is as follows:

€ in thousands	2007	2006
Accounting profit	211,269	184,584
Accounting profit at the rated average taxable rate of 15.5% (2006 - 15%)	32,677	27,926
Tax effect on non-deductible expenses	(9,511)	19,131
Tax effect of unrealized foreign currency	(6,582)	(5,105)
Change in tax rates	(852)	1,136
Share in profit of associates and joint ventures	(68)	(799)
Other temporary differences	227	(71)
Adjustments and taxes related to prior years	150	-
Unrecognised deferred tax asset	20,758	9,736
Tax expense/(credit)	36,799	**42,954**

The enacted tax rates in the various counties were as follows:

	2007	2006
Tax rate		
Bulgaria	10%	10%
China	33%	33%
Croatia	20%	20%
Germany	26.4%	26.4%
Hong-Kong	17.5%	17.5%
Hungary	[illegible]	20%
The Netherlands	[illegible]	29.6%
Poland	[illegible]	19%
Romania	[illegible]	16%
Serbia	[illegible]	10%
Slovakia	[illegible]	19%
Switzerland	[illegible]	23%
Ukraine	[illegible]	25%

d. Disputes

According to the Corporate Income Tax Act costs with regard to (indirect) foreign (non-EU) participation are non-deductible. The Company, upon the advice of its advisors, has decided to appeal against corporate tax assessments raised by the inspector of taxes with regards to the fiscal years 2001-2003 on the basis that the decision of the European Court of Justice (C-168/01), upon which the Dutch Supreme court amended the Corporate Income Tax Act in such a way that it should be extended to cover not only the EU and Economic European Area (EEA) but also countries who have association agreements with the EU based on article 56 EC (free movement of capital with third countries).

For the year 2001 the appeal has been made to the Tax Court, and for the years 2002 and 2003 at the Tax Authorities.

At present it is not possible to ascertain the outcome of the appeal against the corporate tax assessments raised by the Inspector of Taxes. Should the Company be successful in its appeal then the Company would be able to deduct USD 1,461 (EUR 993) thousand for 2001, USD 899 (EUR 611) thousand for 2002, and USD 4,623 (EUR 3,142) thousand for 2003.

The Company's current tax provision is based upon the assessments raised by the Inspector of taxes.

e.

The deferred assets and liabilities mainly relate to GTC SA. The enacted tax rate in Poland is 19%. Deferred tax assets and liabilities have been netted against deferred liabilities respectively deferred assets for as far as they arise in the same fiscal unity.

Taking into consideration the structure of the Group, the tax base of some investment properties is higher than its original historic costs. These are not considered timing differences but give rise to future permanent differences. Accordingly no deferred tax liability is required on the difference between the tax base and historic costs of those assets.

Future benefit for the loss carry forwards and other deferred tax assets have been reflected in these consolidated financial statements to the extent that it is probable that taxable profits will be available when timing differences that gave rise to such deferred tax assets reverse.

f.

GTC SA has contributed organized parts of its business, which are comprised of certain office buildings, a shopping centre and associated assets and liabilities into certain subsidiaries. In accordance with local regulations, the contributed buildings were revalued as of the date of contribution. The revalue amounts form the tax base for these assets. Hence the deferred taxation liability relating to the accumulating timing differences until contribution date in connection with these investment properties was released. If the shares in these subsidiaries are sold, the cost that will be deductible for tax purposes will be based on the net historical cost of the contributed items prior to the revaluation and in such case the tax liability that would arise at that date is estimated at EUR 33 million. There is no present intention of selling the shares of these subsidiaries, and therefore no related liability was recognized.

g.

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 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 the Group's countries than in countries that have a more established taxation system.

h.

Tax settlements may be subject to inspections by tax authorities for a period of five years. Accordingly the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

i.

The Group companies have deferred tax assets on losses carried forward as of December 31, 2007 available in the amount of EUR 34.5 million. The tax losses can be utilised up to 9 years.

31 Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to originally equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares outstanding during the year.

The following reflects the income and the share date used in the total operations basic and diluted earnings per share computations:

	2007	2006
Net profit (loss) attributable to equity holders of the parent (€ '000)	20,328	40,785
Weighted average number of ordinary shares for basic earnings per share	74,478,225	69,109,538
Basic earnings per share	0.27	0.59
Adjusted weighted average number of ordinary shares for diluted earnings per share	74,478,225	69,109,538
Diluted earnings per share	0.27	0.59

The following equity instruments could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share for the year 2007 because they were anti-dilutive:

- 2004 debentures issued by the company (see Note 20)
- Employee options granted by the Company during 2005-2006

32 Financial Instruments and Risk Management

The Group's principal financial instruments, other than derivatives, comprise bank loans, debentures, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of management reviews and agrees policies for managing each of these risks and they are summarized below.

Market Risk

The Group operates in real estate in emerging markets. It is vulnerable to the dangers which exist in developing countries, mostly of political nature, and involving local economies .The group is exposed to fluctuations of supply and demand in the real estate markets in which it operates. These in turn can have a detrimental effect on occupancy rates in the income-yielding properties, on levels of rent, and on the sale potential of t suppliers (international companies and networks with strong financial backing).

In its activity in China, the Group is exposed to a market in which the government is greatly active in the economy in general, and particularly in real estate. The exposure includes, among other things, the risks of legislative change and change in the regulations that regulate the activity in the real estate sector. Additionally, the activity necessitates great bureaucratic occupation and it is necessary to receive many permits over the course of the business activity. Also the ability to receive credit in China for construction is limited.

The home mortgage market in the countries of operation is not yet sufficiently developed.

Difficulty in obtaining loans on easy terms for purchasing apartments, may affect the demand for home units in the projects undertaken by the company.

The Management of the Group believes that the following factors contribute significantly to its operating success and dealing with risk mentioned above.

(1) Skilled management team with real estate experience and a constant local presence in the countries of operation.

(2) Close working relations with international financing institutions.

(3) Focus on selection of major projects which are developed in stages, according to demand.

(4) Strict due diligence before embarking on a project, and adherence to project completion dates committed to.

Due to the above factors the management believes the market risk is reasonable.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (eg accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

€ in thousands	Year ended December 31, 2007						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Not determined	Total
Interest bearing loans and borrowings	-	-	31,505	115,884	289,843	100,086	535,780
Convertible debentures	-	-	5,089	-	-	-	5,089
Debentures	-	-	-	22,334	436,827	-	459,161
Other financial liabilities	-	-	-	-	-	40,517	40,517
Trade and other payables	40,781	62,597	-	-	-	-	103,379
Deferred tax	-	-	-	-	-	98,384	98,384
	40,781	**62,597**	**36,595**	**138,218**	**726,671**	**238,987**	**1,242,310**

€ in thousands	Year ended December 31, 2006						
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Not determined	Total
Interest bearing loans and borrowings	-	-	113,522	105,270	253,287	7,358	479,437
Convertible debentures	-	-	-	36,910	-	-	36,910
Other financial liabilities	-	-	-	-	-	84,478	84,478
Trade and other payables	44,229	27,084	-	-	-	-	71,313
Deferred tax	-	-	-	-	-	59,429	59,424
	44,229	**27,084**	**113,522**	**142,180**	**253,287**	**148,235**	**728,537**

Interest rate risks

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a combination of debt with fixed and variable interest rates. Interest rate risk management aims to limit the impact of fluctuations in interest rates on the results and reduce total interest expenses as much as possible. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Interest rate derivatives are used to align the loan portfolio with the intended risk profile. In order to manage the risk profile, the board of management discusses instruments to be used. Hedging is only allowed if detailed requirements are met.

The Group has the following derivatives:

Party	Loan hedged	Commence	Hedged amount	Expiration date	Interest rate on bank loan (swapped)	Interest to be paid by the Company	Accounting treatment	Fair value as of December 31, 2007	Fair value as of December 31, 2006
Discount Bank	Debentures	Dec-07	35,341	Jan-20	4.9%+CPI	6.44%	Hedge accounting	[illegible]	-
Leumi Bank	Debentures	Feb-07	100,200	Feb-20	4.9%+CPI	5.94%	Hedge accounting	[illegible]	-
Raffaisen Bank	Loan from EBRD (GTC Serbia)	08-May-06	21,925	05-Aug-11	Floating	Fixed 3.85%	Hedge accounting	[illegible]	173
MBK Bank	Loan from MBK (GTC Hungary)	Apr-06	29,614	Jan-09	Floating	Collar 3.41%-3.70%	Income statement	[illegible]	233
		Jan-09	28,551	Jan-14	Floating	Collar 3.77%-4.15%	Income statement	[illegible]	87
		Jan 08	35,266	Oct 09	Floating	Collar 4.03%-4.6%	Income statement	[illegible]	-
		Oct 09	32,015	Oct 11	Floating	Collar 3.89%-4.6%	Income statement	[illegible]	-
Bank BPH	Debentures	Apr-07	23,346	Apr-12	Floating PLN	Fixed Euro 5.745%	Income statement	[illegible]	-
		Apr-07	201,117	Apr-14	Floating PLN	Fixed Euro 5.745%	Income statement	10,341	-
EUROHYPO	Loan from EUROHYPO (GTC Topaz office)	Jan-06	-	Dec-07	Floating	Cap 3.5%	Hedge accounting	-	60
		Jan-08	13,190	Dec-11		Collar 3.2%-4.1%	Profit and Loss	137	81
Aareal bank	Loan from Aareal (GTC Galeria Kazimierz)	Apr-05	-	Mar-07	Floating	Fixed 3.32%	Hedge accounting	-	31
		Apr-07	48,950	Mar-11		Collar 3.25%-5.5%	Income statement	(19)	(50)
		May-06	9,366	May-11		Fixed 3.92%	Hedge accounting	81	38
Total								7,204	653

Derivatives agreements related to GTC Serbia and GTC Hungary were signed during 2006.

The table below presents the sensitivity of equity due to change in EURIBOR, CPI and NIS.

€ in thousands	2007				
	Sensitivity to change in EURIBOR				
	Effect on equity				
	+10%	+5%	Fair Value	-5%	-10%
Derivatives that are designated as hedging instruments					
Swap transactions	(4,322)	(2,137)	(4,779)	2,091	4,134

€ in thousands	2007				
	Sensitivity to change in EURIBOR				
	Effect on income statement				
	+10%	+5%	Fair Value	-5%	-10%
Derivatives that are not designated as hedging instruments					
Hedging instruments	8,627	4,313	11,983	(4,313)	(8,627)

€ in thousands	2007				
	Sensitivity to change in the NIS				
	Effect on Equity				
	+10%	+5%	Fair Value	-5%	-10%
Swap transactions	3,876	1,922	(5,225)	(1,889)	(3,748)

€ in thousands	2007				
	Sensitivity to change in the CPI				
	Effect on Equity				
	+10%	+5%	Fair Value	-5%	-10%
Swap transactions	3,090	1,545	(5,225)	(1,545)	(3,090)

The table below presents the sensitivity of profit (loss) before tax due to change in Interests:

€ in thousands	2007 Sensitivity to change in EURIBOR Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Loans granted	148	74	(74)	(148)
Short term investments	50	25	(25)	(50)
Cash and cash equivalents	1,358	679	(679)	(1,358)
	1,556	**778**	**(778)**	**(1,556)**
Liabilities				
Long-term loans from Banks and others	**(2,993)**	**(1,497)**	**1,497**	**2,993**

€ in thousands	2006 Sensitivity to change in EURIBOR Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Loans granted	52	26	(26)	(52)
Short term investments	28	14	(14)	(28)
Cash and cash equivalents	264	132	(132)	(264)
	344	**172**	**(172)**	**(344)**
Liabilities				
Long-term loans from Banks and others	**(1,563)**	**(781)**	**781**	**1,563**

€ in thousands	2007 Sensitivity to change in Other interest Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Loans granted	28	14	(14)	(28)
Cash and cash equivalents	505	252	(252)	(505)
	533	**266**	**(266)**	**(533)**

€ in thousands	2006			
	Sensitivity to change in Libor			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Loans granted	30	15	(15)	(30)
Cash and cash equivalents	752	376	(376)	(752)
	782	**391**	**(391)**	**(782)**
Liabilities				
Long-term loans from banks and others	**(660)**	**(330)**	**330**	**660**

€ in thousands	2007			
	Sensitivity to change in the CPI			
	Effect on income statement			
	+2%	+1%	-1%	-2%
Liabilities				
Debentures	(1,404)	(702)	702	1,404
Convertible debentures	(738)	(369)	369	738
	(2,142)	**(1,071)**	**1,071**	**(2,142)**

€ in thousands	2006			
	Sensitivity to change in the CPI			
	Effect on income statement			
	+2%	+1%	-1%	-2%
Liabilities				
Convertible debentures	**(784)**	**(392)**	**392**	**784**

€ in thousands	2007			
	Sensitivity to change in Other interest			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Loans granted	20	10	(10)	(20)
Cash and cash equivalents	196	98	(98)	(196)
	216	**108**	**(108)**	**(216)**
Liabilities				
Debentures	(1,852)	(926)	926	1,852
Long-term loans from banks and others	(198)	(99)	99	198
	(2,050)	**(1,025)**	**1,025**	**2,050**

€ in thousands	2006			
	Sensitivity to change in Other interest			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Loans granted	400	200	(200)	(400)
Cash and cash equivalents	112	56	(56)	(112)
	512	**256**	**(256)**	**(512)**
Liabilities				
Long-term loans from banks and others	**(290)**	**(145)**	**145**	**290**

Foreign Currency Risks

Since the Group conducts business in a variety of countries, a significant part of its assets, liabilities and results is sensitive to currency movements. Subsidiaries that do not have the EUR as functional currency generally have an equity position that reflects their risk profile. On the translation of the share in shareholders' equity, a translation gain or loss can arise because this position is not hedged.

The Group also has transactions currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency. Regarding the other financing of these subsidiaries, the Group companies attempt to match the currency of the income with that of the costs and financing currency to minimize the foreign currency risk.

Currency exposure

a. Linkage basis as of December 31, 2007:

€ in thousands	In Euros	In U.S. Dollars	In NIS not linked to	In other currencies	In NIS linked to the Israeli CPI	Non Monetary	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	[illegible]
Assets							
Other non-current assets	-	-	-	-	-	13,554	13,554
Goodwill	-	-	-	-	-	22,721	22,721
Property, equipment and real estate under construction	-	-	-	-	-	1225,456	[illegible]
Long-term receivables	28,819	4,830	-	5,320	-	-	[illegible]
Investments in associates	15,297	-	-	-	-	8,943	[illegible]
Inventories	-	-	-	-	-	248,926	[illegible]
Accounts receivable	565	7	-	2,815	-	-	[illegible]
Other receivables	17,117	986	969	39,948	-	32,059	[illegible]
Restricted bank deposits	12,051	1,072	-	2,183	-	-	[illegible]
Cash and cash equivalents	388,073	112,116	-	65,661	-	-	[illegible]
	461,923	**119,011**	**969**	**115,927**	**-**	**1,551,658**	[illegible]

€ in thousands	In Euros	In U.S. Dollars	In NIS not linked	In other currencies	In Nis linked to the Israeli CPI	Non Monetary	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	[illegible]
Liabilities							
Short term credit	13,760	1,800	-	17,482	-	-	[illegible]
Interest bearing loans and borrowing	454,563	34,394	-	44,235	-	-	[illegible]
Convertible debentures	-	-	-	-	5,089	-	[illegible]
Other debentures	386,507	-	-	-	72,564	-	[illegible]
Other non-current liabilities	2,678	826	16,922	-	-	22,080	[illegible]
Deferred tax liability	-	-	-	-	-	98,384	98,384
Trade and other payables	58,222	59	5,246	40,629	121	103,097	[illegible]
Minority Interest	-	-	-	-	-	550,337	[illegible]
	903,507	**35,279**	**22,168**	**84,864**	**77,774**	**773,898**	[illegible]

Linkage basis as of December 31, 2006:

€ in thousands	In Euros	In U.S. Dollars	In NIS not linked	In other currencies	In NIS linked to the Israeli CPI	Non Monetary	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Assets							
Property, equipment and real estate under construction	–	–	–	–	–	826,107	826,107
Long-term receivables	28,914	4,598	–	77	–	–	33,589
Investments in associates	17,559	–	–	–	–	7,296	24,855
Inventories	–	–	–	–	–	130,109	130,109
Accounts receivable	586	–	–	2,924	–	–	3,510
Other receivables	–	–	–	34,786	–	–	34,786
Restricted bank deposits	5,169	1,181	–	2,666	–	–	9,016
Cash and cash equivalents	87,320	171,191	–	29,055	–	–	287,567
	139,548	**176,970**	**–**	**69,508**	**–**	**963,512**	**1,349,539**
Liabilities							
Short term credit	3,037	–	–	–	–	–	3,037
Interest bearing loans and borrowing	311,594	118,221	–	43,701	–	–	473,516
Convertible debentures	–	–	36,910	–	70,587	–	36,910
Other non-current liabilities	9,721	1,472	–	2,699	–	–	84,478
Deferred tax liability	–	–	–	–	–	59,429	59,429
Trade and other payables	19,836	3,144	–	92,556	–	–	115,536
Minority Interest	–	–	–	–	–	392,254	392,254
	344,187	**122,837**	**36,910**	**138,956**	**–**	**451,683**	**1,165,160**

Currency exposure

b. The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the Group's profit before tax

€ in thousands	2007			
	Sensitivity to change in Euro\U.S.Dollars			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Long-term loans and receivables	(483)	(241)	241	483
Trade and other receivables	(100)	(50)	50	100
Short term investments	(107)	(54)	54	107
Cash and cash equivalents	(11,212)	(5,606)	5,606	11,212
	(11,902)	**(5,951)**	**5,951**	**11,902**
Liabilities				
Other long term liabilities	83	41	(41)	(83)
Long-term loans from banks and others	3,259	1,630	(1,630)	(3,259)
Trade and other payables	6	3	(3)	(6)
Short-term loans from banks and others	180	90	(90)	180
	3,528	**1,764**	**(1,764)**	**(3,528)**

€ in thousands	2006			
	Sensitivity to change in Euro\U.S.Dollars			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Long-term loans and receivables	(854)	(427)	427	854
Trade and other receivables	(140)	(70)	70	140
Short term investments	(118)	(59)	59	118
Cash and cash equivalents	(17,119)	(8,560)	8,560	17,119
	(18,232)	**(9,116)**	**9,116**	**18,232**
Liabilities				
Other long term liabilities	147	74	(74)	(147)
Long-term loans from banks and others	9,804	4,902	(4,902)	(9,804)
Short-term loans from banks and others	9,301	4,650	(4,650)	(9,301)
	19,252	**9,626**	**(19,252)**	**(9,626)**

€ in thousands	2007 Sensitivity to change in Euro/NIS Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Cash and cash equivalents	**(19)**	**(10)**	**10**	**19**
Liabilities				
Convertible debentures	2,201	1,101	(1,101)	(2,201)
Other debentures	23,582	11,791	(11,791)	(23,582)
	25,783	**12,892**	**(12,892)**	**(25,783)**

€ in thousands	2006 Sensitivity to change in Euro/NIS Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Cash and cash equivalents	**(7)**	**(4)**	**4**	**7**
Liabilities				
Interest bearing loans and borrowing	1,725	862	(862)	(1,725)
Convertible debentures	3,691	1,846	(1,846)	(3,691)
	5,416	**2,708**	**(2,708)**	**(5,416)**

€ in thousands	2007 Sensitivity to change in Euro/HUF Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Trade and other receivables	(418)	(209)	209	418
Short term investments	(218)	(109)	109	218
Cash and cash equivalents	(571)	(285)	285	571
	(1,207)	**(603)**	**603**	**1,207**
Liabilities				
Trade and other receivables	534	267	(267)	(534)
Short-term loans from banks and others	1,725	862	(862)	(1,725)
	2,259	**1,130**	**(1,130)**	**(2,259)**

€ in thousands	2006 Sensitivity to change in Euro/HUF Effect on income statement			
	+10%	+5%	–5%	–10%
Assets				
Trade and other receivables	(61)	(30)	30	61
Cash and cash equivalents	(628)	(314)	314	628
	(689)	**(344)**	**344**	**689**
Liabilities				
Trade and other payables	159	80	(80)	(159)

€ in thousands	2007 Sensitivity to change in Euro/PLN Effect on income statement			
	+10%	+5%	–5%	–10%
Assets				
Long-term loans and receivables	(95)	(47)	47	95
Trade and other receivables	(2,393)	(1,197)	1,197	2,393
Cash and cash equivalents	(2,883)	(1,442)	1,442	2,883
	(5,372)	**(2,686)**	**2,686**	**5,372**
Liabilities				
Trade payables	1,741	871	(871)	(1,741)
Other Payables	1,108	554	(554)	(1,108)
	2,850	**1,425**	**(1,425)**	**(2,850)**

€ in thousands	2006 Sensitivity to change in Euro/PLN Effect on income statement			
	+10%	+5%	–5%	–10%
Assets				
Trade and other receivables	(207)	(103)	103	207
Cash and cash equivalents	(1,597)	(799)	799	1,597
	(1,804)	**(902)**	**902**	**1,804**
Liabilities				
Trade and other receivables	**3,980**	**1,990**	**(1,990)**	**(3,980)**

€ in thousands	2007 Sensitivity to change in Euro/RON Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Other receivables	(349)	(175)	175	349
Trade receivable	(1)	(1)	1	1
Cash and cash equivalents	(598)	(299)	299	598
	(948)	**(475)**	**475**	**948**

€ in thousands	2006 Sensitivity to change in Euro/RON Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Trade receivable	(44)	(22)	22	44
Cash and cash equivalents	(80)	(40)	40	80
	(124)	**(62)**	**62**	**124**

€ in thousands	2007 Sensitivity to change in Euro/RMB Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Long-term loans and receivables	(367)	(184)	184	367
Other receivables	(2,071)	(1,035)	1,035	2,071
Cash and cash equivalents	(1,629)	(814)	814	1,629
	(4,067)	**(2,033)**	**2,033**	**4,067**
Liabilities				
Interest bearings loans and borrowing	469	234	(234)	(469)
Other Payables	4,396	2,198	(2,198)	(4,396)
Trade payables	40	20	(20)	(40)
	4,905	**2,452**	**(2,452)**	**(4,905)**

€ in thousands	2006			
	Sensitivity to change in Euro/RMB			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Long-term loans and receivables	(710)	(355)	355	710
Cash and cash equivalents	(394)	(197)	197	394
	(1,104)	**(552)**	**552**	**1,104**
Liabilities				
Other Payables	444	222	(222)	(444)
Trade payables	88	44	(44)	(88)
	532	**266**	**(266)**	**(532)**

€ in thousands	2007			
	Sensitivity to change in Euro/Other currliencies			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Long-term receivables				
Long-term loans and receivables	(70)	(35)	35	70
Other receivables	(287)	(143)	143	287
Trade receivables	(175)	(87)	87	175
Cash and cash equivalents	(886)	(443)	443	886
	(1,418)	**(708)**	**708**	**1,418**
Liabilities				
Interest bearings loans and borrowing	2,207	1,103	(1,103)	(2,207)
Other payables	243	121	(121)	(143)
Trade payables	292	146	(146)	(292)
Short-term loans from banks and others	23	12	(12)	(23)
	2,764	**1,382**	**(1,382)**	**(2,764)**

€ in thousands	2006			
	Sensitivity to change in Euro/Other curriencies			
	Effect on income statement			
	+10%	+5%	-5%	-10%
Assets				
Long-term receivables				
Long-term loans and receivables	(60)	(30)	30	60
Short term investments	(154)	(77)	77	154
Cash and cash equivalents	(200)	(100)	100	200
	(413)	**(207)**	**207**	**413**
Liabilities				
Interest bearings loans and borrowing	2,256	1,128	(1,128)	(2,256)
Other payables	623	312	(312)	(623)
Trade payables	713	357	(357)	(713)
	3,592	**1,796**	**(1,796)**	**(3,592)**

Credit Risks

The Group is exposed to credit risk with regard to its trade receivables, cash and cash equivalents, derivative assets and non-current financial assets. The Group trades only with recognized, creditworthy third parties. The Group companies regularly monitor the credit status of their customers and debtors and record appropriate provisions for the possibility of losses that may be incurred from provision of credit, in respect of specific debts whose collection is doubtful. As a result, the Group's exposure to bad debts is not significant.

Credit risks, or the risk of counter parties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. To manage this risk GTC periodically assesses the financial viability of customers.

The extent of GTC's credit exposure is represented by aggregate balance of amounts receivable, reduced by the effects of netting arrangements with counter parties.

Concentration of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along product and geographic lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigating any significant concentration of credit risk. The Company and its subsidiaries perform ongoing credit evaluations of their customers' financial condition and require collateral as deemed necessary.

Counterparties to financial instruments consist of a large number of prime financial institutions. GTC does not expect any counterparties to fail to meet their obligations, given their high credit ratings. GTC has no significant concentration of credit risk with any single counterpart or group of counterparties.

Capital management

The primary objective of the Group's capital management is to ensure capital preservation and maintaining healthy capital ratios in order to support its business and maximise shareholder value.
The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group decides on leverage policy, repayment of loans, investment or divestment of assets, dividend policy and the need, if any, to issue new shares or debentures.

No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006.

Political Risk

The Group has significant business in Central and Eastern Europe and in Israel. Certain CEE countries are considered as emerging markets. These emerging markets have a different risk profile than Western European area. Political and economic changes in these regions can have consequences for the Group's activities there, as well as an impact on the results and financial positions of the Group. By close monitoring of these businesses the board of management intends to limit the risks of those changes.

Fair Value Risks

Set out below is a comparison by category of the Differences between the carrying amounts and fair values of the Group's financial instruments.

€ in thousands	Carrying amount		Fair value	
	2007	2006	2007	2006
Non convertible debentures	235,822	–	247,267	–
Convertible debentures	21,093	107,496	22,705	113,404
Fixed rate borrowings	30,729	35,805	32,329	36,805

Market values have been used to determine the fair value of listed convertible preference shares and listed available-for-sale financial assets. The fair value of derivatives and borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of loan notes and other financial assets have been calculated using market interest rates. For the valuation of unlisted available-for-sale assets see
Note 16.

33 Commitments and Contingent Liabilities

Pledges

As security to loans amounting to EUR 69.9 million as of December 31, 2007 the Company has pledged in favour of the lenders shares of GTC S.A.

As security to the swap deal for the NIS 550 million debentures (see also note 21) the company has pledged in favour of Leumi Bank EUR 1.5 million.

Guarantees

As of 31 December 2007 and 31 December 2006, GTC gave guarantees to third parties in relation to secure cost overrun and loans of its subsidiaries. The guarantees granted amounted to Euro 43 million and Euro 62 million.

Operating lease commitments – Group as lessor

GTC SA and subsidiaries

The Company has entered into various operational lease contracts with tenants related to properties in Poland, Romania, Croatia, Serbia, and Hungary. The aggregate amount of contracted future rental income as of 31 December 2007 amounts to approximately Euro 386 million and (Euro 407 million as of 31 December 2006), of which approximately 18% and (16%) is due within one year and 25% and (42%) is due after five years.

Operating lease commitments – Group as lessee

- Durango Switzerland has commitments to pay annual lease payments for the leased land totalling CHF 11.4 million (€6.9 million) as of December 31, 2007. The land is leased until October 31, 2055.

Other commitments

- As of December 31, 2007, the Group has commitments contracted for in relation to future building construction, amounting to approximately EUR 287 million (not audited) and EUR 244 million. These commitments are expected to be financed from current financing facilities, other external financing or future instalments under already contracted sale agreements and sale agreements yet to be contracted.

- In November 2007 The Company has signed a term sheet with D.S. Kulkarni Developers Ltd. for the development of a phased commercial and residential project in Pune, India. The project comprises 1.5 to 2 million sq.m. of building rights on a land plot of approximately 1 million sq.m. as of 31 of December there are no liabilities due to this deal.

34 Related Party Disclosures

The Group has entered into a variety of transactions with its related parties. It enters into transactions in the normal course of business on an arm's-length basis. The sales and purchases from related parties are made at normal market prices. Outstanding balances relating to such sales and purchases at year-end are unsecured, interest free and settlement occurs in cash. Outstanding loans from related parties are unsecured and presented with accrued interest. The most significant of these transactions are as follows:

€ in thousands		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Loans from shareholders:					
	2007	–	–	–	–
	2006	–	–	–	11,423
Loans granted:					
	2007	–	–	33,505	–
	2006	–	–	53,780	–
Convertible debentures					
	2007	–	–	–	–
	2006	–	–	–	20,587
Interest received/paid and accrued					
	2007	–	621	–	–
	2006	–	936	–	–
Consultancy and management services					
	2007	–	385	–	–
	2006	–	356	–	–
Other receivables and payables					
	2007	–	–	–	29
	2006	–	–	8	178

€ in thousands	2007	2006
Emoluments of the Board of Directors		
Directors' total remuneration paid by the Company (non-employed directors)	129	87
Directors' total remuneration paid by the Group (non-employed directors)	584	554
Directors' total remuneration paid by Kardan N.V. (non-employed directors)	31	26
Total number of paid directors	11	10

The Company and its Group companies signed several agreements with its related parties. The most significant are as follows:

a. In May 1998 GTC S.A. and its subsidiaries entered into an agreement which was extended from time to time with the Company's former parent company according to which the former parent company will provide GTC S.A. with consulting services in consideration of EUR 276 thousand per year, starting January 1 2007.

b. In August 2004, the Company entered into an agreement with Kardan Israel Ltd. ('Kardan Israel') according to which, Kardan Israel shall provide the Company with legal and accounting services in Israel. In consideration of the services, the Company shall pay Kardan Israel USD 60 thousand per year. The agreement is in effect indefinitely.

   In September 2007, the management board of the company approved an amendment to the service agreement, increasing the fee that the Company has to pay to Kardan Israel for the services as described above to an amount of EUR 130,000 per annum starting as of 1.1. 2007.

   In addition the Company also approved the partial amendment of the services agreement with Kardan Israel of a commission to be paid by the Company to Kardan Israel Limited of 0.25% of the net amount (after all expenses) of the future external funds raised by the Company for the services granted by Kardan Israel Limited to the Company in respect of raising the funds.

In relation with the above, approved granting a unique bonus to be paid by the Company to Kardan Israel Limited in the amount of NIS 1,375,000 (approximately EUR 233,500) for the services granted by Kardan Israel Limited to the Company in connection with the issuance and listing to trade of the series B debentures (see also note 21).

c. In August 2004, the Company entered into an agreement with Kardan N.V. (a controlling shareholder in the Company) according to which, Kardan N.V provides the Company with various management and consulting services in the Netherlands effective July 1, 2004. In return, the company committed to pay Kardan N.V. USD 100 thousand (excluding VAT) per year, which shall be paid on a quarterly basis.
The service agreement shall be in effect for two years and shall be extended automatically for an additional year, each time.
In September 2007, the management board of the company approve an amendment to the service agreement, by increasing the fee that the Company has to pay to Kardan N.V. for the services as described above to an amount of EUR 250,000 per annum starting as of January 1, 2007.

d. On June 29, 2006 the general meeting of the Company approved the payment to each of the members of the supervisory board an amount of EUR 11 thousand per year, USD 60 thousand per year to Mr. Ickovics, EUR 90 thousand to Mr Shlank, and a total remuneration of EUR 41 thousand to the members of the managing board.

e. Within the framework of the employee option plan as described in Note 18 a member of the management board of the Company received 15,000 options; and a member of the supervisory board of the Company received 40,000 options (see Note 18 B). during 2007 the member of the management board exercise all the options into 11,146 shares, and the member of the supervisory board exercise 20,000 options to 20,000 shares.

f. A member of the supervisory board of the Company received a total 206,020 shares and phantom shares in GTC S.A. as part of the grant of shares as described in Note 18 F.

35 Subsequent Events

a. In January 2008, 180,000 employee options were exercised into 180,000 GTC RE ordinary Shares.

b. During January-February 2008, subsequent to the balance sheet date, GTC China purchased two adjacent plots in Chengdu, at a total area of 104,000 sq. m. (including construction rights over about 290,000 sq. m.) and at a total area of 90,035 sq. m. (including construction rights over about 252,098 sq. m.). GTC China intends to develop on the two adjacent plots a residential construction project which will include commercial spaces. The real estate properties were purchased together with Lucky Hope Group (for further details on Lucky Hope Group see section 9.3.1 of this statement) and another partner from Hong Kong. The share of GTC China and Lucky Hope Group in the project will be 45% each and the share of the other partner will be 10%.

c. On February 2008, subsequent to the balance sheet date, GTC China purchased land in Shenyang of a total area of 260,454 sq. m., with construction rights for over about 650,000 sq. m. at a sum of 35 million Euro. GTC China intends to develop on the land a project that will include mainly residential construction and at least 50,000 sq. m. for commercial use. The shares of GTC China and Lucky Hope in the project will be equal.

d. In February 2008. subsequent to the balance sheet date GTC Romania completer the acquisition of a Romanian company holding a land plot comprising approximately 30,000 sq.m in the city of Galati, Romania, in consideration of EUR 6.8 million

e. In February 2008 a Subsidiary of GTC Croatia signed a sale and purchase agreement for acquiring 40,000 sqm plot and land to be developed into a retail project in Osijek, Croatia. The project will consist 26,000 NRA sqm and the total investment cost is estimated in EUR 53.7. The cost of land and related costs is Euro 8.2 million.

Company-only Statutory Dutch GAAP Financial Statements

Balance Sheet

December 31, 2007 – Before Appropriation of Net Result

€ in thousands	Note	December 31, 2007	December 31, 2006
Assets			
Non-current assets			
Goodwill	3	14,597	20,221
Other intangible fixed assets		1	18
Fixed assets		1	1
		14,598	**20,240**
Financial fixed assets			
Investments in subsidiaries and joint ventures	4	497,429	366,636
Current assets			
Cash and cash equivalents		182,654	2,187
Short Term Investments		1,549	-
Other receivables		1,469	304
		185,672	**2,491**
Total assets		**697,699**	**389,367**
Equity and liabilities			
Equity	5		
Share capital		16,843	14,546
Share premium		247,700	95,263
Revaluation reserve		172,845	105,127
Hedge reserve		(3,578)	238
Currency translation reserve		12,137	15,846
Retained earnings (accumulated deficit)		(114,359)	(87,426)
Result for the period		20,328	40,785
		351,916	**184,379**
Long-term liabilities	6	**328,202**	**138,181**
Current liabilities	7	**17,581**	**66,807**
Total equity and liabilities		**697,699**	**389,367**

See accompanying notes.

Company-only Statutory Dutch GAAP Income Statement

Year ended December 31, 2007

€ in thousands	Note	December 31, 2007	December 31, 2006
Net income from investments	4	102,135	102,173
Other income (expenses), net	8	[illegible]	(61,388)
Net profit		[illegible]	**40,785**

See accompanying notes.

Notes to the Company-only Statutory Dutch GAAP Financial Statements

December 31, 2007

1 General

The description of the Company's activity and the group structure, as included in the Notes to the consolidated IFRS financial statements, also apply to the Company-only statutory Dutch GAAP financial statements, unless otherwise stated.

2 Significant Accounting Policies

The company - only statutory Dutch GAAP financial statements are drawn up in accordance with accounting policies generally accepted in The Netherlands (Dutch GAAP) and are the same as described in the Notes to the Consolidated IFRS financial statements with the exception of the following: investments in consolidated subsidiaries and joint ventures are stated at the Company's share in their net asset value.

In accordance with Article 402 of part 9, Book 2, of the Netherlands Civil Code, the company-only statutory Dutch GAAP income statement of operations is condensed, as its income statement is already included in the consolidated IFRS income statement.

3 Intangible Fixed Assets

Intangible fixed assets mainly includes goodwill arising on the acquisition of subsidiaries and associated companies

€ in millions	2007	2006
Cost at January 1, net of accumulated amortization	20,221	19,974
Acquisition of subsidiaries	-	4,020
Decrease due to changes in investments	(5,624)	(3,583)
Cost at December 31, net of accumulated amortization	**14,597**	**20,221**
At January 1,		
Cost	22,879	19,974
Less - Accumulated amortization and impairment losses	(2,658)	-
	20,221	**19,974**
At December 31,		
Cost	22,879	22,879
Less - Accumulated amortization and impairment losses	(8,282)	(2,658)
	14,597	**20,221**

4 Financial Fixed Assets

Investments in subsidiaries and joint ventures

For transactions during the year 2007, please refer to Note 5 to the consolidated financial statements.

The movement in the investment can be summarized as follows:

€ in thousands	2007	2006
January 1	[redacted]	156,256
Acquisition of shares in subsidiaries and investments	[redacted]	45,395
Change in loans	[redacted]	20,467
Gain (loss) from issuance of shares in subsidiary	[redacted]	32,430
Capital reserves (*)	[redacted]	9,915
Share in result of investments for the year	[redacted]	102,173
December 31	[redacted]	**366,636**

* Primarily relates to foreign currency exchange differences arising on translation of foreign operations.

The investment in subsidiaries and joint ventures comprises the following:

€ in thousands	2007	2006
Net asset value of investments	[redacted]	330,374
Loans granted	[redacted]	36,262
	[redacted]	**366,636**

5 Dutch GAAP Shareholders' Equity

€ in thousands	Issued and paid-in capital	Share premium	Foreign currency translation reserve	Hedge reserve	Revaluation reserve	Retained earnings	Total
Balance as of January 1, 2006	**12,525**	**51,690**	**26,554**	**3**	**47,137**	**(28,210)**	**109,699**
Net profit for the period	–	–	–	–	–	40,785	40,785
Put option	–	–	–	–	–	(1,226)	(1,226)
Share base payment	–	1,826	–	–	–	–	1,826
Conversion of debentures into shares and exercise of employee options	2,021	41,844	–	–	–	–	43,865
Change in fair value of hedge instrument	–	–	–	242	–	–	242
Realization of reserves	–	(97)	(20)	(7)	–	–	(124)
Currency translation differences	–	–	(10,688)	–	–	–	(10,688)
Property revaluation	–	–	–	–	57,990	(57,990)	–
Balance as of December 31, 2006	**14,546**	**95,263**	**15,846**	**238**	**105,127**	**(46,641)**	**184,379**
Net profit for the period	–	–	–	–	–	20,328	20,328
Share base payment	–	118	–	–	–	–	118
Conversion of debentures into shares and exercise of employee options	2,297	152,319	–	–	–	–	154,616
Change in fair value of hedge instrument	–	–	–	(3,816)	–	–	(3,816)
Currency translation differences	–	–	(3,709)	–	–	–	(3,709)
Property revaluation	–	–	–	–	67,718	(67,718)	–
Balance as of December 31, 2007	**16,843**	**247,700**	**12,137**	**(3,578)**	**172,845**	**(94,031)**	**351,916**

6 Long-Term Liabilities

€ in thousands	December 31, 2007	December 31, 2006
Loans from banks and other financial institutions, net of current maturities (1)	[redacted]	30,372
Convertible debentures (2)	[redacted]	36,909
Options (3)	[redacted]	70,899
Other Debentures(4)	[redacted]	-
Total non-current liabilities	[redacted]	**138,181**

The fair value of the long term liabilities at year end being the current values of the liabilities calculated using estimated interest rates, is approximately the book value.

References for notes to long term liabilities are as follows:

(1) See Note 19 of the consolidated financial statements
(2) See Note 20 of the consolidated financial statements
(3) See Note 20 of the consolidated financial statements
(4) See Note 21 of the consolidated financial statements

Amounts falling due within one year are separetely included under current liabilities.

7 Current Liabilities

€ in thousands	December 31, 2007	December 31, 2006
Current maturity of long-term loan	[redacted]	64,491
Short-term credit from bank	[redacted]	8
Tax provision	[redacted]	319
Other payables and accrued expenses	[redacted]	1,989
Total non-current liabilities	[redacted]	**66,807**

8 Other Income (Expenses), net

€ thousands	December 31, 2007	December 31, 2006
Gain (loss) from issuance of shares in subsidiaries	[redacted]	32,430
Payroll and related expenses	[redacted]	(96)
Management fees	[redacted]	(250)
Office maintenance	[redacted]	(73)
Professional services	[redacted]	(454)
Depreciation	[redacted]	(1)
Share-based payment	[redacted]	(287)
Net adjustment to Put options	[redacted]	(7,653)
Other G&A expenses	[redacted]	(225)
Goodwill amortization	[redacted]	(2,658)
Interest income	[redacted]	1,422
Interest expenses	[redacted]	(5,061)
Financial costs related to Debenture and convertible debentures	[redacted]	(5,379)
Revaluation of options	[redacted]	(71,851)
Foreign currency translation gain (loss), net	[redacted]	350
Other finance (expenses) income, net	[redacted]	(1,603)
	[redacted]	**(61,388)**

9 Remuneration of Directors and Supervisory Board

The Company's Management Board and Supervisory Board received remuneration in 2007 as described in Note 34 to the consolidated financial statements.

10 Commitments, Contingent Liabilities, Guarantees, Banking Covenants and Subsequent Events

For commitments, contingent liabilities, guarantees, banking covenants and subsequent events please refer to Notes 33 and 35 respectively of the consolidated IFRS financial statements.

The below mentioned subsequent events have occurred after March 17, 2008 until the authorization for issuance by the Management Board on June 11, 2008:

A. In April 2008, it was announced that Kardan N.V. is currently in a process of investigating the possibilities to merge GTC RE into Kardan.
The proposed merger is in line with the strategy of Kardan to simplify the group structure and further increase its transparency. The intended merger will create a larger holding company, strengthening the equity and the value of the combined entity. There is no certainty if and when the merger will take place.

B. In April 2008, GTC Russia (a 95% subsidiary of GTC SA) signed a preliminary agreement to acquire a 50% stake in an office development project in Viborgsky, a district of St. Petersburg, Russia. GTC Russia is intended to develop 110,000 sqm of net office space, to be completed in 2011-13. The project is expected to generate approximately EUR 53 million of net rental income upon its full completion. GTC Russia will pay approximately EUR 27 million for its share in the project. The acquisition is expected to be completed by the end of May 2008.

C. In May 2008, GTC SA completed the issuance of debentures amounting to PLN 350 million (EUR 103 million). The debentures were issued to institutional investors in Poland and are not subject to any pledge or guarantee. The debentures bear fix interest of 6.63% denominated in PLN and will be repaid in 5 years from the issuance date

Management Board

A. Shlank
E. Gabber
F. Houterman
W. Van Damme *(Appointed September 5, 2007)*
A. Ickovics *(Appointed September 5, 2007)*

Supervisory Board

B. Bremer
A. Mantel (*Term ended September 1, 2007*)
H. Morcaut
E. Goren
Z. Rubin *(Appointed September 5, 2007)*
H. Harel *(Appointed September 5, 2007)*

Other Information

Statutory arrangements in respect of the appropriation of net result

The Articles of Association of the Company provide that the appropriation of the net result for the year is decided upon at the Annual General Meeting of Shareholders.

Proposed appropriation of the net result for the year

The net result has been added to the retained earnings. The proposal has been given effect in the financial statements.

Auditor's Report

To: The Management and Shareholders of GTC Real Estate N.V.

Report on the Statutory Financial Statements

We have audited the statutory financial statements of GTC Real Estate N.V. as set out on pages 34 to 119. The statutory financial statements consist of the consolidated IFRS financial statements and the company only statutory Dutch GAAP financial statements. The consolidated IFRS financial statements comprise the consolidated balance sheet as at December 31, 2007, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company only statutory Dutch GAAP financial statements comprise the company only Dutch GAAP balance sheet as at December 31, 2007, the company only Dutch GAAP income statement for the year then ended and the company only Dutch GAAP notes thereto.

Management's responsibility

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the statutory financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the statutory financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated statutory IFRS financial statements

In our opinion, the consolidated statutory IFRS financial statements give a true and fair view of the financial position of GTC Real Estate N.V. as at December 31, 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company only statutory Dutch GAAP financial statements

In our opinion, the company only statutory Dutch GAAP financial statements give a true and fair view of the financial position of GTC Real Estate N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the statutory financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Apeldoorn, June 11, 2008
for Ernst & Young Accountants
Signed by: A.J. Buisman

Supplementary Information

Company-only IFRS Financial Statements provided for filing under the Israeli Stock Exchange regulations.

Company-only IFRS Balance Sheet

December 31, 2007 – Before Appropriation of Net Result

€ in thousands	Notes	December 31, 2007	December 31, 2006
Assets			
Non-current assets			
Intangible fixed assets	3	[redacted]	18
Fixed assets		[redacted]	1
		[redacted]	**19**
Financial fixed assets			
Investments in subsidiaries and joint ventures	4	[redacted]	169,324
Loans to Subsidiaries and joint ventures	4	[redacted]	36,258
Investments in subsidiaries and loans joint ventures		[redacted]	**205,582**
Current assets			
Other receivables		[redacted]	304
Short term investments	5	[redacted]	-
Cash and cash equivalents	6	[redacted]	2,186
		[redacted]	**2,490**
Total assets		[redacted]	**208,091**
Equity and liabilities			
Equity			
Shareholders equity	11	[redacted]	3,421
Long-term liabilities			
Non convertible debentures	7	[redacted]	-
Convertible debentures	8	[redacted]	36,910
Loans from banks and others	9	[redacted]	30,372
Other long term liabilities	8	[redacted]	70,580
		[redacted]	**137,862**
Current liabilities			
Credit from banks and others		[redacted]	64,500
Trade Payables		[redacted]	234
Other Payables	10	[redacted]	2,074
		[redacted]	**66,808**
Total equity and liabilities		[redacted]	**208,091**

Company-only IFRS Income Statement

Year ended December 31, 2007

€ in thousands	December 31, 2007	December 31, 2006
General and administration expenses	(6,623)	(1,779)
Loss from operations	**(6,623)**	**(1,779)**
Financial income/(costs)	(71,921)	(85,984)
Net loss before taxes	**(78,545)**	**(87,763)**
Income taxes	-	-
Net loss for the year	**(78,545)**	**(87,763)**

Company-only IFRS Statement of Changes in Equity Year ended December 31, 2007

€ in thousands	Share capital	Foreign currency translation reserve	Share Premium	Hedge	Retained earnings	Total
Balance at January 1, 2006	12,525	–	51,690	–	(15,257)	48,958
Currency translation differences	–	(3,368)	(97)	–	–	(3,465)
Exercise of options	733	–	16,924	–	–	17,657
Share based payment	–	–	1,826	–	–	1,826
Conversion of debentures	1,288	–	24,920	–	–	26,208
Net loss for the period	–	–	–	–	(87,763)	(87,763)
Balance at December 31, 2006	**14,546**	**(3,368)**	**95,263**	**–**	**(103,020)**	**6,421**
Balance at January 1, 2007	14,546	(3,368)	95,263	–	(103,020)	6,421
Currency translation differences	–	–	–	–	–	–
Share based payments	–	–	118	–	–	118
Exercise of options	12	–	25	–	–	37
Conversion of debentures	2,285	–	152,294	–	–	154,579
Hedge accounting	–	–	–	(3,882)	–	[illegible]
Net loss for the period	–	–	–	–	(78,545)	[illegible]
Balance at December 31, 2007	**16,843**	**(3,368)**	**247,700**	**(3,882)**	**(181,565)**	[illegible]

Company-only IFRS Cash Flow Statement

For the year ended December 31, 2007

€ in thousands	December 31, 2007	December 31, 2006
Cash flow from operating activities		
Net loss	(78,545)	(87,763)
Adjustment to reconcile net loss to net cash		
Charges to net loss not affecting operating cash flows:		
- Share based payment	118	349
- Interest income and exchange differences from long-term liabilities, net	8,783	5,698
Changes in working capital		
- Change in receivables	(1,147)	(37)
- Change in payables	12,744	185
- Revaluation of value of conversion term of debentures	67,674	74,437
- Gain from early redemption of long-term loan	(1,328)	-
- Interest paid	(5,426)	-
- Changes of Fair value adjustment to hedge transactions	(1,358)	-
Net cash used in operating activities	1,515	(7,131)
Cash flow from investing activities		
- Purchase of shares in investees	-	(3,602)
- decrease (Increase) in short term deposits	(1,549)	-
- Investments in subsidiaries	(29,328)	(25,769)
Net cash used in investing activities	(30,877)	(29,371)
Cash flow from financing activities		
- Exercise of options to the company shares	-	7,271
- Costs related to issue of debt and shares	(1,502)	-
- Proceeds from issuance of securities	(12)	-
- Proceeds from issuance of debentures	238,101	-
- Proceeds from long-term debt	45,014	29,656
- Repayment of long-term debt	(70,145)	(3,736)
Net cash provided by financing activities	211,456	33,191
Proceeds from mergering with a subsidiary	-	1,606
Effect of foreign currency translation	(1,626)	-
(Decrease) / increase in cash and cash equivalents	180,468	(1,705)
- Cash and cash equivalents at beginning of the period	2,186	3,891
Cash and cash equivalents at end of the period	182,654	2,186

Notes to the Company-only IFRS Financial Statements December 31, 2007

1 General

The description of the Company's activity and the group structure, as included in the Notes to the IFRS consolidated financial statements, also apply to the company-only IFRS financial statements. The company -only IFRS financial statements are presented for the purpose of the Israel stock exchange regulations.

2 Significant Accounting Policies

The company only IFRS accounts have been drawn up in accordance with the same accounting policies as applied to the consolidated IFRS financial statements with the exception of investments in consolidated subsidiaries, joint ventures and associates, which are valued at historical cost in these company only IFRS financial statements. For that reason, and only for that reason, the consolidated equity differs from the company only shareholders' equity.

Historical cost represents the cost base at initial recognition, increased by any subsequent capital contributions and decreased by any capital repayments and dividends received.

These company only IFRS financial statements do not represent the statutory company only financial statements as these statutory company only financial statements are drawn up in accordance with Netherlands Accounting Principles as enacted in Title 9, Book Two of the Netherlands Civil Code and the Guidelines for Annual Reporting as issued by the Netherlands Council for Annual Reporting.

3 Intangible Fixed Assets

Intangible fixed assets include deferred issuance expenses resulted from the issuance of debentures and securities in September 2004. The amount presented as intangible assets relates to the deferred expenses allocated to the issuance of debentures. The amount is amortised over the term of the debentures.

4 Financial Fixed Assets

Investments in subsidiaries and joint ventures

The movement in the investment can be summarized as follows:

€ in thousands	2007	2006
Opening balance	[redacted]	118,313
Additions	[redacted]	51,011
	[redacted]	**169,324**

The movement in the loans can be summarized as follows:

€ in thousands	2007	2006
Opening balance	[redacted]	17,575
Merge of subsidiary	[redacted]	(6,292)
Additional loans granted	[redacted]	25,196
Conversion of loans to equity	[redacted]	-
Repayment of loans	[redacted]	-
Accumulated interest	[redacted]	1,338
Currency translation	[redacted]	1,559
	[redacted]	**36,258**

5 Short Term Investments

A restricted bank deposit in NIS, for the purpose of insuring the swap deal made with Leumi bank in Israel for the NIS 550 million debentures, reference is made to note 21 of the consolidated IFRS financial statements.

6 Cash and Cash Equivalents

The cash comprised only short term deposits.
The average interest earned on short term deposits is 3%-3.5%, the same in 2006.

7 Non Convertible Debentures

Reference is made to note 21 of the consolidated IFRS financial statements.

8 Convertible Debentures

Reference is made to note 20 of the consolidated IFRS financial statements.

9 Loans from Banks and Others

€ in thousands	Effective Interest rate	December 31, 2007	December 31, 2006
Banks			
In EUR	5.97%	70,597	95,903
Debt issuance expenses		(228)	(1,031)
Total long-term debt		**70,369**	**94,872**
Less: Current portion		-	(64,500)
		70,369	**30,372**

Repayments of long-term debt are scheduled as follows:

€ in thousands	2007	2006
First year	-	64,500
Second year	-	-
Third year	-	-
Fourth year	6,984	-
Fifth year	6,984	3,037
Thereafter	56,401	27,335
Not yet determined	-	-
	70,369	**94,872**

10 Other Payables

€ in thousands	2007	2006
Accrued expenses	11,271	1,213
Hedge liability	5,246	-
others	821	861
	17,348	**2,074**

11 Shareholders Equity

The differences between the shareholders equity between the consolidated IFRS financial statements and the shareholders equity in the company only IFRS financial statement derive mainly due to the differences in the investment account in the equity method compare to the historic cost method, (2007 – EUR 276,198 thousands, and 2006 - EUR 187,800 thousands).

Auditor's Report

To the shareholders of GTC Real Estate N.V.

Report on the Company-only IFRS Financial Statements

We have audited the accompanying Company-only IFRS financial statements for the year ended December 31, 2007 which comprise the company only IFRS balance sheet as at December 31, 2007, the Company-only IFRS income statement, the Company-only IFRS statement of changes in equity and the Company-only IFRS cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The company only IFRS financial statements are provided for filing under the Israeli stock exchange regulations.

Management's responsibility

Management is responsible for the preparation and fair presentation of the Company-only IFRS financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company only IFRS financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Company-only IFRS financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Company-only IFRS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company only IFRS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Company-only IFRS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Company-only IFRS financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Company-only IFRS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Company-only IFRS financial statements give a true and fair view of the financial position of GTC RE N.V. as at December 31, 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

The Company-only IFRS financial statements are provided for information purposes only and are used for filing under the Israeli stock exchange regulations. The Company-only IFRS financial statements are consistent in all material aspects with the company only statutory Dutch GAAP financial statements. The only difference is the use of the financial reporting framework.

Apeldoorn, June 11, 2008
for Ernst & Young Accountants
Signed by: A.J. Buisman

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