

GRAND CITY
Properties S.A.

CONSOLIDATED
FINANCIAL
STATEMENTS
2016



/Leipzig



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

IMPRINT

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KEY FINANCIALS

BALANCE SHEET HIGHLIGHTS

in €'000 unless otherwise indicated	DEC 2016	CHANGE	DEC 2015
TOTAL ASSETS	6,153,733	31%	4,688,903
TOTAL EQUITY	3,065,064	41%	2,172,295
LOAN-TO-VALUE	35%	-7%	42%
EQUITY RATIO	50%	4%	46%

P&L HIGHLIGHTS

in €'000 unless otherwise indicated	1-12/2016	CHANGE	1-12/2015
RENTAL AND OPERATING INCOME	435,668	31%	333,497
EBITDA	824,557	69%	487,652
ADJUSTED EBITDA	224,729	27%	177,274
FFO I	160,120	25%	128,040
FFO I PER SHARE (€)	1.05	4%	1.01
FFO I PER SHARE after perpetual notes attribution (€)	0.92	3%	0.89
FFO II	228,740	34%	170,709
NET PROFIT	653,105	66%	393,570
EPS (BASIC) (€)	3.56	31%	2.71
EPS (DILUTED) (€)	3.25	38%	2.35
	2016*	CHANGE	2015
DIVIDEND DISTRIBUTION PER SHARE (€)*	0.68	172%	0.25

*2016 dividend subject to AGM approval

NAV HIGHLIGHTS

in €'000 unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes	EPRA NNNNAV
Dec 2016	2,737,726	2,541,060	3,208,453	2,431,814
Dec 2016 per share	(+33%) 17.7	(+32%) 16.4	(+34%) 20.7	(+29%) 15.7
Dec 2015	2,066,201	1,923,941	2,402,087	1,890,835
Dec 2015 per share	13.3	12.4	15.5	12.2



/Hannover

ACHIEVEMENTS

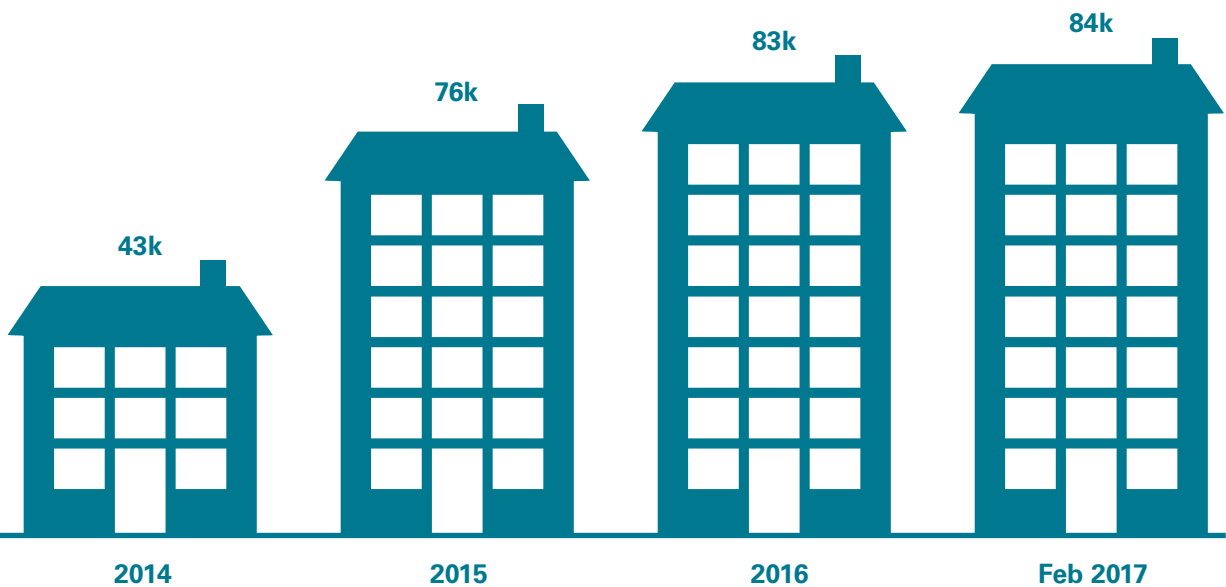
INTERNAL AND EXTERNAL GROWTH

EPRA VACANCY AND IN-PLACE RENT

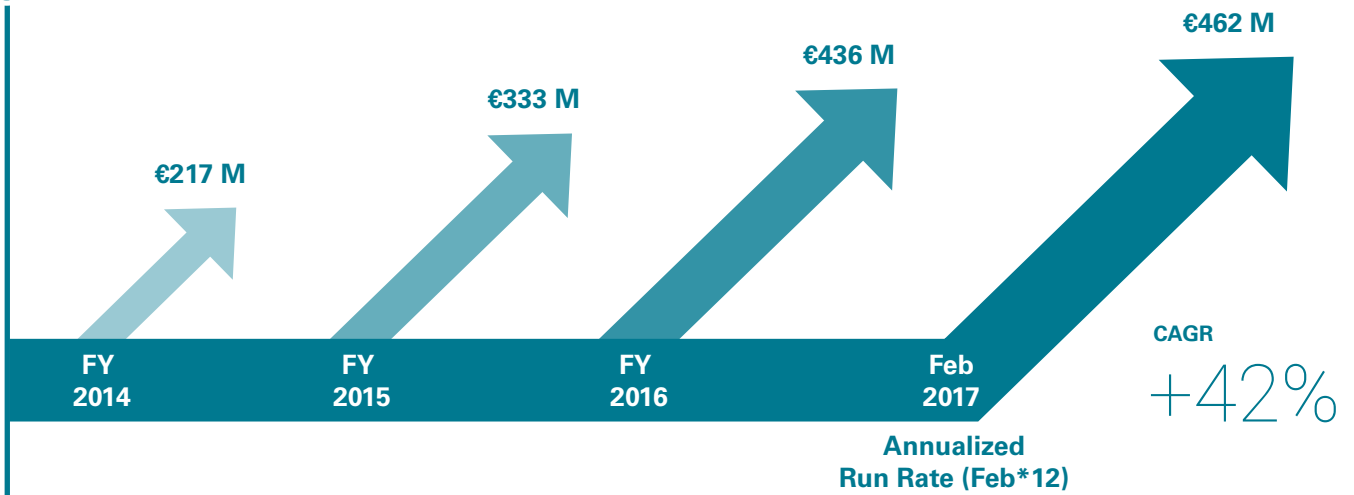


Feb
2017

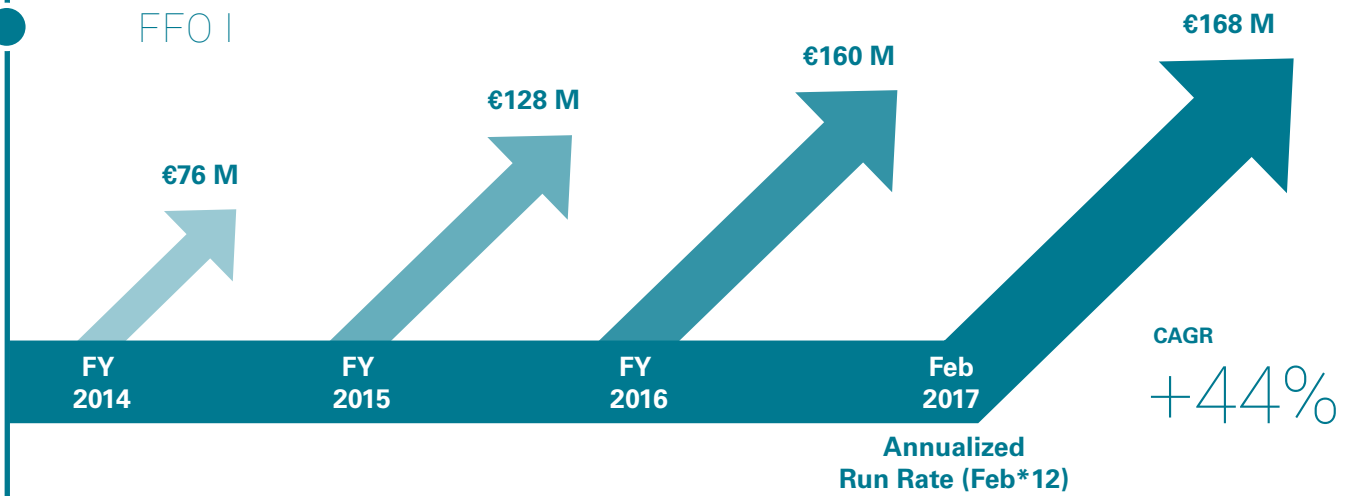
PORTFOLIO GROWTH



RENTAL AND OPERATING INCOME



FFO I



...LEADS TO SIGNIFICANT PORTFOLIO VALUE GAINS...

VALUE OF INVESTMENT PROPERTY

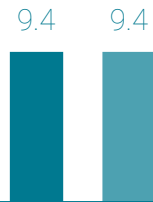


...RESULTING IN SHAREHOLDER VALUE CREATION...

CAGR

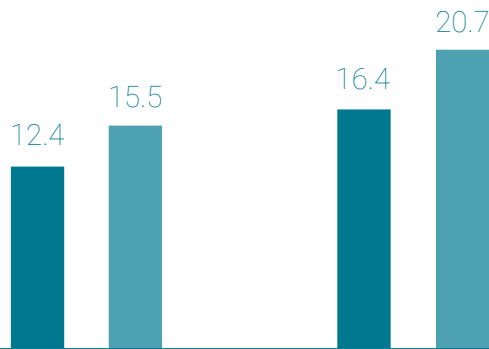
+48%

EPRA NAV incl perpetual notes



Dec 2014

EPRA NAV (€ PER SHARE)



Dec 2015

Dec 2016

EPRA NAV

EPRA NAV incl perpetual notes

BASIC EPS

CAGR

+41%



1-12 2014



1-12 2015

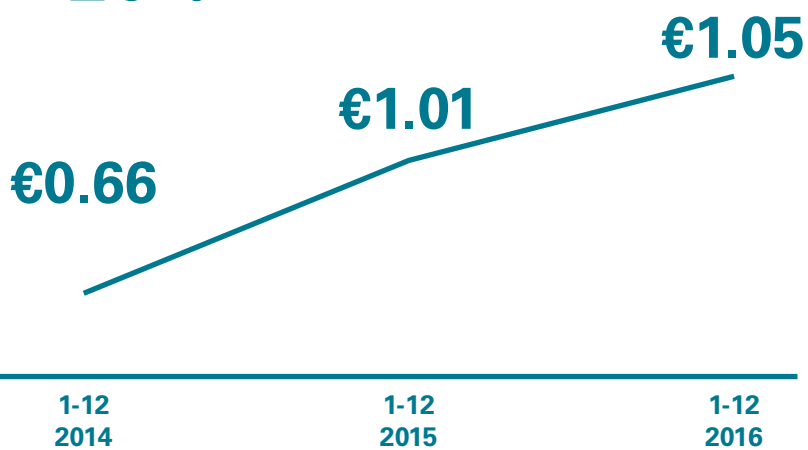


1-12 2016

FFO I PER SHARE

CAGR

+26%



DIVIDEND PER SHARE



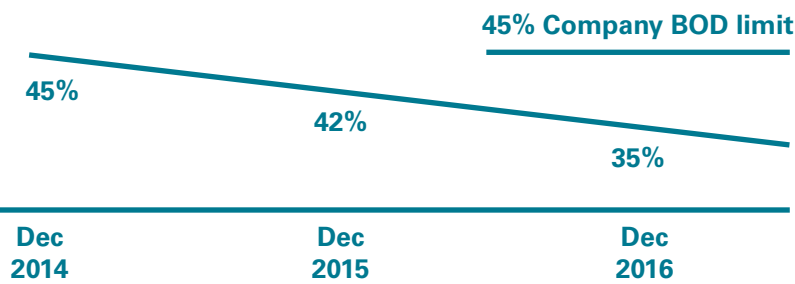
4.0%
Current dividend yield¹

¹ based on a share price of €17

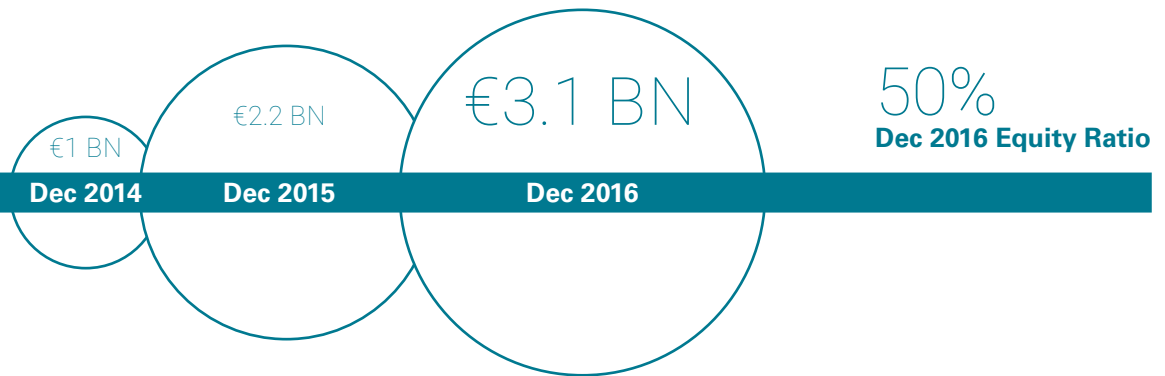
² 2016 dividend is subject to AGM approval and based on the updated policy to payout 65% of the FFO I

CONSERVATIVE FINANCIAL POLICY WITH RATING UPGRADES

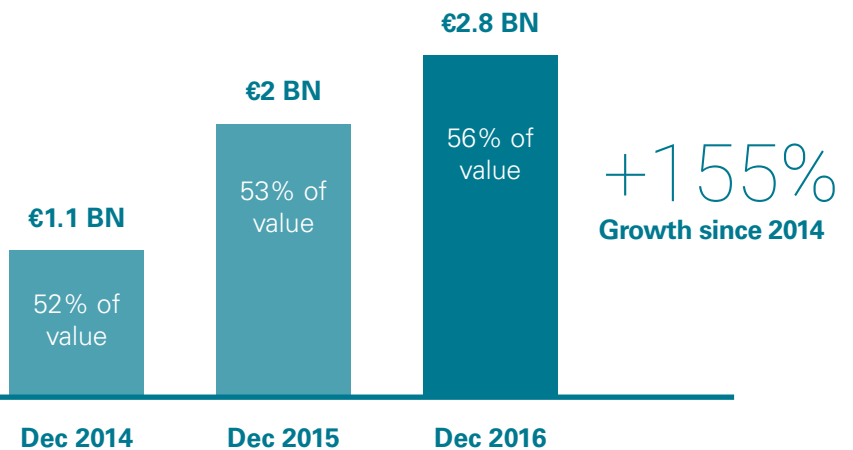
SUSTAINING A CONSERVATIVE LEVERAGE (LOAN-TO-VALUE)



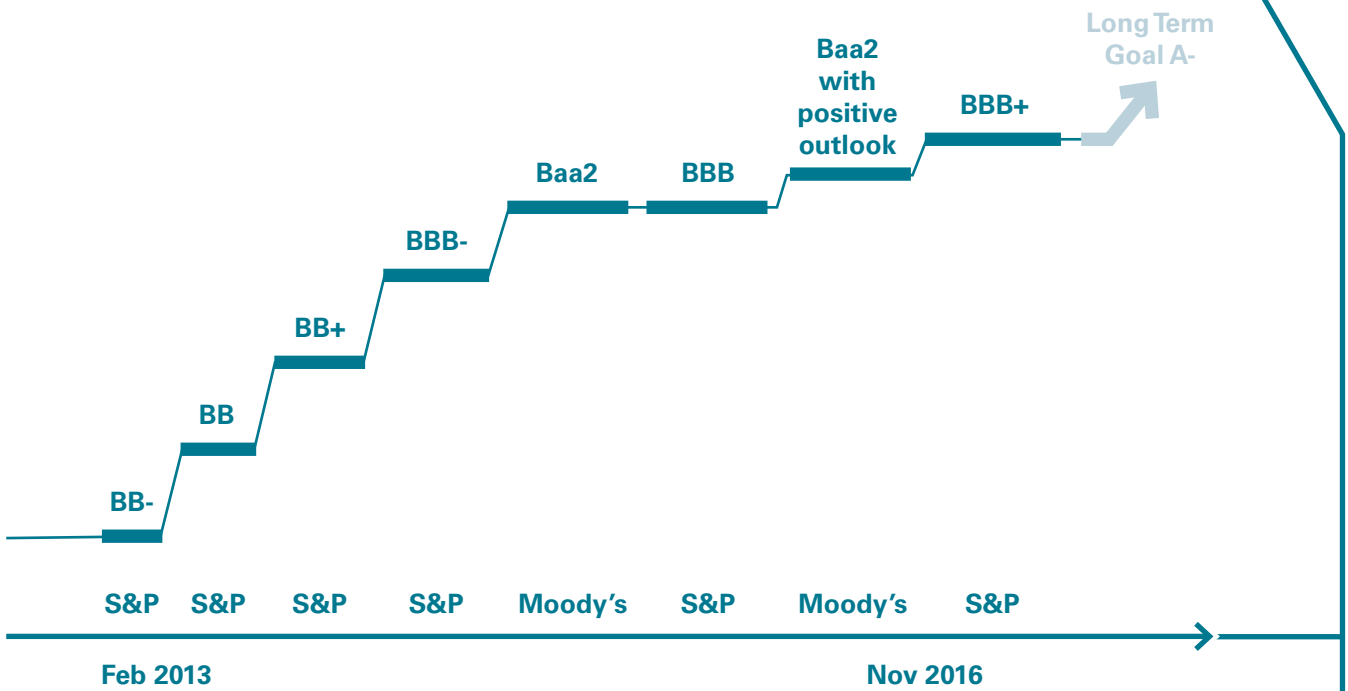
HIGH EQUITY LEVEL (TOTAL EQUITY)



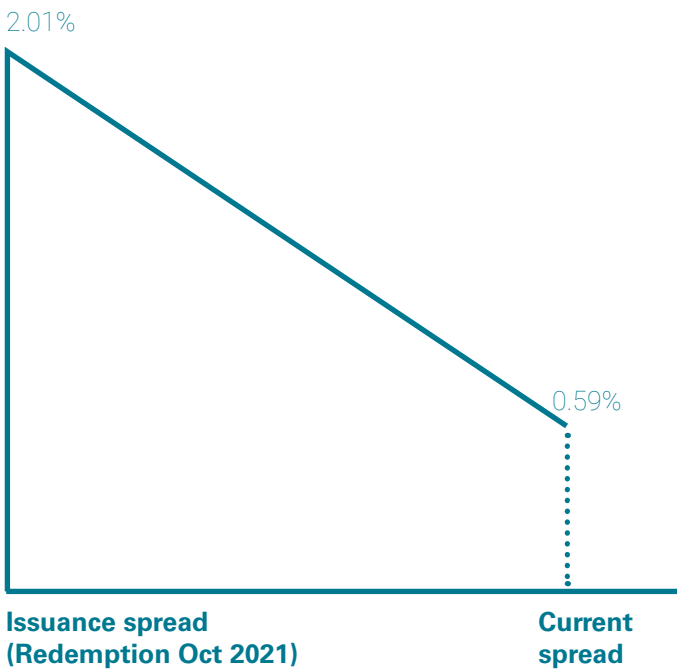
HIGH AMOUNT OF UNENCUMBERED ASSETS



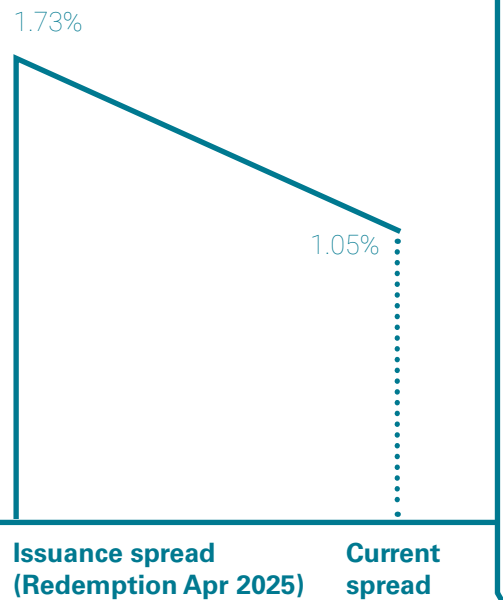
CORPORATE CREDIT RATING



BOND D SPREAD OVER MID-€-SWAP



BOND E SPREAD OVER MID-€-SWAP



LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

With strong 2016 results we are facing 2017 with confidence. As our external growth is stabilizing and we have established a strong operational and financial structure, the Board of Directors decided to apply for admission of trading of the Company's shares to the regulated market of the Frankfurt Stock Exchange during 2017. The up-listing of the Company's shares will provide us with further opportunities and inclusion in various stock indices.

We hereby present to you our financial report for the full year 2016, validating our continuous operational improvements resulting in high profitability and accretive shareholder value creation. We expanded our portfolio from 76k units at the end of 2015 to 84k units as of February 2017. The growth was achieved with high discipline following our acquisition criteria and acquiring assets with strong fundamentals which have an accretive contribution to the portfolio. We have been able to increase our portfolio size and improve our service to our tenants due to our well integrated management platform. One of our key targets is to improve our tenant satisfaction in the long term. We have been able to show strong internal growth, most notably in the strong reduction of vacancy, from 12.5% at the end of 2015 to 7.9% at the end of 2016. This reduction is the result of our repositioning process, by which we increase the attractiveness of our properties to existing and prospective tenants through refurbishments, façade renovation and property enhancements such as improving stairwells, installing elevators, adding balconies and optimizing apartment sizes. Through leveraging our economies of scale as well as our experience in property management, we are able to lift our properties' values whilst maintaining a strict cost discipline, increasing the efficiency of the repositioning process. This process is further supported by our in-house proprietary IT /software systems, our exceptional 24/7 Service Center and experienced sales agents.

Our operational platform is supported by a staff of over 700 employees and allows us to provide superior service quality to our tenants, improve the process quality and enables swift and sound operations. We further encourage our employees and offer them regular trainings with expert in-house and external trainers. Furthermore, our leadership program allows employees to develop additional skills as well as opportunities for internal advancement. In 2016 the first cycle of the annual leadership program graduated successfully. The leadership program improves the department specific skills and soft skills of participating employees, providing GCP with strong candidates for leadership positions and thus strengthening our operational platform from within. The graduates have found positions within our organization as team managers and deputies of department managers and we look forward to conclude the graduates of the next cycle.

In 2016 we made significant investments in expanding our service quality to existing and prospective tenants. We launched a tenant portal smartphone app for Android and iOS. The in-house developed mobile application is an additional innovative feature we provide our tenants, providing higher visibility and accessibility to prospective tenants and providing additional outstanding service to our existing tenants. The app offers prospective tenants with an overview of available apartments, matching their criteria, and provides information regarding, amongst others, the apartment size, location, number of rooms and relevant costs. Furthermore, the prospective tenant can contact the Service Center directly through the app. For existing tenants, the app provides a range of services including, service requests with the option to upload photos related to the request directly, a 24/7 chat service, information on the area such as stores and restaurants in the neighborhood and access to administrative forms and other information. In order to enhance the level of the service given, our sales agents have been outfitted with tab-

lets and portable printers, improving their performance and out-of-the-office capacity. They now have real-time full connection to GCP information systems enabling them to access information on both apartments and tenant profiles. Furthermore, the portable printers allow printing of required documents for prospective tenants on-site, bolstering the mobile office concept.

As part of our regular neighborhood initiatives we organized over 150 tenant events in 2016 and we are planning to offer tenants more events for 2017. These events were anchored around certain holidays, such as Easter, Christmas or summer, as well as throughout the year. Furthermore, as a new concept for summer parties several sportive competitions for tenant children have been organized under the banner of the "GCP Olympic Games". In selected locations football tournaments have been organized in cooperation with local football clubs, bringing together children in the neighborhood and enhancing the sense of community amongst our tenants.

We are committed to reducing the carbon footprint of the organization and our properties. In this regard we implemented several policies in the fields of heating, renewable energy and energy efficiency. We are currently working on replacing existing heating systems with district heating, with a focus on renewable resources. Furthermore, there is an ongoing effort to improve the insulation of apartments in the portfolio. Regarding renewable energy our offices are supplied with energy from 100% renewable resources. Furthermore, the majority of common areas in properties receive energy from renewable resources and our goal is to provide all properties with 100% renewable energy. Further steps have been taken to increase energy efficiency. The portfolio is constantly evaluated in order to identify energy saving potential and reduce CO2 emissions. Additionally, we are currently running a pilot project in selected locations supplying energy to apartments and common areas from



photo voltaic/solar installations. In this report we have implemented EPRA's Best Practice Recommendations including all key financial indicators. We provide this additional disclosure to increase visibility to investors, benchmark our performance to market performance and comply with developing market standards. We believe that the full disclosure of the EPRA KPIs mirror our competitive advantage and our strong operational and financial platforms. Our financial position has been further strengthened in 2016, further reducing our LTV to 35%. With our continuous efforts in maintaining a strong financial position we have been able to raise the required funds for our portfolio growth. In

2016 we raised €650 million through two issuances, €450 million through our Series F convertible bonds in February 2016 and another €200 million through our perpetual note issuance in September 2016. The favorable terms of these issuances further validate our conservative financial policy, which has been strengthened by the Board of Directors' decision to maintain a leverage below 45%. In November 2016 S&P increased the corporate rating of Grand City Properties to 'BBB+', the 5th rating increase since the initial rating in 2013. In the same month Moody's increased its rating from Baa2 stable to Baa2 positive. For the Board this is a clear confirmation of the value creation potential of our business model.

The board of directors has decided to increase the dividend policy to a payout ratio of 65% of FFO I per share, starting from the 2016 dividend which will be paid after the AGM around July. The revision of the payout ratio from formerly 50% was made in view of the robust balance sheet of the Company, its strengthened position and mature stage, and the objective to enable our investors to further benefit from our accretive shareholder value creation. The Board's 2016 dividend distribution proposal for the AGM results in €0.68 per share, compared to €0.25 per share for 2015, reflecting a 172% increase.

Christian Windfuhr
CEO

Refael Zamir
Director, CFO

Simone Runge-Brandner
Independent Director

Daniel Malkin
Independent Director

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	1-12/2016	1-12/2015
	€'000	
Rental and operating income	435,668	333,497
EBITDA	824,557	487,652
Adjusted EBITDA	224,729	177,274
Profit for the period	653,105	393,570
EPS (basic) in €	3.56	2.71
EPS (diluted) in €	3.25	2.35
FFO I	160,120	128,040
FFO I per share in €	1.05	1.01
FFO I per share, after perpetual notes attribution in €	0.92	0.89
FFO II	228,740	170,709
Interest Cover Ratio	6.2	6.9
Debt Service Cover Ratio	4.7	4.7

FINANCIAL POSITION HIGHLIGHTS

	Dec 2016	Dec 2015
	€'000	
Cash and liquid assets	631,904	388,925
Total Assets	6,153,733	4,688,903
Investment Property	4,795,757	3,857,856
Total Equity	3,065,064	2,172,295
EPRA NAV	2,541,060	1,923,941
EPRA NAV including perpetual notes	3,208,453	2,402,087
Total loans and borrowings	937,410	846,900
Straight bonds	1,050,078	1,045,413
Convertible bond Series C	-	122,576
Convertible bond Series F	427,909	-
Loan To Value	35%	42%
Equity Ratio	50%	46%



/Essen

EPRA PERFORMANCE MEASURES

	Dec 2016	Dec 2015
	€'000	
EPRA Earnings	151,984	122,669
EPRA Earnings per share in €	0.99	0.97
EPRA NAV	2,541,060	1,923,941
EPRA NAV per share in €	16.4	12.4
EPRA NAV incl perpetual notes	3,208,453	2,402,087
EPRA NAV incl perpetual notes per share in €	20.7	15.5
EPRA NNNAV	2,431,814	1,890,835
EPRA NNNAV per share in €	15.7	12.2
EPRA NIY	4.7%	5.2%
EPRA "topped-up" NIY	4.7%	5.2%
EPRA Vacancy	7.9%	12.5%
EPRA Cost Ratio (including direct vacancy costs)	22.7%	20.9%
EPRA Cost Ratio (excluding direct vacancy costs)	18.0%	16.8%



THE COMPANY

Grand City Properties S.A. (the “Company”) and its investees (“GCP” or the “Group”) Board of Directors (the “Board”) hereby submits the annual report as of December 31, 2016.

The figures presented in this Board of Directors’ Report are based on the consolidated financial statements as of December 31, 2016, unless stated otherwise.

GCP is a specialist in residential real estate, value-add opportunities in densely populated areas in Germany. The Group’s total portfolio as of February 2017 consists of 84,000 units (hereinafter “GCP portfolio” or “the Portfolio”) located in densely populated areas with a focus on North Rhine-Westphalia, Germany’s most populous federal state, Berlin, Germany’s capital, the metropolitan regions of Dresden, Leipzig and Halle and other densely populated areas.

The Portfolio’s monthly in-place rent as of February 2017 is €5.4 per square meter and the EPRA Vacancy is 7.8%. GCP is targeting assets in densely populated urban locations with solid sustainable economic and demographic fundamentals, and with multiple value-add drivers that it can pursue using its skills and capabilities such as vacancy reduction, rent below market levels, improving operating cost efficiency, increasing market visibility, potential for high-return capex investments, and potential for significant benefits from the Company’s scale. GCP’s management has vast experience in the German real estate market with a long track record of success in repositioning properties using its tenant management capabilities, tenant service reputation, and highly professional and specialized employees.

In addition, GCP’s economies of scale allows for considerable benefits of a strong bargaining position, a centralized management platform supported by advanced in-house IT/software systems, and a network of professional connections.

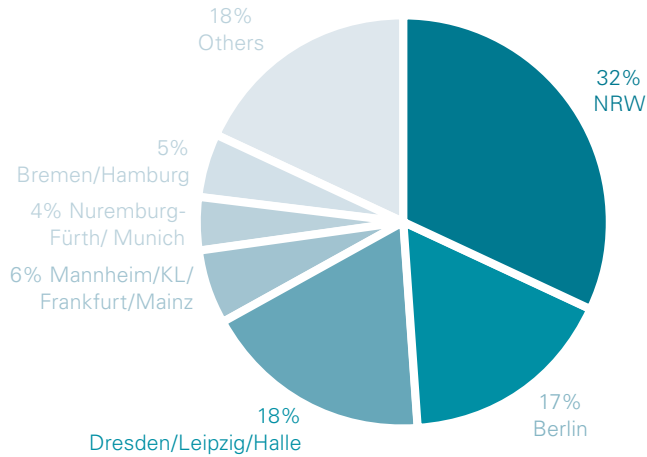
This strategy enables the Company to create significant value in its portfolio and generate stable and increasing cash flow returns.

THE PORTFOLIO

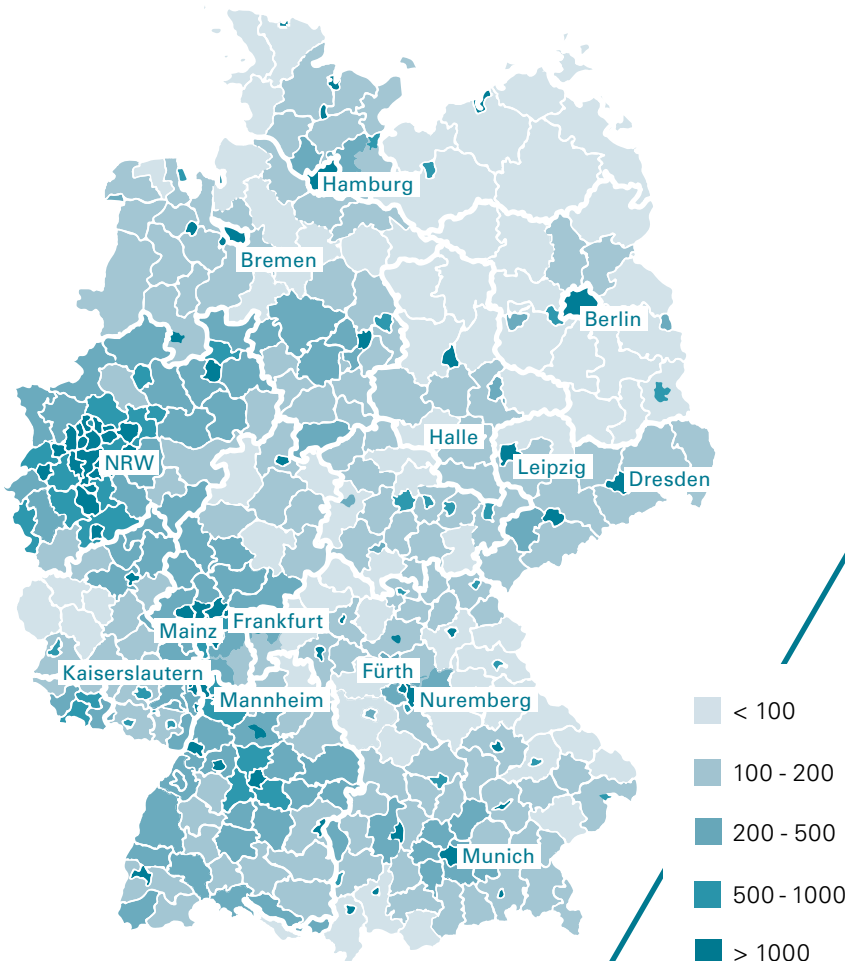
ATTRACTIVE PORTFOLIO IN GERMANY'S DENSELY POPULATED METROPOLITAN AREAS WITH VALUE-ADD POTENTIAL

Properties that are attractively located and have been specifically selected because of their potential for value creation make up GCP's well-balanced portfolio.

REGIONAL DISTRIBUTION BY VALUE



POPULATION DENSITY IN GERMANY (inhabitants per sqkm 2013)



The Group's Portfolio growth was accompanied by further diversification, allowing it to increase benefits from economies of scale supporting the risk-averse and well allocated portfolio. GCP's focus on densely populated areas is mirrored by 32% of its Portfolio being held in NRW, 17% in Berlin, 18% in the metropolitan of Dresden, Leipzig and Halle and significant holdings in other major urban centers with strong fundamentals such as Nuremberg, Munich, Mannheim, Frankfurt, Bremen and Hamburg.



/Dresden

PORTFOLIO OVERVIEW

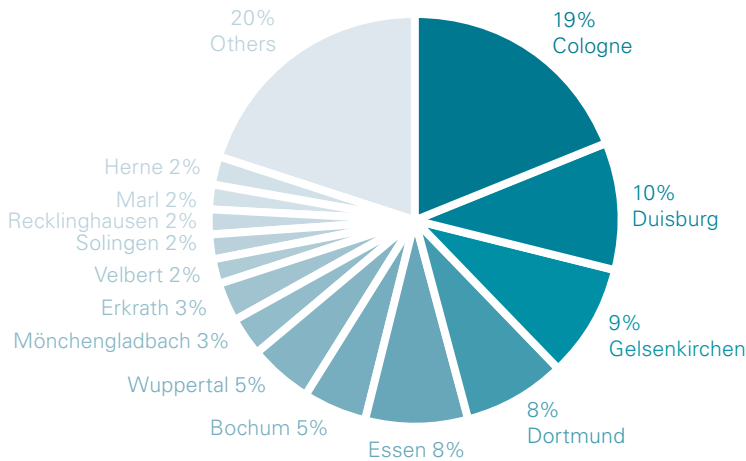
GCP has assembled a high quality portfolio in densely populated metropolitans, benefiting from diversification among areas with positive economic fundamentals and demographic prospects.

FEBRUARY 2017	Investment Properties (in €M)	Rentable area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm	Rental yield
NRW	1,587	1,861	8.4%	108	5.1	28,029	853	6.8%
Berlin	823	470	5.9%	37	6.8	6,270	1,752	4.6%
Dresden/Leipzig/Halle	887	1,129	8.9%	60	4.9	19,872	786	6.8%
Mannheim/KL/Frankfurt/Mainz	282	243	3.5%	17	5.9	3,981	1,163	6.1%
Nuremberg/Fürth/Munich	173	102	3.9%	9	7.6	1,471	1,697	5.4%
Bremen/Hamburg	236	264	7.3%	16	5.6	3,844	897	6.9%
Others	921	1,230	8.4%	69	5.3	20,635	748	7.5%
Total	4,910	5,298	7.8%	317	5.4	84,102	927	6.5%

THE PORTFOLIO

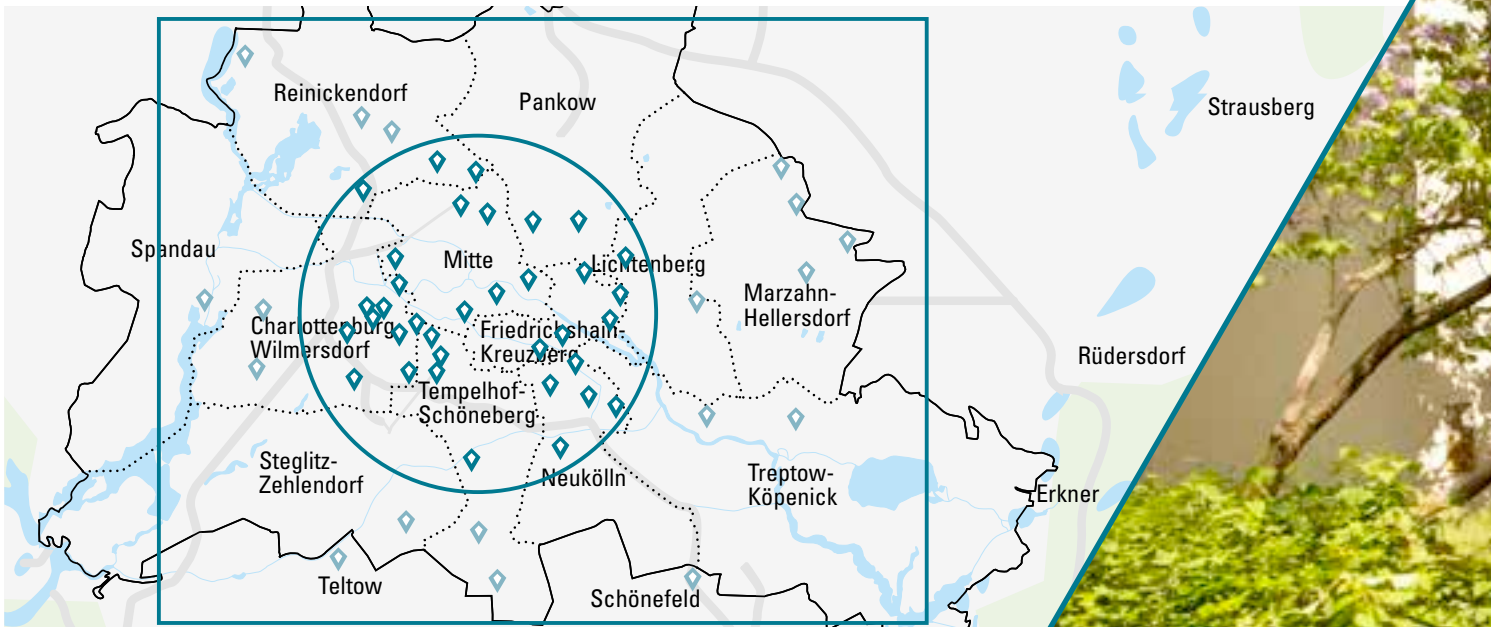
LARGEST EUROPEAN METROPOLITAN AREA WELL DISTRIBUTED WITHIN NORTH RHINE-WESTPHALIA

The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 19% of the NRW portfolio is located in Cologne, the largest city in NRW, 10% in Duisburg, 9% in Gelsenkirchen, 8% in Dortmund and 8% in Essen.



QUALITY BERLIN LOCATIONS

63% of the Berlin portfolio is located in top tier neighborhoods. 50% are located in the inner city. 13% are located in strong and growing areas outside the inner circle, such as West Charlottenburg/Wilmersdorf, Lichtenberg, South Schöneberg, Schönefeld, Steglitz and others. The remaining 37% is well located primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf.

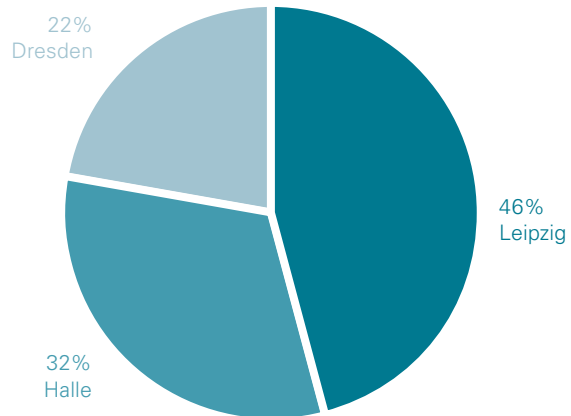




QUALITY EAST PORTFOLIO

GCP's east portfolio is well distributed in growing and dynamic cities.

/1 Berlin
/2 Dortmund



KEY STRENGTHS

FULLY INTEGRATED AND SCALABLE PLATFORM TAILORED TO EXTRACT VALUE-ADD POTENTIAL

Through its purpose-built platform GCP provides efficient in-house management to its existing real estate portfolio as well as support for the execution of its expansion plans. The Group has established a strong operational platform employing over 700 staff members.

Specialized teams cover the entire range of the real estate value chain from acquisition to construction and refurbishment, sales and marketing, and key support functions such as finance, accounting, legal, and IT. GCP puts strong emphasis on growing relevant

skills in-house to improve responsiveness and generate innovation across processes and departments. In particular, its advanced proprietary IT/software enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. A rigorous focus on cost extends across the entire operations of GCP, including those that are chargeable to its tenants.

GCP strategically positioned its operations for quick and rapid takeover processes. Given the efficiency mea-

asures taken, the portfolio today has the capacity to further grow at a marginal cost to the platform, and benefit from further economies of scale.

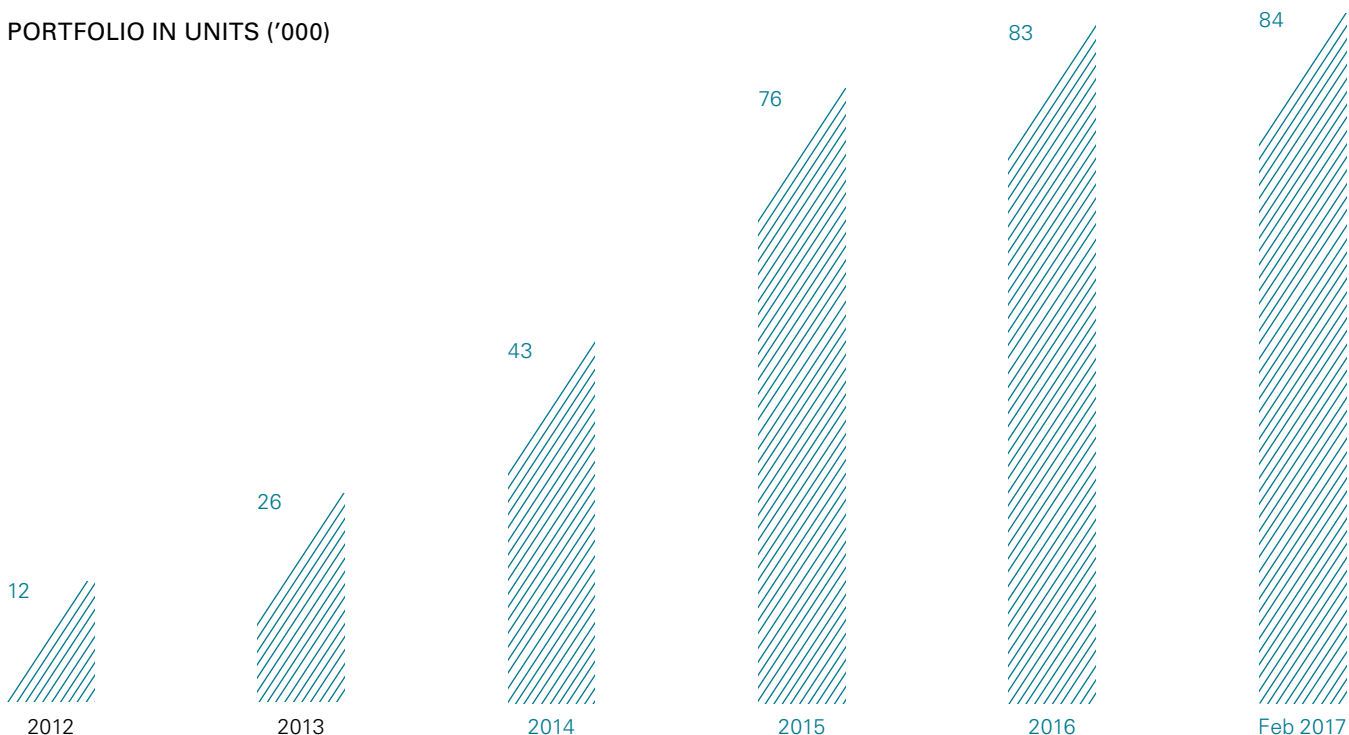
The Group is directed by an experienced and well-balanced management team, led by the Board of Directors. The Company operates through over a dozen different departments which all form an important component in the value creation cycle.

SUCCESSFUL PORTFOLIO GROWTH

GCP's focus on identifying properties with value-add drivers that match the Company's skills, and improving their operational performance is unique in the German real estate market and a competitive advantage.

The Portfolio exhibited continuous growth to currently 84 thousand units. GCP benefits from economies of scale, creating value throughout the Company's value chain.

PORTFOLIO IN UNITS ('000)





/1

/2

/1 Berlin
/2 Leipzig

STRONG TRACK RECORD OF VALUE CREATION

GCP has unique skills in identifying properties with upside potential and the ability to create and execute tailor made strategies for each asset to improve its performance, which is reflected in the significant value appreciation. GCP's continuous asset management efforts result in improved cash flow and in value creation. The Group's experience and in-house operational skills allow it to continuously maximize returns after the successful repositioning of the assets.

GROWING FFO WITH HIGH POTENTIAL

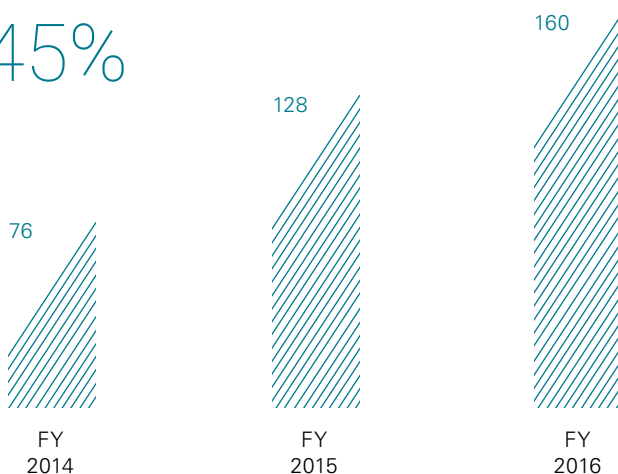
GCP's current portfolio generates growing funds from operations, demonstrated by a FFO I CAGR of +45% since 2014. GCP's value-add management focuses on increasing cash flows through raising rental income, decreasing vacancy levels, as well as

maintaining strict cost discipline. The Group exhibits strong growth from the operational optimization of its existing portfolio as well as expansion through the acquisition of additional properties with value adding potential.

FFO I (IN € MILLION)

CAGR

+45%



KEY STRENGTHS

CONSERVATIVE FINANCIAL POLICY

GCP follows a financial policy in order to maintain and improve its strong capital structure:

- / **Strive to achieve A- global rating in the long term**
- / LTV limit at 45%
- / Debt-to-cap ratio at 45% (or lower) on a sustainable basis
- / Maintaining conservative financial ratios
- / Unencumbered assets above 50% of total assets
- / Long debt maturity profile
- / Good mix of long term unsecured bonds and non-recourse bank loans
- / Maintaining credit lines from several banks which are not subject to Material Adverse Effect
- / Dividend of 65% of FFO I per share

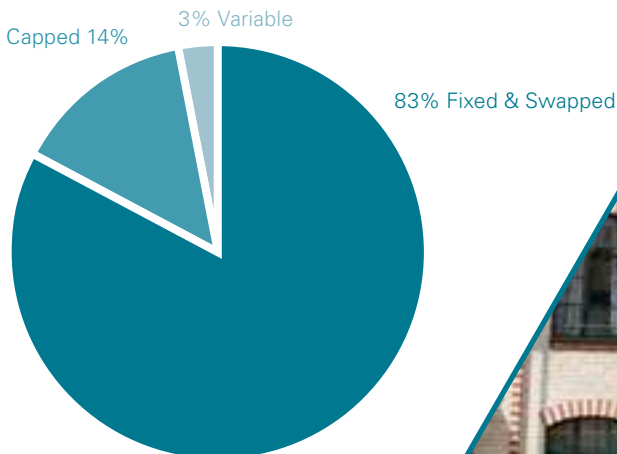
With €632 million in liquid assets and over €200 million unused credit lines as of December 31, 2016 GCP has a high amount of financial flexibility, which is also reflected in the €2.8 billion of unencumbered assets. The high amount of liquidity enables GCP to pursue attractive deals, and provides significant headroom and comfort to its debt holders. GCP strategically maintains its strong financial profile characterized by long term maturities, hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of December 31, 2016 is at 35% and the Company set itself a management limit at 45%. The Board of Directors has decided to implement policies, management and financial strategies to achieve a further improvement of the credit rating to A-.

GCP's bank loans are spread across more than 40 separate loans from over 20 different financial institutions that are non-recourse and have no cross collateral or cross default provisions.

Fitting to the Company's conservative capital structure 97% of its interest is hedged.

/1 Duisburg
/2 Halle

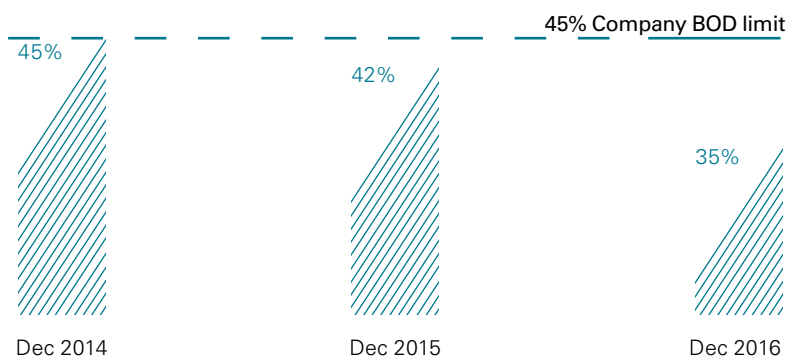
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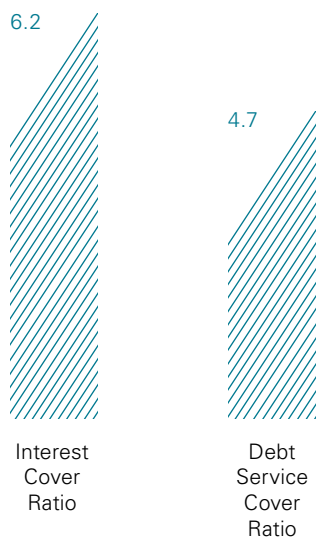
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LOAN-TO-VALUE



DEBT COVER RATIOS (FY 2016)



GCP's financial flexibility remains strong over time due to its high profitability which is reflected in high cover ratios. The Interest Cover Ratio in 2016 was 6.2 and the Debt Service Cover Ratio was 4.7. An increasing portion of assets are free of lien. As of December 2016, €2.8 billion of the held assets are unencumbered investment properties, in comparison to €2 billion in December 2015.

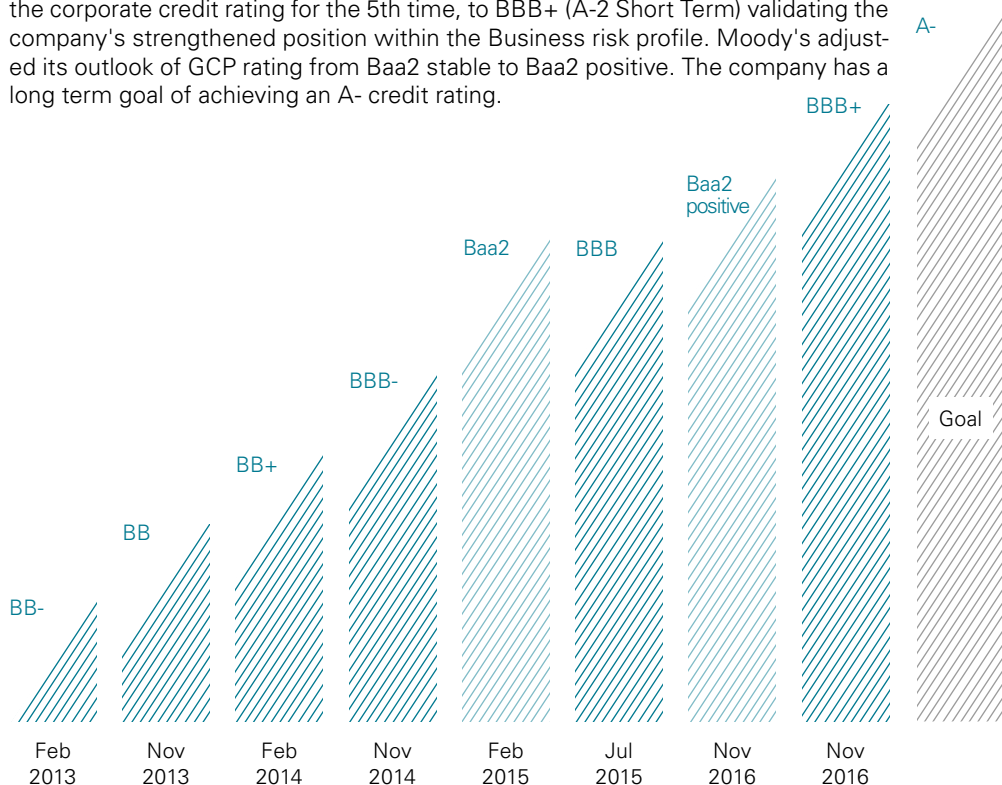
GCP's long maturity schedule enables the Company to fully complete the value-add cycle of its assets. This enables the Company to focus on its core business without the pressure to refinance and ensures a large extent of financial flexibility in the future.

KEY STRENGTHS



CREDIT RATING

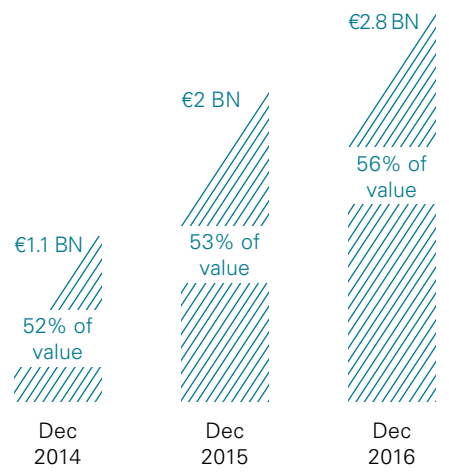
In November 2016, GCP received two updates to its credit rating. S&P increased the corporate credit rating for the 5th time, to BBB+ (A-2 Short Term) validating the company's strengthened position within the Business risk profile. Moody's adjusted its outlook of GCP rating from Baa2 stable to Baa2 positive. The company has a long term goal of achieving an A- credit rating.





/1 Berlin
/2 Halle
/3 Essen

UNENCUMBERED ASSETS



/3

KEY STRENGTHS

EQUITY AND BOND BOOKRUNNERS



BALANCED FUNDING MIX BETWEEN DEBT & EQUITY AND A PROVEN ABILITY TO ACCESS CAPITAL MARKETS

SEP 16	Issuance of €200 million perpetual notes, bearing a coupon of 2.75% p.a.
FEB 16	Issuance of Series F, 2022 convertible bonds of € 450m, coupon of 0.25% p.a
JAN 16	Completion of the conversion of Series C convertible bonds (€275m)
SEP 15	Tap issuance of € 150m of 10 year straight bond to an aggregate nominal amount of € 550m
SEP 15	Equity capital increase of € 151m at €15.9 per share
JUL 15	Tap issuance of perpetual notes, (coupon 3.75%), of additional € 100m
APR 15	Issuance of Series E (2025), 10 year straight bond of € 400m with a coupon of 1.5% p.a.
MAR 15	Tap issuance of perpetual notes of additional € 250m
FEB 15	Issuance of €150m perpetual notes, coupon 3.75%
OCT 14	Redemption of straight bonds with nominal amount of € 350m. Issuance of 7 year (2021) straight bond of € 500m with a coupon of 2% p.a.
JUN 14	Tap issuance of convertible bonds with gross proceeds of € 140m
APR 14	Tap issuance of existing straight bonds with gross proceeds of € 160m
FEB 14	Issuance of Series C, 5 year convertible bonds of € 150m and a coupon of 1.50% p.a
DEC 13	Equity capital increase of € 175m at €6.5 per share
OCT 13	Full conversion of € 100m Series A convertible bonds into equity
JUL 13	Issuance of Series B, 7 year straight bonds of € 200m with a coupon of 6.25% p.a.
FEB 13	Equity capital increase of € 36m at €4.5 per share
OCT 12	Issuance of Series A, 5 year convertible bonds of € 100m and a coupon of 8% p.a.
JUL 12	Equity capital increase of € 15m at €2.8 per share

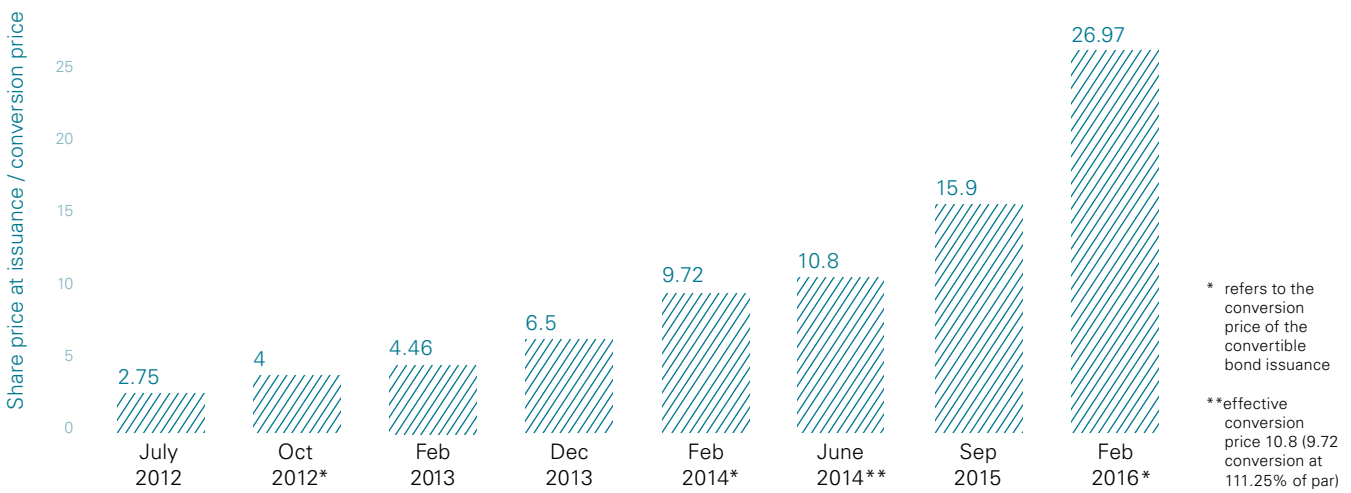


/Berlin



KEY STRENGTHS

THE FOLLOWING ILLUSTRATION SHOWS THE SHARE PRICE/CONVERSION PRICE THROUGHOUT THE COMPANY'S ISSUANCES



/1 Duisburg
/2 Dresden
/3 Bremen
/4 Mönchengladbach



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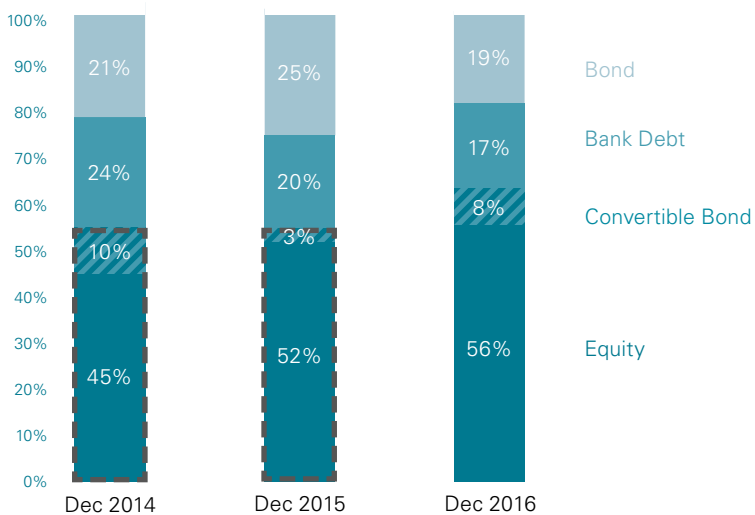


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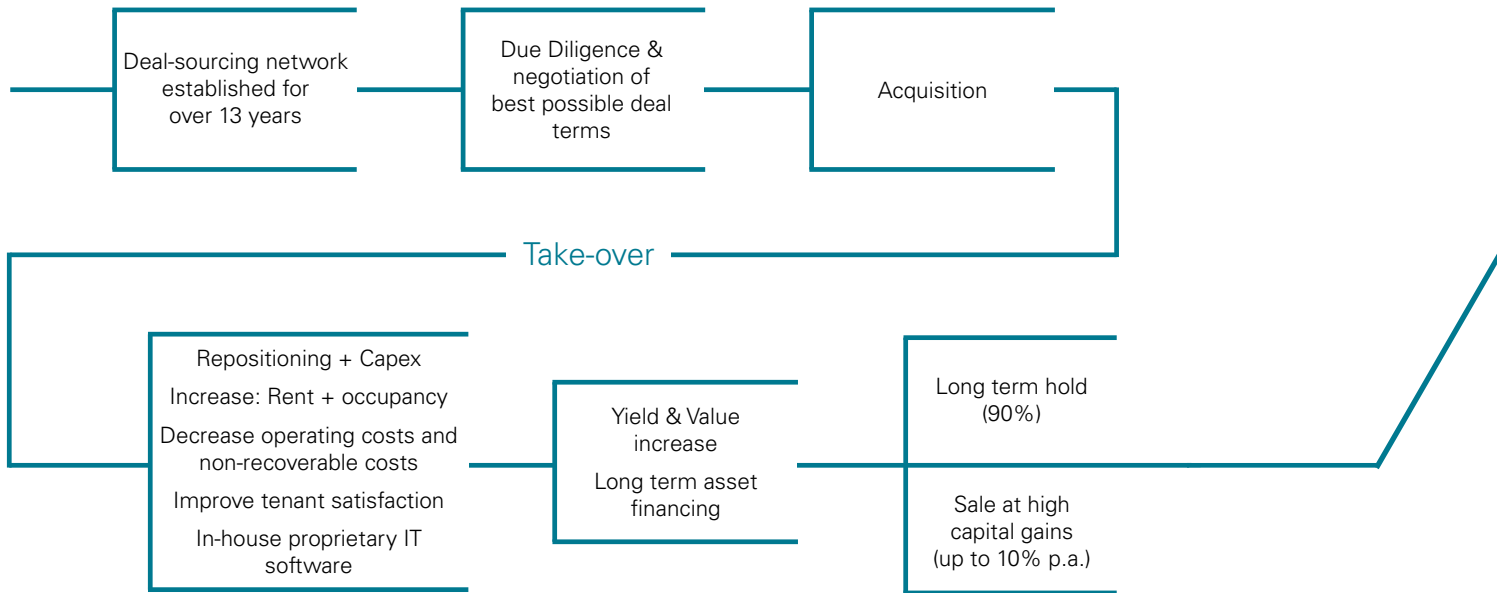
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FINANCING SOURCE MIX



COMPANY STRATEGY

BUSINESS MODEL



FOCUS ON VALUE-ADD OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN RESIDENTIAL MARKET, WHILE KEEPING A CONSERVATIVE FINANCIAL POLICY AND INVESTMENT GRADE RATING

GCP's investment focus is on the German residential markets, that it perceives to benefit from favorable fundamentals that will support stable profit and growth opportunities in the foreseeable future. The Group's current Portfolio is predominantly focused on North Rhine-Westphalia, Berlin, the metropolitan regions of Leipzig, Halle and Dresden, and other major cities in

Germany. The Company believes its platform has the right abilities and systems to continue to perform strongly and to further extract its portfolio potential. The Group also believes that there are acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

For its acquisitions the Company is applying the following specific criteria:

- / Acquisition in densely populated areas and major cities
- / High cash flow generating assets
- / Vacancy reduction potential
- / Rent level per sqm is below market level (under-rented), upside potential and low downside risk
- / Purchase price below replacement costs and below market values
- / Potential to reduce the operating cost per sqm

CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME AND COST DISCIPLINE

GCP seeks to maximize its cash flows from its portfolio through the relentless management of its assets by increasing rent, occupancy and cost efficiency. This process is initiated during the due diligence phase of each acquisition, through the development of a specific plan for each asset. Once taken over, and the initial business plan realized, GCP regularly assesses the merits of on-going improvements to its properties to further enhance the yield on its portfolio by increasing the quality and appearance of the properties, raising rents and further increasing occupancy. GCP also applies significant scrutiny to its costs, systematically reviewing ways to increase efficiency and thus improve cash flows.



/Berlin

MAXIMIZE TENANT SATISFACTION

GCP's strategy is to provide high quality service to its tenants. The Company methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. GCP focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, adding sport facilities, or polishing aged facades. Reflecting the special needs of the elderly and handicapped tenants, GCP continues to implement structural changes to facilitate their requirements.

OPERATIONS SUPPORTED BY CENTRALIZED IT/SOFTWARE

The Group's proprietary and centralized IT/software plays a significant role in enabling GCP to achieve its efficiency objectives. The key to this system is the detailed information that it provides not only on its portfolio but also on existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, to spot opportunities for rent increases, and manage re-letting risks on a daily basis. GCP's IT/software is providing management with the detailed information necessary to monitor everything from costs to staff performance.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

GCP is acting in a responsible manner with regard to the environmental and social impacts of its operations. To increase its tenants' all-around living standard, GCP invests in social and community building activities, modernizes its facilities and provides current and prospective tenants with high quality service 24/7, 365 days a year. As an employer GCP sees its responsibility in providing its employees opportunities for personal development and internal advancements and thus provides an ongoing Leadership Program. GCP has a high retention rate of its employees including top and mid management. The company also continuously strives to reduce its carbon footprint and consistently increases the use of 100% renewable energy for its properties, replaces heating systems with alternatives focused on renewable sources, creating energy usage and saving awareness amongst its tenants to reduce energy consumption and invests in efficiency solutions.

CAPITAL MARKETS

MAINTAINING A CONSERVATIVE CAPITAL STRUCTURE

GCP seeks to preserve its conservative capital structure with an LTV to remain below 45%, sustain excellent financial coverage ratios, the majority of its assets being unencumbered, low cost of debt that is mostly hedged, diversified financing sources, and long maturities. A key feature of the Group's financing objectives is to maintain ample investment flexibility in order to take advantage of investment opportunities when they arise.

INVESTOR RELATIONS ACTIVITIES

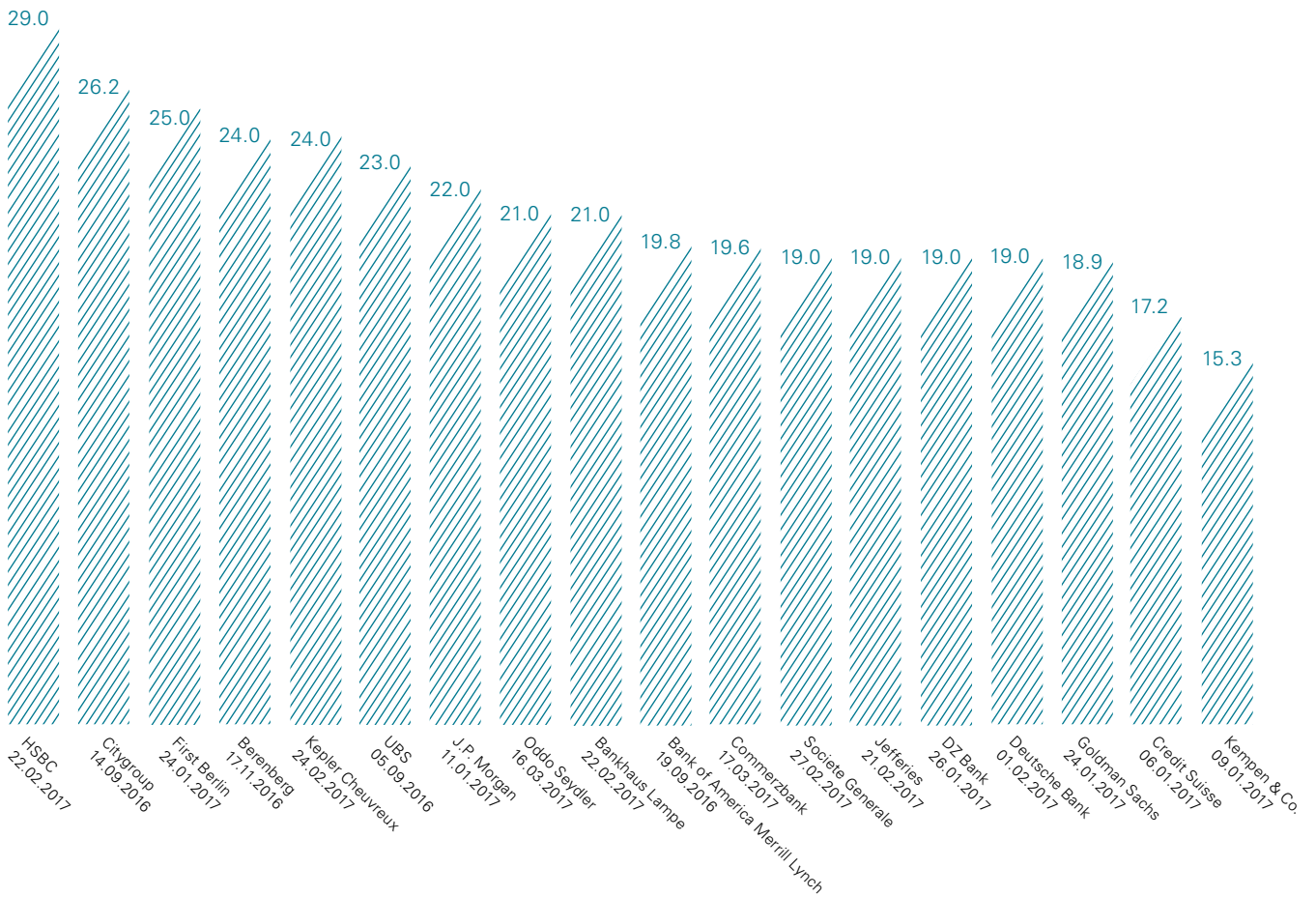
GCP is proactively presenting its business strategy and thus enhancing perception, as well as awareness, of the Company among of the capital markets investors.

GCP seizes these opportunities to create transparency and present a platform for open dialogue. The improved perception leads to a better understanding of GCP's business model and its competitive advantage. Currently, GCP is being covered on an ongoing basis by 18 different equity analysts, who publish their reports regularly. GCP is part of major FTSE EPRA/NAREIT indices, including FTSE EPRA/NAREIT Global, Developed, and Developed Europe, as well as the GPR 250 index.

Placement	Frankfurt Stock Exchange
First listing	Q2 2012
Number of shares (as of 31 December 2016)	153,788,883 ordinary shares with a par value of EUR 0.10 per share
Nominal Share Capital (as of 31 December 2016)	15,378,883 EUR
Number of shares on a fully diluted basis (as of 31 December 2016)	171,852,285
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market Cap (as of 31 December 2016)	2.7 bn EUR
Indices	FTSE EPRA/NAREIT Global FTSE EPRA/NAREIT Developed FTSE EPRA/NAREIT Developed Europe GPR 250 index



ANALYST RECOMMENDATIONS



/Halle

CAPITAL MARKETS

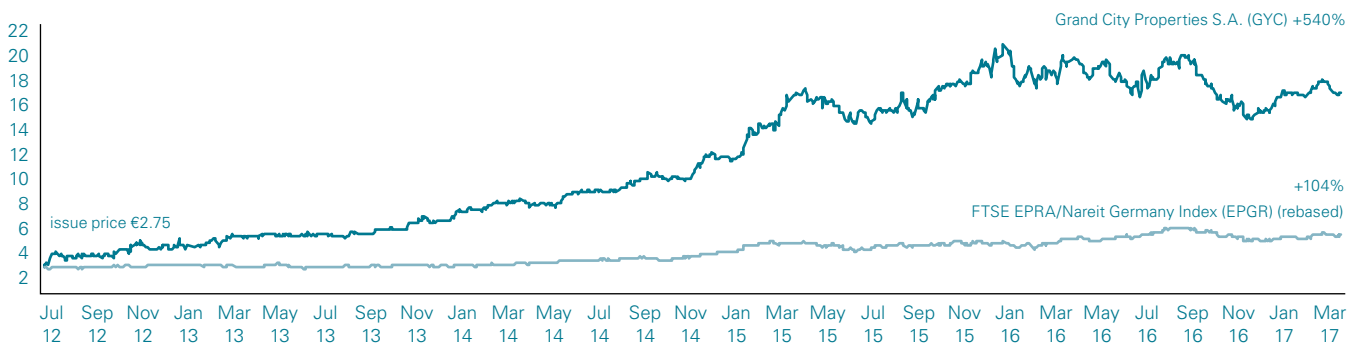


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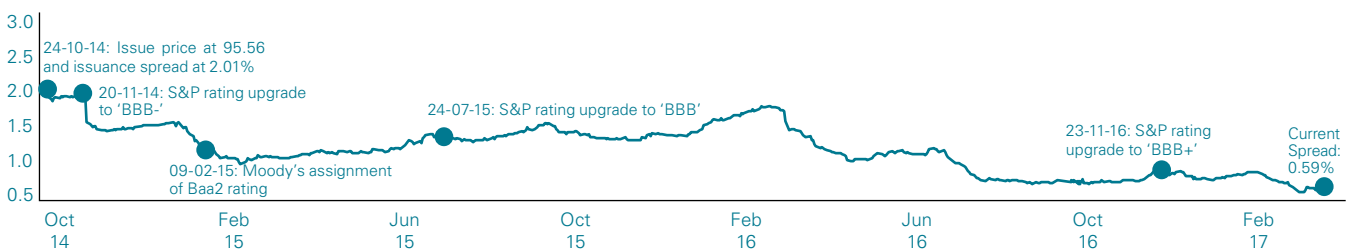
/1 Cologne
/2 Berlin



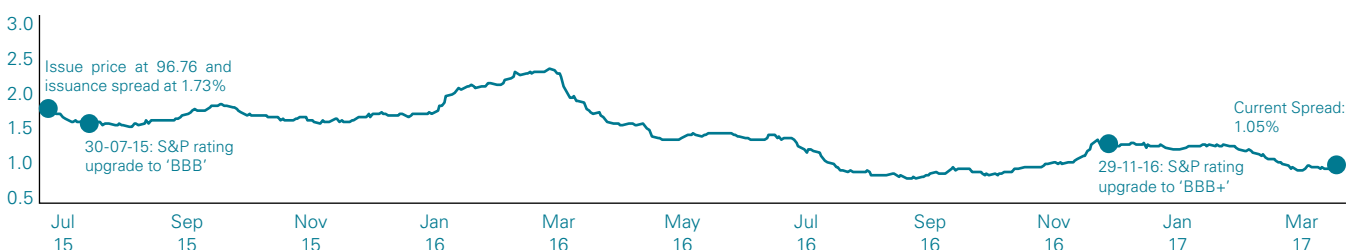
SHARE PRICE PERFORMANCE COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)



STRAIGHT BOND SERIES D – SPREAD OVER MID-€-SWAP, REMAINING 4.5 YEARS



STRAIGHT BOND SERIES E – SPREAD OVER MID-€-SWAP, REMAINING 8 YEARS



CORPORATE GOVERNANCE

ANNUAL GENERAL MEETING

The Annual General Meeting of Grand City Properties S.A. was held on June 29, 2016 in Luxembourg.

All of the items on the agenda were carried by a great majority, including the approval of the consolidated financial statements of the Group for the year ended December 31, 2015. The Annual General Meeting approved the distribution of a dividend in the amount of €0.25 per share for the holders of record on June 29, 2016.

The Annual General Meeting for 2016 will take place on June 28, 2017.

CORPORATE GOVERNANCE

GCP puts emphasis on corporate governance with high transparency, executed by the Board of Directors with

majority of independent directors and the management. The Company directs its efforts in maintaining the high trust it received from its shareholders and bond holders. GCP is proud of the high confidence of its investors, which is reflected in the impressive placement of funds by major global investment banks. GCP's shares and bonds are regularly, placed into international leading institutional investors and major global investment and sovereign funds.

The 10 principles of Corporate Governance of the Luxembourg Stock Exchange will apply this year, since the Company is planning to be admitted to trading on a regulated market.

The Company puts a strong emphasis on high standards of corporate governance and transparency. This is particularly the case with the implementation of the Advisory Board, the Risk Committee, and the Audit Committee. Furthermore, the Company ensures that its Board of Directors and its senior executives have vast experience and skills

in the areas relevant to the business of the group. The Company has quarterly reporting standards and updates its corporate presentation and most updated Run Rate figures on a continuous basis. The Company has a very strict code of conduct which applies to all its employees such as – Anti-Corruption Policy, Conflict of Interest Policy, Anti-Bribery Policy, Anti-Discrimination Policy and more.



/1 Hannover
/2 Essen

BOARD OF DIRECTORS

The Company is administered by a Board of Directors that is vested with the powers to perform and manage in the Company's interest.

The Board of Directors represents the shareholders as a whole and makes decisions solely on the Company's interest and independently of any conflict of interest. The Board of Directors and senior management regularly evaluate the effective fulfillment of their remit and compliance with strong corporate governance rules. This evaluation is also performed by the Audit Committee and the Risk Committee.

The members of the Board of Directors are elected by the general meeting of the shareholders for a term not exceeding six years and are eligible for re-election. The directors may be dismissed with or without any cause at any time and at the sole discretion of the general meeting of the shareholders. At Grand City Properties S.A., the Board of Directors currently consists of a total of three members, of which two are independent, and resolves on matters on the basis of a simple majority, in accordance with the articles of incorporation. The Board of Directors chooses amongst the directors a chairperson who shall have a casting vote.

MEMBERS OF THE BOARD OF DIRECTORS

NAME	POSITION
Ms Simone Runge-Brandner	Independent Director
Mr Daniel Malkin	Independent Director
Mr Refael Zamir	Director, CFO

CEO

The Board of Directors resolved to delegate the daily management of the Company to Mr Christian Windfuhr, as Daily Manager (administrateur-délégué) of the Company, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period.

REMUNERATION OF THE MANAGEMENT

	Christian Windfuhr (CEO)	Refael Zamir (CFO - Director)	Daniel Malkin (Director)	Simone Runge-Brandner (Director)	2016
	€				
Salary, Director fee and supplementary payments *)	208,872	202,813	78,000	78,000	541,465
Fix and variable share incentive	306,000	132,813	-	-	312,813
Other	-	-	115,000	115,000	230,000
Total Remuneration	514,872	335,626	193,000	193,000	1,084,278

*) based on employer's costs

The incentive plan has a four years vesting period with milestones to enhance management's long term commitment to GCP's strategic targets. Strategic targets are long term like-for-like occupancy and rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share EPS and NAV per share. Management is incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating to A-.

CORPORATE GOVERNANCE

ADVISORY BOARD

The Board of Directors established an Advisory Board to provide expert advice and assistance to the Board of Directors. The Board of Directors decides on the composition, tasks, and term of the Advisory Board as well as the appointment and dismissal of its members. The Advisory Board has no statutory powers under Luxembourg law or the articles of incorporation of the Company but applies rules adopted by the Board of Directors. The Advisory Board is an important source of guidance for the Board of Directors when making strategic decisions.

AUDIT COMMITTEE

The Board of Directors established an Audit Committee. The members of the Audit Committee are the two independent directors, Mr. Daniel Malkin and Ms. Simone Runge-Brandner. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the consolidated financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes, and monitoring the accounting processes.

The Audit Committee provides guidance to the Board of Directors on the auditing of the annual consolidated financial statements of the Company and, in particular, shall monitor the independence of the approved independent auditor, the additional services rendered by such auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points, and the fee agreement with the auditor.

RISK COMMITTEE

The Board of Directors established a Risk Committee for assisting and providing expert advice to the Board of Directors in fulfilling its oversight responsibilities relating to the different types of risks, recommend a risk management structure including its organization and its process as well as assess and monitor effectiveness of the risk management. The Risk Committee provides advice on actions of compliance, in particular by reviewing the Company's procedures for detecting risk, the effectiveness of the Company's risk management and internal control system, and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks.

The members of the Risk Committee are Ms Simone Runge-Brandner, Mr Daniel Malkin, Mr Markus J. Leininger and Mr Refael Zamir. The Board of Directors decides on the composition, tasks, and term of the Risk Committee, as well as the appointment and dismissal of its members.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Company closely monitors and manages potential risks and sets appropriate measures in order to mitigate the occurrence of possible failures to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organization, and processes. The Risk Committee monitors the effectiveness of risk management functions throughout the organization, ensures that infrastructure, resources, and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline. The Company categorizes the risk management systems into two main categories; internal risk mitigation and external risk mitigation.

INTERNAL RISK MITIGATION

Internal controls are constructed from four main elements:

- / Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses.
- / Control discipline – based on the organizational structure and supported by employee and management commitments. The discipline is erected on the foundations of integrity and ethical values.
- / Control features – the Company sets physical controls, compliance checks, and verifications such as cross departmental checks. Grand City Properties S.A. puts strong emphasis on separation of duties, as approval and payments are done by at least two separate parties. Payment verification is cross checked and confirmed with budget and contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.
- / Monitoring procedures – the Company monitors and tests unusual entries, mainly through a detailed monthly actual vs.-budget analysis and checks. Strong and sustainable control and organizational systems reduce the probability of errors and mistakes significantly. The management sees high importance in constantly improving all measures, adjusting to market changes and organizational dynamics.



/Dresden

EXTERNAL RISK MITIGATION

As ordinary course of business, the Company is exposed to various external risks. The Risk Committee is constantly determining whether the infrastructure, resources, and systems are in place and adequate to maintain a satisfactory level of risk. The potential risks and exposures are related, inter alia, to volatility of interest risks, liquidity risks, credit risk, regulatory and legal risks, collection and tenant deficiencies, the need for unexpected capital investments, and market downturn risk.

Grand City Properties S.A. sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default.

SHAREHOLDERS' RIGHTS

The Company respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels as well as on a specific section on its website. The Company discloses its share ownership and additionally discloses any shareholder structure above 5% if it is informed by the respective shareholder.

The shareholders of Grand City Properties S.A. exercise their voting rights at the Annual General Meeting of the shareholders, whereby each share is granted one vote. The Annual General Meeting of the shareholders takes place on the last Wednesday of the month of June at 11:00 a.m. at the registered office of the Company, or at such other place as may be specified

in the notice of the meeting. If such day is a legal holiday, the Annual General Meeting of the shareholders shall be held on the next following business day. At the Annual General Meeting of the shareholders the Board of Directors presents, among others, the management report as well as the statutory and consolidated financial statements to the shareholders.

The Annual General Meeting resolves, among others, on the statutory and consolidated financial statements of Grand City Properties S.A., the allocation of the statutory financial results, the appointment of the approved independent auditor, and the discharge to and (re-)election of the members of the Board of Directors. The convening notice for the Annual General Meeting of the shareholders contains the agenda and is publicly announced twice, with a minimum interval of eight days, and eight days before the meeting in the *Mémorial*, in a Luxembourg newspaper, and on the Company's website.

NOTES ON BUSINESS PERFORMANCE

SELECTED CONSOLIDATED INCOME STATEMENT DATA

For the 12 months ended December 31,

	2016	2015
	€'000	
Revenue	442,670	333,497
Rental and operating income	435,668	333,497
Capital gains, property revaluations and other income	598,280	311,131
Result on the disposal of inventories - trading properties	2,031	-
Property operating expenses	(204,108)	(151,552)
Administrative & other expenses	(9,550)	(7,153)
Operating profit	822,862	485,923
Adjusted EBITDA	224,729	177,274
Finance expenses	(36,319)	(25,830)
Other financial results	(11,121)	(73)
Current tax expenses	(26,799)	(22,776)
Deferred tax expenses	(95,518)	(43,674)
Profit for the period	653,105	393,570
FFO I	160,120	128,040



REVENUE

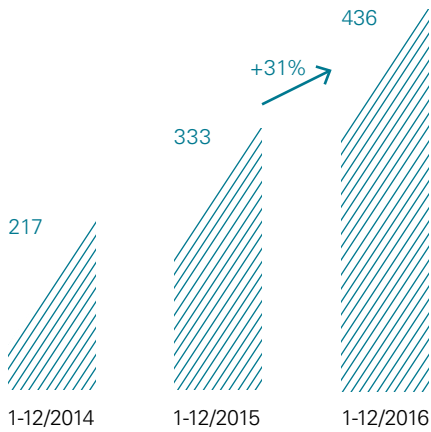
For the 12 months ended December 31,

	2016	2015
	€'000	
Rental and operating income	435,668	333,497
Revenue from sales of inventories - trading properties	7,002	-
Total revenue	442,670	333,497

In 2016 GCP generated revenues at the amount of €443 million of which €285 million is net rent. The total revenue increased by 33% compared to 2015. The main driver for the strong growth is the increase in rental and operating income, which increased by 31% to €436 million and is a result of the Company's operational performance in occupancy increase, rent increase and portfolio growth. 2016 was a strong year in letting vacant apartments, supported by in-place rent increases, which together with portfolio annual growth from 76k to 83k units led to €102 million rental income increase. Moreover, supporting the revenue increase between the two periods were acquisitions carried out in the course of 2015 which only started having a full year impact on the income statement in 2016.

GCP also recorded revenue from sales of inventories at the amount of €7 million which is the result of the sale of properties which were held as inventory - trading properties.

RENTAL AND OPERATING INCOME ANNUAL DEVELOPMENT (IN € MILLION)



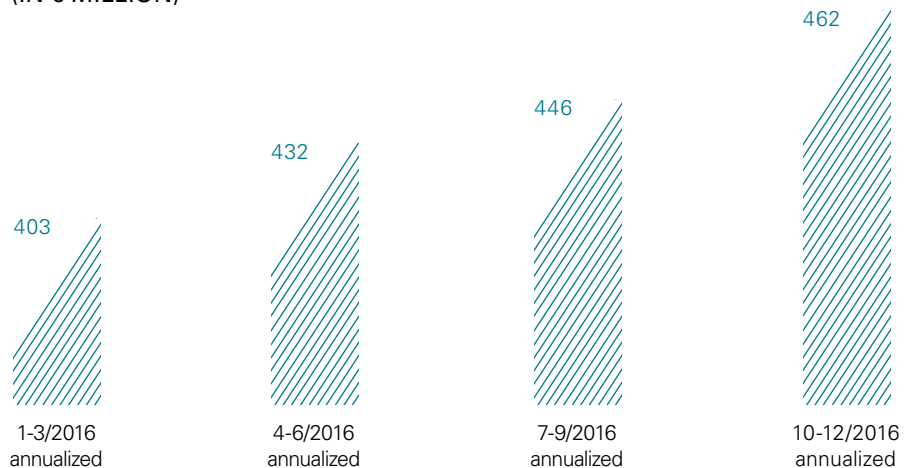
The rental and operating income result does not fully reflect the current rental income generating capabilities of the portfolio, as acquisitions of additional properties as well as operational improvements made during the year are not reflected in the results in their full annual effect.

The graph below mirrors GCP's continuous rental income growth generation, quarter by quarter. The fourth quarter of 2016 contributed €462 million on an annualized basis, 15% higher than the respective number for the first quarter of 2016.



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RENTAL AND OPERATING INCOME QUARTERLY DEVELOPMENT (IN € MILLION)



/1 Essen
/2 Berlin

NOTES ON BUSINESS PERFORMANCE

CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

For the 12 months ended December 31,

	2016	2015
	€'000	
Change in fair value in investment property	561,986	224,431
Profit arising from business combinations	33,187	85,763
Capital gains and other income	3,107	937
Total	598,280	311,131

The result in capital gains, property revaluations and other income amounted in 2016 to €598 million, an increase of 92% compared to 2015. This strong increase highlights GCP's ability to create value through active management of its portfolio as well as its ability to source and acquire properties with value creation potential. The fair values of GCP's investment portfolio are externally appraised by qualified external, market leading and independent valuers (predominately JLL).

The change in fair value in investment property, also known as revaluation gains, resulted in a return of €562 million in 2016, compared to €224 million in 2015. This increase of 150% validates GCP's track record to further materialize the upside potential in its portfolio and to successfully reposition its properties.

Whereas revaluation gains result from value uplifts of the properties, the item profit arising from business combinations arises in a share deal when the fair value of the total identifiable net assets of the company acquired exceeds the purchase price, which amounted in 2016 to €33 million. The higher amount in 2015 compared to 2016 refers to more acquisitions performed through share deals but still validates GCP's ability to gain access to favorable properties through its profound deal sourcing network that locates and provides acquisition opportunities fitting to the Company's skills and experience.

Capital gains and other income refers to gains from asset disposals above their book value. In 2016 this resulted in an additional income of €3.1 million and refers to the item disposal value of non-core investment property, which amounted to nearly €150 million in 2016, resulting in a total disposal gain (sales income minus purchase costs) of €67 million which highlights the economic profit and the value created during the period in which the disposed assets were held. The economic profit for the disposal of the non-core investment property resulted in a profit of 82% in 2016, crystalizing GCP's unique capability to create and materialize substantial value gains. Additionally, and presented below, is the sale of inventories – trading properties which are not included in the capital gain and are recorded separately in the P&L. All disposals in the period, including both disposal of investment property and inventories resulted in economic profit of €69 million, a profit of 82%. The non-core properties disposed were located across the Company's geographical locations at a net multiple of 15.7x.

DISPOSAL ANALYSIS

For the 12 months ended December 31,

	2016	2015
	€'000	
Acquisition cost including capex of disposed properties	81,458	58,150
Total revaluation gains on disposed investment property	63,482	41,732
Book Value (IFRS)	144,940	99,882
Disposal value of non-core investment property	148,047	100,819
Capital gain	3,107	937
Disposal value of non-core investment property	148,047	100,819
Acquisition cost including capex of disposed properties	(81,458)	(58,150)
Realized profit from disposal of investment properties	66,589	42,669
Disposal profit on investment property	82%	73%
Revenue from sales of inventories - trading properties	7,002	-
Cost of inventories- trading properties sold	(4,971)	-
Result on the disposal of inventories - trading properties	2,031	-
Disposal profit on inventories - trading properties	41%	N/A
Total result from disposal of properties	68,620	42,669
Total disposal profit on properties	79%	73%



/Duisburg

NOTES ON BUSINESS PERFORMANCE



PROPERTY OPERATING EXPENSES

For the 12 months ended December 31,	2016	2015
	€'000	
Purchased services	(149,357)	(112,051)
Maintenance and refurbishment	(27,004)	(21,202)
Personnel expenses	(18,380)	(12,119)
Depreciation and amortization	(1,351)	(1,382)
Other operating costs	(8,016)	(4,798)
Total	(204,108)	(151,552)

The Company recorded in 2016 property operating expenses of €204 million. The main component of this item is purchased services which refer mainly to ancillary costs such as water and heating and are recoverable from the tenants. Purchased services amounted in 2016 to €149 million, an increase of 33% in comparison to 2015.

GCP puts strong emphasis on reducing operational costs through several measures such as creating awareness of energy efficiency behavior amongst tenants, replacing heating and energy systems, improving insulation of properties and upgrading energy consuming elevator systems. Furthermore, the Company's economies of scale allow for additional cost savings through country wide tenders for service and utility providers.

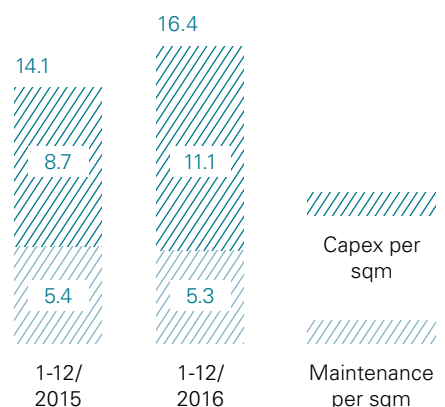
Personnel expenses relating to operations amounted in 2016 to €18 million, up from €12 million in 2015 and other operating costs increased from €5 million in 2015 to €8 million in 2016. Both items increased due to the growth of the Company, the scope of services provided to maintain high tenant satisfaction and also due to increased efforts and success in increasing the portfolio's occupancy.

MAINTENANCE AND CAPEX

The maintenance and refurbishment expenses relate to expenses required to maintain the current quality of the portfolio. In 2016 the maintenance and refurbishment expenses totaled €27 million, which translates into €5.3 per sqm.

One of the consistent aspects of GCP's business model is the continuous improvement of its portfolio. In 2016, GCP invested €56 million in capex, up from €34 million in 2015, translating into €11.1 per sqm and €8.7 per sqm respectively. These measures include improvements to apartments, common areas and the property, such as adding balconies, improving the façade, improving insulation, replacing and modernizing heating and energy systems and adapting assets to specific tenant needs, such as elevators, ramps and elderly friendly staircases. GCP also supports the communal areas by investing in gardens, playgrounds and neighborhood gathering areas around its properties. These investments are aimed to increase the attractiveness of our portfolio to both current as well as prospective tenants, reducing tenant churn and vacancy. Furthermore, the expenses help stabilize maintenance and service expenses, reducing future cost.

MAINTENANCE AND CAPEX DEVELOPMENT



ADMINISTRATIVE AND OTHER EXPENSES

For the 12 months ended December 31,	2016	2015
	€'000	
Personnel expenses	(2,629)	(2,084)
Audit and accounting costs	(1,849)	(1,630)
Legal and professional consultancy fees	(2,296)	(1,500)
Depreciation and amortization	(344)	(347)
Marketing and other expenses	(2,432)	(1,592)
Total	(9,550)	(7,153)

The administrative and other expenses are expenses attributable to items such as personnel costs, marketing expenses, legal and consultancy fees and depreciation. These expenses amounted to €9.6 million in 2016 compared to €7.2 million in 2015. The increase is due to the increase in size of the Company along the construction of a strong platform supporting the operations.

FINANCE EXPENSES

For the 12 months ended December 31,	2016	2015
	€'000	
Finance expenses	(36,319)	(25,830)

The finance expenses for 2016 amounted to €36 million compared to €26 million in 2015. The increase results from the increasing amount of debt in 2016 and due to debt raised during the course of 2015 which did not have a full year impact on the 2015 income statement. The cost of debt of GCP has decreased in 2016 to 1.6%, and together with GCP's conservative LTV of 35% as of the end of 2016 (42% in 2015), results in proportionally lower debt with lower cost. This in combination with GCP's strong operational performance leads to an Interest Cover Ratio of 6.2. Furthermore, the financial discipline shown by the Company resulted in an increase of the corporate credit rating by S&P by one notch to 'BBB+'. In the same period Moody's adjusted its outlook of GCP's corporate credit rating from Baa2 stable to Baa2 positive.

NOTES ON BUSINESS PERFORMANCE

OTHER FINANCIAL RESULTS

For the 12 months ended December 31,	2016	2015
	€'000	
Change in fair value of financial assets and liabilities, net	(5,704)	2,816
Finance-related costs	(5,417)	(2,889)
Other financial results	(11,121)	(73)

The other financial results amounted in 2016 to €11 million, while 2015 expenses were nearly leveled at nil. This item relates mainly to one-time, non-cash effects such as the change in fair value of financial assets which result from the value changes of financial derivatives and traded securities. Other financial results also include finance related costs which are related to one-time costs such as bank fees, early prepayment fees as well as debt issuance costs.

TAXATION

For the 12 months ended December 31,	2016	2015
	€'000	
Current tax expenses	(26,799)	(22,776)
Deferred tax expenses	(95,518)	(43,674)
Total	(122,317)	(66,450)

GCP recorded in 2016 total tax expenses at the amount of €122 million up from €66 million in 2015. The majority of these expenses and the main reason for the increase between the periods refers to deferred tax expenses, which amounted to €96 million. These expenses relate to the revaluation of GCP's portfolio and account for the theoretical future property disposal through asset deal structures, which are subject to the German real estate tax of 15.825%. As the Company practices a conservative approach it fully accounts for such theoretical future disposals, however, as part of the long term operations of GCP's assets this remains a non-cash item. The assets of GCP are held in separate SPV's, which enables sales through share deals. In a sale of share deal the effective capital gain tax is less than 1%. Nonetheless, GCP reserves conservatively 15.8% capital gains tax.

The current tax expenses are attributable to the current operations of the company and amounted to €27 million, up from €23 million and grow in relation to the Company's operational performance.



/Duisburg

PROFIT FOR THE PERIOD

For the 12 months ended December 31,

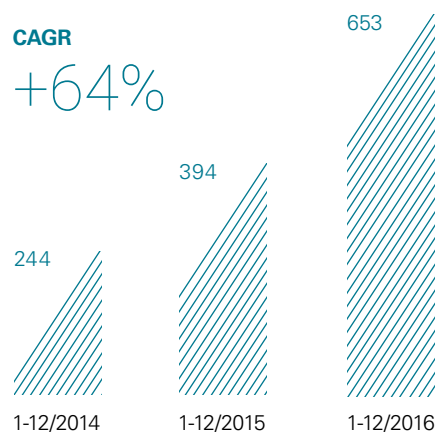
	2016	2015
	€'000	
Profit for the period	653,105	393,570

GCP recorded for the year 2016 profits in the amount of €653 million, which is an increase of 66% compared to 2015's profit of €394 million. The sharp increase is the combined result of GCP's value creation and operational performance.

PROFIT FOR THE PERIOD (IN € MILLION)

CAGR

+64%



EARNINGS PER SHARE

For the 12 months ended December 31,

	2016	2015
	€'000	
Basic earnings per share in €	3.56	2.71
Diluted earnings per share in €	3.25	2.35
Weighted average basic shares in thousands	152,836	126,932
Weighted average basic shares (diluted) in thousands	168,020	146,725

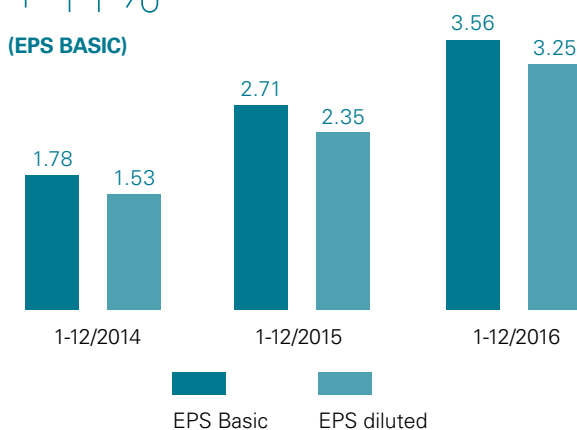
The earnings per share highlight the accretive shareholder value creation ability of GCP. In 2016, the Company recorded basic earnings per share at the amount of €3.6, an increase of 31% compared to the €2.7 in 2015. On a diluted basis, taking into account the theoretical conversion of the Company's convertible bonds, the earnings per share resulted in €3.3, compared to €2.4 in 2015, reflecting a 38% increase. In comparison to the increase of the total earnings, the increase in the earnings per share was offset by a larger amount of outstanding shares from full conversion of convertible bond Series C, completed in the beginning of 2016 and from the equity increase in September 2015.

EARNINGS PER SHARE (€)

CAGR

+41%

(EPS BASIC)



NOTES ON BUSINESS PERFORMANCE

ADJUSTED EBITDA AND FUNDS FROM OPERATIONS (FFO I)

For the 12 months ended December 31,	2016	2015
	€'000	
Operating Profit	822,862	485,923
Total depreciation and amortization	1,695	1,729
EBITDA	824,557	487,652
Capital gains, property revaluations and other income	(598,280)	(311,131)
Result on the disposal of inventories - trading properties	(2,031)	-
Share in profit from investment in equity-accounted investees	(541)	-
Management long term share incentive plan	1,024	753
Adjusted EBITDA	224,729	177,274
Finance expenses	(36,319)	(25,830)
Current tax expenses	(26,799)	(22,776)
Contribution to minorities	(1,491)	(628)
FFO I	160,120	128,040
Weighted average basic shares in thousands*	152,836	126,932
FFO I per share in €	1.05	1.01

* Not considering the dilution effect of the management share plan as it is immaterial

/1 Berlin
/2 Kaiserslautern

The adjusted EBITDA reflects the recurring operational profit before interest and tax, excluding the effect of non-cash items which do not have a strictly operational and recurring nature such as capital gains and revaluations profits, profits from disposal of inventories and share in profit from investment in equity accounted investees. Moreover, as the provisions for the management long term share incentive plan have become more material, they have been included to the adjusted EBITDA. Funds from Operations I (FFO I) reflects the recurring profit from operations, after deducting the finance expenses, the current tax and respective minority contribution from the adjusted EBITDA and is market standard to reflect the bottom line operational profits.

The adjusted EBITDA of GCP increased by 27% in 2016 compared to 2015, amounting to €225 million. This increase results from both the increasing top line results driven by strong operational results and by optimizing the operational cost structure. The top line increase is the result of increasing occupancy levels and in-place rent, as well as through the growth of the portfolio. The increasing occupancy levels in 2016 resulted in additional operating and letting costs in comparison to 2015, offsetting slightly the increase of the adjusted EBITDA in relation to the increase in rental and operating income.

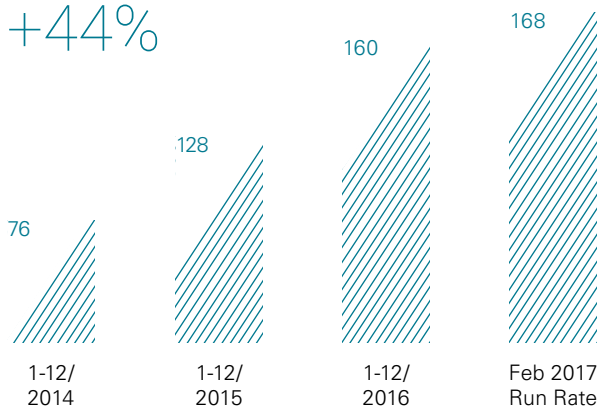
FFO I recorded in 2016 increased to €160 million, compared to €128 million in 2015. This growth is following the increase in the adjusted EBITDA over the same period.



FFO I (IN € MILLION)

CAGR

+44%



As operational improvements and acquisitions are implemented throughout the year, the portfolio's current capacity at the end of the year is not fully represented in the reported figures. The annualized run rate of the portfolio as of February 2017, which does not take into account future portfolio growth, amounts to €168 million and better reflects the current FFO I generating capacity of the portfolio.



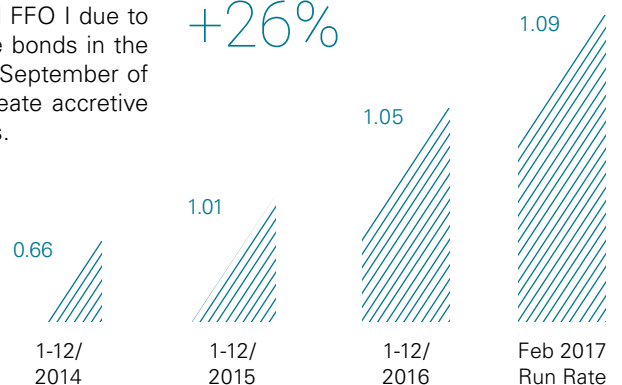
FFO I PER SHARE

The FFO I per share increased by 4% in 2016 to €1.05, compared to €1.01 in 2015. The increase was offset in relation to the 25% increase of the total FFO I due to the dilution effect of the full conversion of the Series C convertible bonds in the beginning of 2016, as well as the effects of the equity increase in September of 2015. However, the increase validates the Company's ability to create accretive shareholder value on a per share basis, even after diluting influences.

FFO I PER SHARE DEVELOPMENT (IN € MILLION)

CAGR

+26%



NOTES ON BUSINESS PERFORMANCE

FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION

FFO I per share after perpetual notes attribution amounted in 2016 to €0.92, compared to €0.89 in 2015. The growth was offset due to higher perpetual notes attribution in 2016, which include the full year effect of the 3.75% perpetual notes issued during 2015 plus the effect of the 2.75% perpetual notes issued in 2016. GCP provides this additional calculation as a supplementary FFO I per share calculation, as IFRS records attribution to perpetual notes through change in equity and does not recognize it as financial expenses in the P&L, thus not deducted otherwise from the FFO.

For the 12 months ended December 31,	2016	2015
	€'000	
FFO I	160,120	128,040
Adjustment for accrued perpetual notes attribution	(20,272)	(14,517)
FFO I after perpetual notes attribution	139,848	113,523
Weighted average basic shares in thousands	152,836	126,932
FFO I per share in €, after perpetual notes attribution	0.92	0.89



/Gelsenkirchen

ADJUSTED FUNDS FROM OPERATION (AFFO)

For the 12 months ended December 31,	2016	2015
	€'000	
FFO I	160,120	128,040
Capex	(56,325)	(33,804)
AFFO	103,795	94,236

Adjusted Funds from Operations (AFFO), accounting for the funds from operations after capitalized expenditure, amounted to €104 million, up from €94 million in 2015. The capex is used to maintain the properties' quality and to increase the occupancy levels.



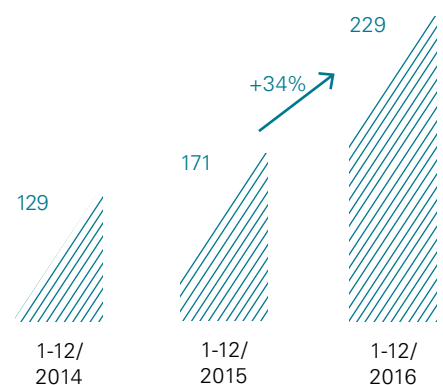
FFO II

For the 12 months ended December 31,

	2016	2015
	€'000	
FFO I	160,120	128,040
Total result from disposal of properties	68,620	42,669
FFO II	228,740	170,709

FFO II, which includes results from the economic disposal profit of investment property and inventories, increased in 2016 to €229 million from €171 million in the comparable period. The increase of 34% between the two periods arises from the FFO I increase and from the higher amount of disposals in 2016. In 2016 GCP disposed non-core assets and inventories in a total amount of €155 million in comparison to €101 million in 2015. The high disposal gains underline GCP's ability to create strong value on its portfolios and validates its capability to dispose the assets at high gains. Please see capital gains, property revaluations and other income section in this board report for more details on the disposals.

FFO II
(IN € MILLION)



NOTES ON BUSINESS PERFORMANCE



/Neu-Isenburg

CASH FLOW

For the 12 months ended December 31,	2016	2015
	€'000	
Net cash provided by operating activities	201,293	157,448
Net cash used in investing activities	(557,184)	(1,215,048)
Net cash provided by financing activities	570,397	1,023,470
Net increase in cash and cash equivalents	214,506	(34,130)

Net cash provided by operating activities in 2016 increased by 28% compared to 2015 and amounted to €201 million, similar to the increase of the adjusted EBITDA. The item increased due to the added cash generated as the portfolio matures and the occupancy increases, as well as due to the overall larger portfolio following the new acquisitions made during 2016 and the full year effect of 2015 acquisitions in 2016.

Net cash used in investing activities amounted to €557 million during in 2016, a decrease of 54% compared to 2015. The amount is net of funds received from disposals of properties, but the decrease however mainly results from a lower volume of acquisitions in 2016 compared to over €1.2 billion invested in 2015. GCP follows acquisition criteria guidelines, whereby the purchase strategy is guided by the quality of the assets and their value uplift potential rather than a broad volume target.

Net cash provided by financing activities amounted to €570 million in 2016, compared to €1,023 million in 2015. The result is in line with the amount raised to support the growth of the Company and to strengthen its capital structure. This major impact results from the €444 million cash received for convertible bond Series F issued during the first quarter of the year, and the issuance of the perpetual notes during the third quarter, complemented also by net funds received from bank loans.

ASSETS

Total assets amounted in the end of 2016 to €6.2 billion, up from €4.7 billion at the end of 2015. The increase of the total assets is sustaining GCP's position among the largest public real estate players in Germany with a solid presence in its focus geographic areas.

The 31% increase of total assets resulted mainly from the increase of investment property, which increased due to external growth and due to value creation. In 2016 acquisitions were carried in GCP's strategic locations, primarily in NRW, Berlin, Dresden, Nuremberg, Halle, following the acquisition criteria and supporting economies of scale. On average, investment properties were acquired at a net multiple of 14.7x.

The fair values of the Group's properties are externally appraised by independent and certified valuers at least once a year. The primary appraiser is Jones Lang LaSalle (JLL) and is considered as one of the market leading valuers in the European real estate market.

	Dec 2016	Dec 2015
	€'000	
Non-current assets	5,126,031	4,061,699
Investment property*	4,795,757	3,857,856
Current assets	1,027,702	627,204
Total Assets	6,153,733	4,688,903

*including traded inventories

The primary valuation technique follows the discounted cash flow model (DCF) based on a certain analysis period (generally for a 10-year period). The main valuation parameters used by JLL are as follows:

Valuation Parameter	Average as of 31/12/2016
Market rental growth p.a.	1.4%
Ongoing Maintenance cost per SQM	€7.5
Management cost per unit	€265
Cap Rate	5.0%
Discount Rate	5.9%

€146 million assets were classified as assets held for sale. The management sees these as non-core properties and resolve to disposing these properties. These properties generate currently €10 million rental income per annum and are located across the portfolio locations. Additionally, investments in accounted investees amounted to €118 million in 2016. These investments are related to several companies which are not consolidated by the Company.

The cash and other liquid assets amounted to €632 million in 2016, up from €389 million in 2015, bringing the total current assets just over €1 billion. The high liquid assets provide a financial cushion in case of a downturn, providing investors with significant comfort, and enables the Company to continue and pursue attractive opportunities.

DECEMBER 2016	Investment property (in €M)	Rentable area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,554	1,825	8.5%	105	5.1	27,378	852	6.8%
Berlin	803	434	6.2%	35	6.9	6,010	1,851	4.4%
Dresden/Leipzig/Halle	887	1,128	8.9%	60	4.9	19,887	786	6.8%
Mannheim/KL/Frankfurt/Mainz	269	229	3.5%	16	6.0	3,737	1,173	6.0%
Nuremberg/Fürth/Munich	173	102	3.9%	9	7.6	1,471	1,697	5.4%
Bremen/Hamburg	226	260	7.5%	16	5.5	3,800	873	7.0%
Others	882	1,214	8.8%	66	5.1	20,390	727	7.4%
Total	4,796	5,192	7.9%	307	5.35	82,673	924	6.4%

NOTES ON BUSINESS PERFORMANCE

LIABILITIES

	Dec 2016	Dec 2015
	€'000	
Total loans and borrowings*	937,410	846,900
Straight bonds	1,050,078	1,045,413
Convertible bond	427,909	122,576
Deferred tax liabilities**	328,519	239,374
Other long term liabilities and derivative financial instruments	49,798	39,704
Current liabilities***	294,955	222,641
Total Liabilities	3,088,669	2,516,608

* Includes short term loans and borrowings, loan redemption, and financial debt of assets held for sale

** Including held for sale

*** Excludes short term loans and borrowings, loan redemption, and financial debt of assets held for sale

Total liabilities amounted in the end 2016 to €3.1 billion, up from €2.5 billion as of the end of 2015. The total liabilities increased between the two periods by 23%, significantly below the 41% increase in total equity and 31% increase in total assets, coinciding with GCP's conservative financial policy and contributing to the decrease in leverage with an LTV of below 35% as of

December 2016 down from 42% in December 2015.

GCP's financing approach is conservative also with regard to the diversity of instruments on its liability side. The Company has replaced during the first quarter Series C, a 1.5% coupon convertible bond, which was fully converted, with the new Series F, a 0.25% cou-

pon convertible bond, keeping a healthy mix of financing sources of convertible bonds, straight bonds and bank debt, alongside equity and perpetual notes. Total loans and borrowings increased by €90 million since 2015 year-end as GCP has been working in replacing old loans and securing new ones for selected properties, thereby achieving long term favorable interest levels for these properties, and maintaining an active and dynamic relationship with various local and nationwide financing institutions. As a result of these efforts, the cost of debt decreased in 2016 to 1.6%.

GCP conservative approach is also reflected in its deferred taxes accounting treatment by accounting for the full German real estate tax effect of 15.825% on revaluations gains, assuming theoretical future disposal by means of an asset deal. Deferred tax liabilities, a subsequent effect of the revaluation gains over the period, has thus increased by €89 million, or 37% since December 2015.

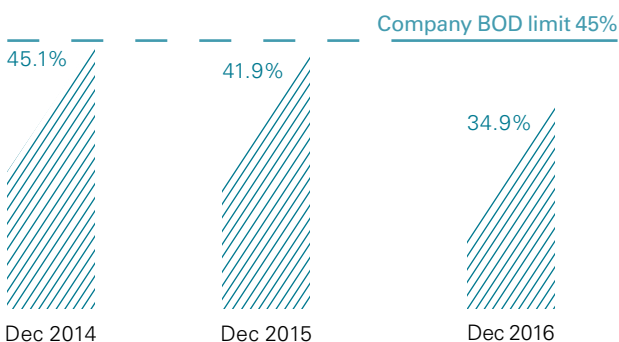
LOAN-TO-VALUE

	Dec 2016	Dec 2015
	€'000	
Investment property*	4,850,634	3,876,839
Investment properties of assets held for sale	146,078	-
Equity accounted investees	117,785	-
Total value	5,114,497	3,876,839
Total Debt	2,415,397	2,014,889
Cash and liquid assets	631,904	388,925
Net debt	1,783,493	1,625,964
LTV	34.9%	41.9%

*Including advanced payments for investment properties and balance of inventories

As a result of GCP's conservative financial policy and the strong value creation, the Loan-to-Value (LTV) as of December 2016 decreased to 34.9% from 41.9% in December 2015. Following the policy and the Company's strategy, GCP is well below the board of directors updated LTV limit of 45%, which has been lowered from 50%. Management see the high buffer to this internal limit as headroom and protection in case of market downturn.

LOAN-TO-VALUE DEVELOPMENT



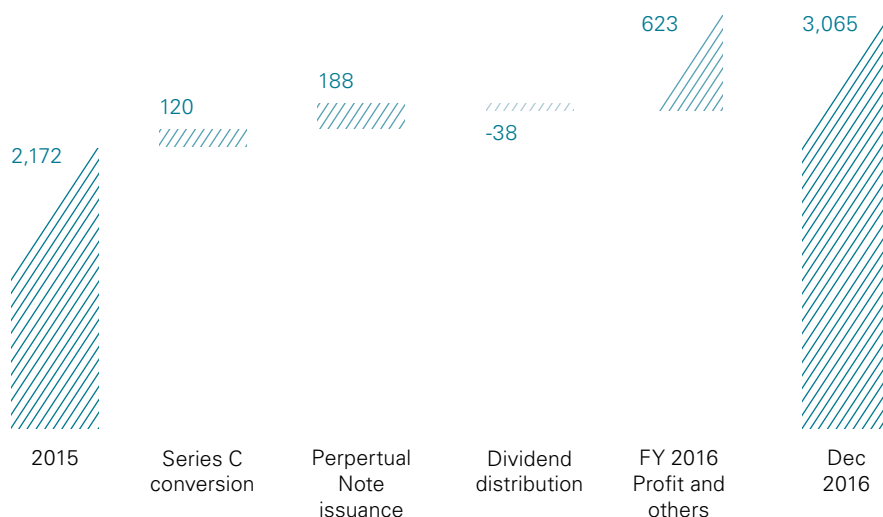


EQUITY


	Dec 2016	Dec 2015
	€'000	
Total Equity	3,065,064	2,172,295
Of which Equity attributable to perpetual notes investors	667,393	478,146
Of which non-controlling interests	196,666	142,260

Total equity amounted to €3,065 million as of the end of 2016, up 41% in comparison to €2,172 million recorded in the end of 2015. The €893 million increase in the total equity is primarily the result of the €653 million profit recorded in 2016, the €120 million conversion of Series C convertible bond into equity along €188 million perpetual increase carried out in September 2016 offset by €38 million distributed dividends during the year. The significant increase in the equity balance reflects the value creation capability of the Company on one side, and on the other the robustness and sustainability of the balance sheet.

EQUITY DEVELOPMENT



EPRA PERFORMANCE MEASURES



/Duisburg

EPRA PERFORMANCE MEASURES

GCP adopted EPRA (European Public Real Estate Association) guidance and recommendation for performance measures reporting and believes that this financial presentation will provide investors and stakeholders more understanding on the Company's financial position. EPRA performance measures are customized for the European real estate sector and are aimed to bridge accounting presentation of IFRS reports to the specific elements of the real estate sector. As GCP enhanced the EPRA reporting several numbers for the comparable periods have been reclassified.

This section presents the EPRA performance measures according to the EPRA Best Practice Recommendations and is based on the materiality and importance of information. GCP has no material properties under development and such are therefore not taken into consideration.

EPRA PERFORMANCE MEASURES - SUMMARY (IN €'000)

	2016	Change	2015
EPRA Earnings	151,984	24%	122,669
EPRA Earnings per share (in €)	0.99	3%	0.97
EPRA NAV	2,541,060	32%	1,923,941
EPRA NAV per share (in €)	16.4	32%	12.4
EPRA NNNAV	2,431,814	29%	1,890,835
EPRA NNNAV per share (in €)	15.7	29%	12.2
EPRA NIY	4.7%	-0.5%	5.2%
EPRA "topped-up" NIY	4.7%	-0.5%	5.2%
EPRA Vacancy	7.9%	-4.6%	12.5%
EPRA Cost Ratio (including direct vacancy costs)	22.7%	1.7%	20.9%
EPRA Cost Ratio (excluding direct vacancy costs)	18.0%	1.2%	16.8%



EPRA EARNINGS

EPRA sees the EPRA Earnings performance measure as a key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings. In parallel, GCP is reporting FFO I as a main operational performance measurement, complying with market standards and believes that FFO I is a better reflection of the recurring operational results of a European real estate company. Moreover, GCP's dividend policy is based on the FFO I per share, supporting the importance and relevance of the FFO I.

GCP recorded in 2016 EPRA Earnings at the amount of €152 million, or €0.99 on a per share basis, up from €123 million and €0.97 per share in 2015. The increase between the two periods is correlated with the increase in the FFO I and the difference between the two items is presented in the table above.

For the 12 months ended December 31,	2016	2015
	€'000	
Earnings per IFRS income statement	653,105	393,570
Change in fair value in investment property	(561,986)	(224,431)
Result on disposal of investment properties	(3,107)	(937)
Result on the disposal of inventories - trading properties	(2,031)	-
Profit arising from business combinations	(33,187)	(85,763)
Changes in fair value of financial assets and liabilities, net	5,704	(2,816)
Deferred tax expenses	95,518	43,674
Share in profit from investment in equity-accounted investees	(541)	-
Contribution to minorities	(1,491)	(628)
EPRA Earnings	151,984	122,669
Weighted average basic shares in thousands	152,836	126,932
EPRA Earnings per share (in €)	0.99	0.97
Bridge to FFO I		
Add back: Depreciation	1,695	1,729
Add back: Finance related costs	5,417	2,889
Add back: Management long term share incentive plan	1,024	753
FFO I	160,120	128,040
FFO I per share in €	1.05	1.01

EPRA PERFORMANCE MEASURES

EPRA NAV

EPRA NAV is defined by EPRA as the net asset value adjusted by including properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model. The purpose of EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the fair value of the Group's assets and liabilities within a true real estate investment company with a long-term investment strategy.

	Dec 2016		Dec 2015	
	€'000	Per share	€'000	Per share
Equity per the financial statements	3,065,064		2,172,295	
Equity attributable to perpetual notes investors	(667,393)		(478,146)	
Equity excluding perpetual notes	2,397,671		1,694,149	
Effect of conversion of in-the-money convertible bond	-		125,683	
Fair Value measurements of derivative financial instruments	11,536		6,995	
Deferred tax liabilities	328,519		239,374	
NAV	2,737,726	€ 17.7	2,066,201	€ 13.3
Non-controlling interests	(196,666)		(142,260)	
EPRA NAV	2,541,060	€ 16.4	1,923,941	€ 12.4
Equity attributable to perpetual notes investors	667,393		478,146	
EPRA NAV including perpetual notes	3,208,453	€ 20.7	2,402,087	€ 15.5
Basic amount of shares, including in-the-money dilution effects	154,910		154,910	

As of year-end 2016 GCP's EPRA NAV amounts to over €2.5 billion, reflecting an increase of 32% compared to €1.9 billion at year-end 2015, showing the significant value creation capability of the Company. The EPRA NAV translate accordingly to €16.4 on a per share basis, up from €12.4 in 2015. The increase is mainly the result from the increase in equity, which is mainly driven by the profit recorded over the period.

The EPRA NAV including perpetual notes amounted as of the year-end 2016 to €3.2 billion, or €20.7 on a per share level, up from €2.4 billion and €15.5 per share in 2015. The increase in the EPRA NAV including the perpetual notes, on top of the increase in the EPRA NAV, is attributed to an issuance of €200 million nominal amount of perpetual notes in September 2016. The perpetual notes are part of the Company's equity according to IFRS rules.



/1 Essen
/2 Berlin



12

EPRA NNNAV

EPRA NNNAV is defined as EPRA NAV adjusted to include the spot values of the financial instruments, debt and deferred taxes. The purpose of the EPRA NNNAV is to make adjustments to EPRA NAV and provide stakeholders with the most relevant information on the spot value of the Company's assets and liabilities of a real estate company. In 2016 GCP's EPRA NNNAV amounted to €2.4 billion, or €15.7 per share, up from €1.9 billion or €12.2 per share in 2015.

	Dec 2016	Dec 2015
	€'000	
EPRA NAV	2,541,060	1,923,941
Fair value measurements of derivative financial instruments	(11,536)	(6,995)
Adjustment to reflect fair value of debt	(79,442)	(12,800)
Deferred tax liabilities*	(18,268)	(13,311)
EPRA NNNAV	2,431,814	1,890,835
Basic amount of shares, including in-the-money dilution effects	154,910	154,910
EPRA NNNAV per share (in €)	15.7	12.2

* Adjustment based on the Company's corporate structure and from actual transactions

EPRA PERFORMANCE MEASURES

EPRA NET INITIAL YIELD (NIY) AND EPRA 'TOPPED-UP' NIY

EPRA defined the Net Initial Yield (NIY) as the annualized rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs. According to EPRA this measurement complements a real estate company's measure for portfolio valuations. EPRA 'Topped-up' NIY is a measure incorporating an adjustment to the EPRA NIY in respect to the expiration of rent-free periods.

	Dec 2016	Dec 2015
	€'000	
Investment property	4,768,487	3,845,979
Investment properties of assets held for sale	146,078	-
Inventories - trading property	27,270	11,877
Completed property portfolio	4,941,835	3,857,856
Allowance for estimated purchasers' costs	406,471	317,313
Gross up completed property portfolio valuation	5,348,306	4,175,169
End of period annualized net rental income	313,000	263,000
Operating costs*	(63,283)	(47,938)
Annualized net rent, after non-recoverable	249,717	215,062
Notional rent expiration of rent free periods or other lease incentives	N/A	N/A
Topped-up net annualised rent	249,717	215,062
EPRA NIY	4.7%	5.2%
EPRA "topped-up" NIY	4.7%	5.2%

*To reach annualized operating cost, cost margin was used for each respective period

GCP's EPRA NIY amounted in 2016 to 4.7% and decreased from 5.2% in 2015 which is in-line with the repositioning and improvement of the portfolio. EPRA "Topped up" NIY is identical to EPRA NIY as GCP has no material rent periods of lease incentives.



/1

/1 Mannheim
/2 Berlin



/2

EPRA VACANCY

According to EPRA a real estate company's vacancy is calculated based on the rental value of the vacant space divided by the rental value of the entire portfolio. The EPRA vacancy of the investment property for December 2016 amounted to 7.9%, down from 12.5% in December 2015.

	Dec 2016	Dec 2015
	€'000	
EPRA Vacancy	7.9%	12.5%

EPRA COST RATIOS

The EPRA Cost Ratio is defined by EPRA as administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income and are a key measure to enable meaningful measurement of the changes in a company's operating costs.

	2016	2015
	€'000	
Operational expenses	31,791	20,481
Maintenance and refurbishment	27,004	21,202
Administrative expenses	9,550	7,153
<i>Exclude</i>		
Depreciation	(1,695)	(1,729)
Ground rents	(2,652)	(1,222)
EPRA Costs (including direct vacancy costs)	63,998	45,885
Direct vacancy costs	13,255	9,126
EPRA Costs (excluding direct vacancy costs)	50,743	36,759
Rental and operating income	435,668	333,497
Less ground rent	(2,652)	(1,222)
Less: operating income	150,599	113,076
Rental income, net	282,417	219,199
EPRA Cost Ratio (including direct vacancy costs)	22.7%	20.9%
EPRA Cost Ratio (excluding direct vacancy costs)	18.0%	16.8%

GCP's EPRA Costs Ratio (including direct vacancy costs) resulted in 2016 to 22.7%, compared to 20.9% in 2015 and the EPRA Cost Ratio (excluding direct vacancy) was 18% and 16.8% in 2016 and 2015 respectively. The increase in the cost ratios is a result of efforts and success in increasing the portfolio's occupancy, which has decreased from 12.5% in 2015 to 7.9% in 2016. Additional costs are a result of significant improvement in the 24/7 service to our tenants. GCP decided strategically to increase the tenant service levels and tenant satisfaction which we see as integral part of our long term value creation.

For more details please see the analysis on operational and administrative expenses above.



/1

/1 Munich
/2 Halle

/2



DISCLAIMER

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report.

By order of the Board of Directors,
Luxembourg, March 20, 2017

Handwritten signature of Simone Runge-Brandner in black ink.

Simone Runge-Brandner
Independent Director

Handwritten signature of Refael Zamir in black ink.

Refael Zamir
Director, CFO

Handwritten signature of Daniel Malkin in black ink.

Daniel Malkin
Independent Director

To the Shareholders of
Grand City Properties S.A.
24, Avenue Victor Hugo
L-1750 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Grand City Properties S.A., which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 the Board of Directors, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of Grand City Properties S.A. as of December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Directors' report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Board of Directors' Report, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements. The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, March 21, 2017

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



J. de Souza



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31,	
		2016	2015
		€'000	
Revenue	5	442,670	333,497
Capital gains, property revaluations and other income	6	598,280	311,131
Share of profit from investments in equity accounted investees	13	541	-
Property operating expenses	7	(204,108)	(151,552)
Cost of buildings sold		(4,971)	-
Administrative and other expenses	8	(9,550)	(7,153)
Operating profit		822,862	485,923
Finance expenses	9a	(36,319)	(25,830)
Other financial results	9b	(11,121)	(73)
Profit before tax		775,422	460,020
Current tax expenses	10	(26,799)	(22,776)
Deferred tax expenses	10	(95,518)	(43,674)
Tax and deferred tax expenses		(122,317)	(66,450)
Profit for the year		653,105	393,570
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		653,105	393,570

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CONTINUED)

	Note	For the year ended December 31,	
		2016	2015
		€'000	
Profit attributable to:			
Owners of the Company		544,820	343,933
Perpetual notes investors	19D	20,272	14,517
Non-controlling interests		88,013	35,120
Profit for the year		653,105	393,570
Net earnings per share attributable to the owners of the Company (in euro)			
Basic earnings per share	11	3.56	2.71
Diluted earnings per share	11	3.25	2.35





/1 Essen
/2 Halle

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at December 31,	
		2016	2015
		€'000	
Assets			
Equipment and intangible assets	14	15,833	9,493
Investment property	15	4,768,487	3,845,979
Advanced payments for investment property transactions		54,877	(*) 18,983
Investment in equity-accounted investees	13	117,785	-
Other non-current assets	12	154,520	(*) 176,407
Deferred tax assets	10C	14,529	10,837
Non-current assets		5,126,031	4,061,699
Cash and cash equivalents		448,873	236,001
Traded securities at fair value through profit and loss		181,397	152,924
Inventories - trading property	18	27,270	11,877
Trade and other receivables	17	219,668	226,402
Assets held for sale	26	150,494	-
Current assets		1,027,702	627,204
Total assets		6,153,733	4,688,903

(*) Reclassified.



/1 Mönchengladbach
/2 Cologne
/3 Duisburg

12



13



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)



/Mannheim

		As at December 31,	
		2016	2015
		€'000	
	Note		
Equity			
Share capital	19	15,379	14,097
Share premium		670,038	582,910
Capital reserves		43,460	29,283
Retained earnings		1,472,128	925,599
Equity attributable to the owners of the Company		2,201,005	1,551,889
Equity attributable to Perpetual notes investors		667,393	478,146
Equity attributable to the owners of the Company and Perpetual notes investors		2,868,398	2,030,035
Non-controlling interests		196,666	142,260
Total Equity		3,065,064	2,172,295
Liabilities			
Loans and borrowings	21	896,577	792,224
Convertible bond	21	427,909	122,576
Straight Bonds	21	1,050,078	1,045,413
Derivative financial instruments	16	11,536	6,995
Other non-current liabilities	23	38,262	32,709
Deferred tax liabilities	10C	325,982	239,374
Non-current liabilities		2,750,344	2,239,291
Current portion of long term loans	21	18,406	19,998
Loan redemption	21	10,830	34,678
Trade and other payables	22	251,503	190,358
Tax payable		15,843	13,389
Provisions for other liabilities and charges	24	14,185	18,894
Liabilities held for sale	26	27,558	-
Current liabilities		338,325	277,317
Total liabilities		3,088,669	2,516,608
Total equity and liabilities		6,153,733	4,688,903

The Board of Directors of Grand City Properties S.A. authorized these consolidated financial statements to be issued on March 20, 2017



Simone Runge-Brandner
Director



Refael Zamir
Director, CFO



Daniel Malkin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the owners of the Company

€'000	Share capital	Share Premium	Equity portion of convertible bond	Capital reserves	Retained earnings	Total	Equity attributable to Perpetual notes investors	Equity attributable to owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
Balance as at December 31, 2015	14,097	582,910	7,131	22,152	925,599	1,551,889	478,146	2,030,035	142,260	2,172,295
Profit for the year	-	-	-	-	544,820	544,820	20,272	565,092	88,013	653,105
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	544,820	544,820	20,272	565,092	88,013	653,105
Issuance of shares related to conversion of convertible bond C	1,282	125,575	(7,131)	-	-	119,726	-	119,726	-	119,726
Equity component of convertible bond F	-	-	20,284	-	-	20,284	-	20,284	-	20,284
Issuance of Perpetual notes	-	-	-	-	-	-	187,725	187,725	-	187,725
Amount attributed to Perpetual notes investors	-	-	-	-	-	-	(18,750)	(18,750)	-	(18,750)
Equity settled share based payment	-	-	-	1,024	-	1,024	-	1,024	-	1,024
Dividend distribution	-	(38,447)	-	-	-	(38,447)	-	(38,447)	-	(38,447)
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	-	1,709	1,709	-	1,709	(33,607)	(31,898)
Balance as at December 31, 2016	15,379	670,038	20,284	23,176	1,472,128	2,201,005	667,393	2,868,398	196,666	3,065,064



/1



/2



/3

/1 Leipzig
/2 Dortmund
/3 Dresden

Attributable to the owners of the Company

€'000	Share capital	Share Premium	Equity portion of convertible bond	Capital reserves	Retained earnings	Total	Equity attributable to Perpetual notes investors	Equity attributable to owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
Balance as at December 31, 2014	11,854	335,171	7,841	14,382	581,666	950,914	-	950,914	90,736	1,041,650
Profit for the year	-	-	-	-	343,933	343,933	14,517	358,450	35,120	393,570
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	343,933	343,933	14,517	358,450	35,120	393,570
Issuance of ordinary shares	981	153,795	-	-	-	154,776	-	154,776	-	154,776
Issuance of shares related to conversion of convertible bond C	1,262	118,277	(710)	-	-	118,829	-	118,829	-	118,829
Issuance of Perpetual notes	-	-	-	-	-	-	478,146	478,146	-	478,146
Amount attributed to Perpetual notes investors	-	-	-	-	-	-	(14,517)	(14,517)	-	(14,517)
Issuance of financial instrument	-	-	-	7,017	-	7,017	-	7,017	-	7,017
Equity settled share based payment	-	-	-	753	-	753	-	753	-	753
Dividend distribution	-	(24,333)	-	-	-	(24,333)	-	(24,333)	-	(24,333)
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	-	-	-	-	-	16,404	16,404
Balance as at December 31, 2015	14,097	582,910	7,131	22,152	925,599	1,551,889	478,146	2,030,035	142,260	2,172,295

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended December 31,	
		2016	2015
		€'000	
Cash flows from operating activities:			
Profit for the year		653,105	393,570
Adjustments for the profit:			
Depreciation and amortization		1,695	1,729
Profit from business combination, capital gain and other income	6	(36,294)	(86,700)
Change in fair value of investment property	15	(561,986)	(224,431)
Share of profit from investments in equity accounted investees	13	(541)	-
Finance expenses and other financial results	9	47,440	25,903
Tax and deferred tax expenses	10	122,317	66,450
Equity settled share-based payment	20	1,024	753
		226,760	177,274
Changes in:			
Inventories - trading property		2,421	(943)
Trade and other receivables		(5,908)	(24,825)
Trade and other payables		2,510	20,234
Provisions for other liabilities and charges		(5,549)	4,506
		220,234	176,246
Tax paid		(18,941)	(18,798)
Net cash provided by operating activities		201,293	157,448
Cash flows from investing activities			
Acquisition of equipment and intangible assets, net	14	(3,304)	(3,680)
Investments and acquisitions of investment property, capex and advances paid, net		(476,195)	(406,475)
Acquisition of investees and loans, net of cash acquired		(246,376)	(540,043)
Disposal of subsidiaries, net of cash disposed		135,736	94,121
Proceeds (investment) from (in) trade securities and other financial assets, net		32,955	(358,971)
Net cash used in investing activities		(557,184)	(1,215,048)



/1 Dortmund
/2 Dusseldorf

For the year ended
December 31,

	Note	2016 €'000	2015
Cash flows from financing activities			
Proceeds from issuance of ordinary shares and financial instrument, net	19	-	161,793
Amortizations of loans from financial institutions		(11,586)	(11,572)
Proceeds (repayments) from (of) loans from financial institutions, net		54,295	(62,694)
Proceeds from Convertible bond, net	21	444,764	-
Proceeds from Straight bonds, net	21	-	514,396
Proceeds from Perpetual notes investors, net	19	170,999	478,146
Acquisition of straight bond CHF	21	(2,476)	-
Transactions with non-controlling interests		(1,281)	598
Dividend distributed to the shareholders		(38,447)	(24,333)
Interest and other financial expenses, net		(45,871)	(32,864)
Net cash provided by financing activities		570,397	1,023,470
Net increase in cash and cash equivalents			
Assets held for sale – cash	26	(1,634)	-
Cash and cash equivalents at January 1		236,001	270,131
Cash and cash equivalents at December 31		448,873	236,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL

(A) INCORPORATION AND PRINCIPAL ACTIVITIES

Grand City Properties S.A. ("the Company") was incorporated in Luxembourg on December 16, 2011 as a private company with limited liability. Its registered office is at 24, Avenue Victor Hugo, L-1750 Luxembourg.

The consolidated financial statements for the year ended December 31, 2016 consist of the financial statements of the Company and its subsidiaries ("the Group" or "GCP").

GCP is a specialist in residential real estate, value-add opportunities in densely populated areas in Germany

(B) LISTING ON THE FRANKFURT STOCK EXCHANGE

On May 28, 2012 the Company was listed on the Frankfurt Stock Exchange in the Entry Standard market segment. As of the report date the issued share capital consists 153,788,883 shares with a par value of euro 0.10 per share.



(C) CAPITAL AND BOND INCREASES

For information regarding capital and bond increases, please see notes 19 and 21, respectively.

(D) GROUP RATING

On December 21 2016, S&P assigned its 'A-2' short-term corporate credit rating of the company. The 'BBB+' long-term corporate credit rating with stable outlook kept unchanged.

On November 23 2016, S&P revised its long term corporate credit rating of the Company to 'BBB+' from 'BBB' with 'stable' outlook. In addition, S&P has revised the ratings of senior unsecured debt rating of the Company to 'BBB+' from 'BBB' and on its subordinated hybrid perpetual notes to 'BBB-' from 'BB+'.

On June 13 2016, S&P revised its outlook on the Company to 'positive' from 'stable'. In addition, S&P has affirmed their 'BBB' long-term corporate credit rating on the Company, as well as their 'BBB' issue rating on the Company's unsecured debt and 'BB+' issue rating on the company's Perpetual notes.

On February 9, 2015, Moody's Investors Services ("Moody's") has assigned a first-time long-term issuer rating of "Baa2" to the Group, with a stable outlook. In November 2016 Moody's has changed the outlook to positive from stable. Moody's state that the positive outlook reflects the company's improving leverage and management's commitment to maintain it at lower levels than previously anticipated. In addition, Moody's has rated the Perpetual notes as Ba1.

(E) DEFINITIONS

In these consolidated financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees
GCP Ltd	Grandcity Property Limited
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
Associates	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company using equity method of accounting
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24



2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

Certain consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows' items related to the year ended December 31, 2015 have been reclassified to enhance comparability with 2016 figures and are marked as "reclassified".

The consolidated financial statements were authorized to be issued by the Board of Directors on March 20, 2017.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- / Traded securities at fair value through profit or loss;
- / Investment properties are measured at fair value;
- / Investment in equity-accounted investees;
- / Derivative financial instruments;
- / Assets and liabilities classified as held for sale;
- / Deferred tax liability on fair value gain on investment property.

(C) USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate

affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

- / **Fair value of investment property**
The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in the consolidated

statement of comprehensive income. The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.



/Leipzig

(C) USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

/ Impairment of investments in associates

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.

/ Tax and deferred tax expenses

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

/ Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

/ Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

/ Legal claims

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

/ Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

/ Fair value hierarchy

Please see note 15(b) and 27(v).

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro which is also the functional currency of the Group, and rounded to the nearest thousand (euro '000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION

The Group's consolidated financial statements comprise the financial statements of the parent company Grand City Properties S.A. and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The Group has considered the impact of the amendment to IFRS 10 – Investment Entities, and has determined that it does not meet the definition of an "Investment entity".

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.

/1 Berlin
/2 Wuppertal



(B) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- / deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- / liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- / Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if

any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) INVESTMENTS IN ASSOCIATES AND EQUITY – ACCOUNTED INVESTEES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the consolidated income statement and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.



/Cologne

(D) REVENUE RECOGNITION

Revenue is recognized in the consolidated statement of comprehensive income when it can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

/ Rental and operating income

Rental operating income from investment properties are recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental operating income, over the term of the lease. Operating income also includes service charges to third parties and payments for utilities if the costs and the amount of the income can be reliably determined. The revenue is recognized once the service is provided.

/ Sale of properties

Revenue from the sale of properties in the course of ordinary activities is measured as the fair value of the consideration received or receivable. Revenue is recognized when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the properties can be reliably estimated.

/ Other

Other income is used to represent income resulting in the release of provisions, tax repayments, cancellation of debts and others.

(E) FINANCE INCOME AND EXPENSES

Finance income comprises interest income on funds invested.

Finance expenses comprise interest expense on loans and borrowings, bonds and loans from third parties.

(F) OTHER FINANCIAL RESULTS

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, profit or losses on derivative financial instruments, borrowing and redemption costs, loan arrangement fees and other one-time payments.

Financial expenses are recognized as they accrue in the statement of comprehensive income, using the effective interest method.

(G) DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. German property taxation includes taxes on the holding of real estate property and construction.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax expenses also include real estate tax expenses.

(I) DEFERRED TAX

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- / temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- / temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. The Company estimates such utilization of the deferred tax assets to be taken in place within the period of 1-5 years from the balance sheet date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.



/Hamburg

(J) EQUIPMENT AND INTANGIBLE ASSETS

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognized in profit or loss using the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

Furniture, fixtures and office equipment	<u>%</u> 10-50
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Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) DEFERRED INCOME

Deferred income represents income which relates to future periods.

I. PREPAYMENTS

Payments received in advance on development contracts for which no revenue has been recognized yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

II. TENANCY DEPOSITS

Tenancy deposits are paid to ensure the apartment is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

(L) INVESTMENT PROPERTY

An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in statement of comprehensive income in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

(M) ASSETS HELD FOR SALE

Non-current assets or disposal groups, comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.



/1 Hannover
/2 Berlin

/2



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) FINANCIAL INSTRUMENTS

1. NON-DERIVATIVE FINANCIAL ASSETS:

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

a) Traded securities at fair value through profit or loss

Traded securities are classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Traded securities are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Traded securities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

Traded securities designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

2. NON-DERIVATIVE FINANCIAL LIABILITIES

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3. SHARE CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(N) FINANCIAL INSTRUMENTS (CONTINUED)

4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the fair value of derivatives held at fair value are transferred to the consolidated income statement.

6. BORROWINGS

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

7. TRADE PAYABLES

Trade payables are initially measured at fair value.

8. PERPETUAL NOTES

The capital raised is recognized in equity following a deduction for the costs of raising the capital. The interest payments to be made to the Perpetual notes holders are recognized directly in equity after a deduction of deferred taxes.

(O) DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

(I) FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized 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 assets.

(II) FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(Q) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(R) PROPERTY OPERATING EXPENSES

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the consolidated income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

(S) OPERATING SEGMENTS

The Group meets the definition of operating in two operating segments. An operating segment is a component of the Group that meets the following three criteria:

- / Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;
- / whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- / For which separate financial information is available.

The main operating segment is rental income relates to owned investment properties. The second operating segment relates to services charges to third parties (e.g. property management). The results from this segment is minor and does not meet the threshold to show as a separate reporting segment, therefore only one reporting segment is presented.



/Berlin



(T) COMPARATIVES

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

(U) EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

(V) SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(W) LEASED ASSETS

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Determining whether an arrangement contains a lease at inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- / The fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- / The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(X) TRADING PROPERTY (INVENTORIES)

Inventories are trading properties acquired with the clear intention that they are to be sold in the ordinary course of business. Trading properties considered as inventories are shown at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Trading properties are purchased and sold on a portfolio basis. Each separately identifiable portfolio of trading properties is held by a Group subsidiary entity established and/or acquired for the purpose of holding the respective trading property portfolio. Trading properties are recognized in the statement of financial position only when full control is obtained. Trading properties are de-recognized in the consolidated financial statements only when full control is transferred outside of the Group. Cost of trading properties is determined on the basis of specific identification of the individual costs of the trading property including acquisition costs such as transfer taxes, legal and due diligence fees.

(Y) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new and revised standards and interpretations are in issue and have been endorsed by the EU but are not yet effective for these consolidated financial statements.

(I) IFRS 9 – FINANCIAL INSTRUMENTS (2009, 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(II) IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a five step approach to accounting for revenue from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The following new and revised standards and interpretations are in issue but have not yet been endorsed by the EU and are hence not yet effective for these financial statements.

(III) IAS 7 – DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 7

The amendment to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(IV) IFRS 16 – LEASES

IFRS 16 introduces a single, on balance sheet approach to lease accounting for lessees with optional exemptions for short-term leases and leases of low value items.

(V) IFRS 2 – CLASSIFICATIONS AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(A) ACQUISITIONS

The Group generally seeks for properties (through share or asset deals) with embedded upside potential. In case that the fair value of the total identifiable net assets exceeds the purchase price, the excess amount is recognized in the consolidated statement of comprehensive income as a profit from a bargain purchase.

During the reporting period the Group through its subsidiaries obtained control of several companies through share deal acquisitions. The significant transactions are as follows:

1. PORTFOLIO 1

At the end of April 2016, the Group obtained control of several companies, which hold real estate properties in Germany by acquiring 94.9-100 percent of the shares, voting interests and shareholders loan by GCP Ltd for the amount of euro 65,401 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 21,815 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interests at the amount of euro 4,411 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 10,400 thousand and euro 924 thousand, respectively.

Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment property	136,372
Working capital, net	456
Cash and Cash equivalents	1,621
	138,449
Bank loans	31,345
Other liabilities, net	15,477
	46,822
Total identifiable net assets	91,627
Non-controlling interests arising from initial consolidation	4,411
Consideration paid regarding acquisition	65,401
<u>Profit arising from business combination (bargain purchase)</u>	<u>21,815</u>

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 5,682 thousand, and the Group's net profit would have increased by euro 160 thousand.

2. PORTFOLIO 2

At the end of June 2016, the Group obtained control of a company, which holds real estate properties in Germany by acquiring 94.9 percent of the shares, voting interests and shareholders loan by GCP Ltd for the amount of euro 46,455 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 2,297 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interests at the amount of euro 1,905 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 2,807 thousand and euro 1,298 thousand, respectively.

Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment property	51,168
Cash and Cash equivalents	24
	51,192
Other liabilities, net	535
Total identifiable net assets	50,657
Non-controlling interests arising from initial consolidation	1,905
Consideration paid regarding acquisition	46,455
Profit arising from business combination (bargain purchase)	2,297

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 2,666 thousands, and the Group's net profit would have increased by euro 1,168 thousand.



4. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

3. PORTFOLIO 3

At the end of September 2016, the Group obtained control of several companies, which hold real estate properties in Germany by acquiring 65-94.9 percent of the shares, voting interests and shareholders loan by GCP Ltd for the amount of euro 99,678 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 8,520 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income and goodwill of euro 1,628 thousand. The Group recognized non-controlling interests at the amount of euro 7,224 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 3,924 thousand and euro 1,579 thousand, respectively.

Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment property	140,077
Working capital, net	108
Cash and Cash equivalents	327
	140,512
Bank loans	21,000
Other liabilities, net	5,718
	26,718
Total identifiable net assets	113,794
Non-controlling interests arising from initial consolidation	7,224
Consideration paid regarding acquisition	99,678
Profit arising from business combination (bargain purchase)	8,520
Goodwill recognized	1,628

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 11,697 thousand, and the Group's net profit would have decreased by euro 575 thousand.

4. PORTFOLIO 4

During the year 2016, the Group obtained control of several companies, which hold real estate properties mainly in Germany by acquiring 65-94.9 percent of the shares, voting interests and shareholders loan by GCP Ltd for the amount of euro 34,517 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 8,671 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income and goodwill of euro 3,509 thousand. The Group recognized non-controlling interests at the amount of euro 7,265 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and loss in amount of euro 4,255 thousand and euro 680 thousand, respectively.

Identifiable assets and liabilities acquired as of the date of the transaction are as follows:

	€'000
Investment property	86,653
Cash and Cash equivalents	780
	87,433
Working capital, net	559
Bank loans	21,709
Other liabilities, net	18,221
	40,489
Total identifiable net assets	46,944
Non-controlling interests arising from initial consolidation	7,265
Consideration paid regarding acquisition	34,517
Profit arising from business combination (bargain purchase)	8,671
Goodwill recognized	3,509

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 2,378 thousand, and the Group's net profit would have decreased by euro 347 thousand.

/1 Düsseldorf
/2 Duisburg
/3 Essen



(B) DISPOSALS

During the reporting period, the Group sold several non-core properties (through share deals) for a total consideration of euro 137 million. The Group recorded capital gain in amount of euro 3 million as part of the consolidated statement of comprehensive income.

	€'000
Investment property	144,940
Working capital, net	592
Cash and Cash equivalents	1,035
	146,567
Other liabilities, net	3,588
Total net assets disposed	142,979
Non-controlling interests disposed	3,101
Consideration received regarding the disposals	136,771
Profit arising from the disposals	3,107



5. REVENUE

	Year ended December 31,	
	2016	2015
	€'000	
Rental and operating income	435,668	333,497
Revenue from sales of buildings (a)	7,002	-
	442,670	333,497

(a) Of which euro 5 million refers to cost of building sold in 2016 (see also note 18).

6. CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

	Year ended December 31,	
	2016	2015
	€'000	
Change in fair value in investment property (see note 15)	561,986	224,431
Profit arising from business combinations (Bargain Purchase)	(*) 33,187	85,763
Capital gains and other income	3,107	937
	598,280	311,131

(*) net of additional cost related to previous year's business combinations in the amount of euro 8 million.

7. PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2016	(*) 2015
	€'000	
Purchased services	(149,357)	(112,051)
Maintenance and refurbishment	(27,004)	(21,202)
Personnel expenses	(18,380)	(12,119)
Depreciation and amortization	(1,351)	(1,382)
Other operating costs	(8,016)	(4,798)
	(204,108)	(151,552)

(*) reclassified.

8. ADMINISTRATIVE & OTHER EXPENSES

Year ended December 31,		
	2016	2015
	€'000	
Personnel expenses	(2,629)	(2,084)
Audit and accounting costs (*)	(1,849)	(1,630)
Legal and professional consultancy fees	(2,296)	(1,500)
Depreciation and amortization	(344)	(347)
Marketing and other expenses	(2,432)	(1,592)
	(9,550)	(7,153)

(*) Out of which euro 1,233 thousand (2015: euro 1,096 thousand) and euro 556 thousand (2015: euro 449 thousand) related to audit and audit-related fees provided by KPMG audit firms and other audit firms, respectively, and euro 40 thousand (2015: euro 75 thousand) and euro 20 thousand (2015: euro 10 thousand) related to tax and consultancy services provided by KPMG audit firms and other audit firms, respectively.

9. NET FINANCE EXPENSES

Year ended December 31,		
	2016	2015
	€'000	
a. Finance expenses		
Finance expenses from financial institutions and third parties, net	(14,947)	(10,496)
Finance expenses from straight and convertible bonds, net	(21,372)	(15,320)
Other finance expenses	-	(14)
	(36,319)	(25,830)
b. Other financial results		
Changes in fair value of financial assets and liabilities, net	(5,704)	2,816
Finance-related costs	(5,417)	(2,889)
	(11,121)	(73)

10. TAXATION

A. TAX RATES APPLICABLE TO THE GROUP

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2015: 29.22%). The corporation tax rate will be decreased to 27.08% in 2017 and to 26.01% in 2018 and on. The change in the corporation tax rate does not have a significant effect on current and deferred tax assets and liabilities.

The German subsidiaries with property are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2016 (2015: the same), plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

German property taxation includes taxes on the holding of real estate property.

The Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5% (2015: 12.5%).

Under certain conditions interest income of the Cypriot companies may be subject to defense contribution at the rate of 30% (2015: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17% for 2014 and thereafter.

Subsidiaries in other jurisdictions are subject to corporate tax rate of up to 25%.

B. TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2016	2015
	€'000	
Corporation tax	(12,858)	(11,912)
Deferred tax, see also (c) below	(95,518)	(43,674)
Property tax	(13,941)	(10,864)
Charge for the year	(122,317)	(66,450)

C. MOVEMENT ON THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

DEFERRED TAX LIABILITIES

	Fair value gains on investment property	Other deferred tax	Total
	€'000		
Balance as at December 31, 2014	137,322	3,681	141,003
Charged to:			
Consolidated statement of comprehensive income	43,422	-	43,422
Deferred tax arising from initial consolidation	62,497	-	62,497
Deferred tax disposed from deconsolidation	(7,548)	-	(7,548)
Balance as at December 31, 2015	235,693	3,681	239,374
Charged to:			
Consolidated statement of comprehensive income	98,987	229	99,216
Deferred tax arising from initial consolidation	21,584	-	21,584
Deferred tax disposed from deconsolidation	(31,655)	-	(31,655)
Transfer to Liabilities held for sale	(2,537)	-	(2,537)
Balance as at December 31, 2016	322,072	3,910	325,982



10. TAXATION (CONTINUED)



DEFERRED TAX ASSETS

	Derivative financial instruments, net	Deferred taxes – loss carried forward, net	Other deferred tax	Total
	€'000			
Balance as at December 31, 2014	782	10,411	-	11,193
Charged to:				
Consolidated statement of comprehensive income	(570)	(87)	405	(252)
Deferred tax arising from initial consolidation	401	(505)	-	(104)
Balance as at December 31, 2015	613	9,819	405	10,837
Charged to:				
Consolidated statement of comprehensive income	1,442	2,256	-	3,698
Deferred tax disposed from deconsolidation	(6)	-	-	(6)
Transfer to Assets held for sale	-	405	(405)	-
Balance as at December 31, 2016	2,049	12,480	-	14,529

The Group contains immaterial carried forward losses on which no deferred tax assets were recognized.



D. RECONCILIATION OF EFFECTIVE TAX RATE

Year ended December 31,

	2016	2015
	€'000	
Profit before tax	775,422	460,020
Statutory tax rate	29.22%	29.22%
Tax computed at the statutory tax rate	226,578	134,418

Decrease in taxes on income resulting from the following factors:

Group's share of earnings from companies accounted for at equity	(158)	-
Effect on tax rates in foreign jurisdictions (at 15.825%)	(84,630)	(50,223)
Effect on tax rates in foreign jurisdictions (at 12.5%)	(28,032)	(8,496)
Others (including property tax)	8,559	(9,249)
Tax and deferred tax expenses	122,317	66,450

11. NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

A. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as of December 31, 2016 is based on the profit attributable to ordinary shareholders of euro 544,820 thousand (2015: euro 343,933 thousand), and a weighted average number of ordinary shares outstanding of 152,836 thousand (2015: 126,932 thousand), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)

	Year ended December 31,	
	2016	2015
	€'000	
Profit for the year, attributable to the owners of the Company	544,820	343,933

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	Year ended December 31,	
	2016	2015
	In thousands of shares	
Issued ordinary shares on January 1	140,971	118,541
Capital increase	-	2,994
Effect of exercise of convertible bond "Series C"	11,865	5,397
Weighted average number of ordinary shares as at December 31,	152,836	126,932
Basic earnings per share (euro)	3.56	2.71

B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2016 is based on profit attributable to ordinary shareholders of euro 545,768 thousand (2015: euro 344,346 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 168,020 thousand (2015: 146,725 thousand), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)

	Year ended December 31,	
	2016	2015
	€'000	
Profit for the year, attributable to the owners of the Company (basic)	544,820	343,933
Interest expense on convertible bonds, net of tax	948	413
Profit for the year, attributable to the owners of the Company (diluted)	545,768	344,346

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	Year ended December 31,	
	2016	2015
	In thousands of shares	
Issued ordinary shares on January 1	140,971	118,541
Capital increase	-	2,994
Effect of exercise of convertible bond "Series C"	12,839	25,168
Effect of exercise of convertible bond "Series F"	13,896	-
Effect of warrants	63	22
Effect of equity settle share based payment	251	-
Weighted average number of ordinary shares as at December 31,	168,020	146,725
Diluted earnings per share (euro)	3.25	2.35

12. OTHER NON-CURRENT ASSETS

	As at December 31,	
	2016	(*) 2015
	€'000	
Tenancy deposit (a)	26,463	19,289
Investment in other long term assets	125,062	154,129
Finance lease asset	2,995	2,989
	154,520	176,407

(*) reclassified.

(a) Tenancy deposits mainly include 1-3 months net rent from the tenants which is paid at the beginning of the lease. The deposits are considered as a security payment by the tenant and the Group can use those funds mainly if the tenant has unpaid debts or causes damages to the property. Past experience shows that the majority of the leases are long term and therefore the deposits are presented as long term assets.

13. INVESTMENT IN EQUITY-ACCOUNTED INVESTEEES

During the reported period, the Group obtained significant influence on several companies which are accounted for using the equity method.

In addition, the Group ceased the consolidation of several subsidiaries and started accounting for the investees using the equity method.

As at December 31,

	2016	2015
	€'000	
Balance as of January 1	-	-
Additions, net	117,244	-
Share of profit from associates	541	-
Balance as of December 31	117,785	-



/1

/1 Duisburg
/2 Hamburg



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14. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill, softwares and other intangible assets (*)	Total
	€'000		
Cost			
Balance as at January 1, 2015	2,709	6,029	8,738
Additions	3,600	80	3,680
Equipment and intangible assets arising from initial consolidation	-	26	26
Balance as at December 31, 2015	6,309	6,135	12,444
Additions	2,937	367	3,304
Equipment and intangible assets arising from initial consolidation, net	65	5,137	5,202
Deconsolidation	(82)	(389)	(471)
Balance as at December 31, 2016	9,229	11,250	20,479
Depreciation/Amortization			
Balance as at January 1, 2015	689	533	1,222
Depreciation/Amortization for the year	1,382	347	1,729
Balance as at December 31, 2015	2,071	880	2,951
Depreciation/Amortization for the year	1,351	344	1,695
Balance as at December 31, 2016	3,422	1,224	4,646
Carrying amounts			
Balance as at December 31, 2016	5,807	10,026	15,833
Balance as at December 31, 2015	4,238	5,255	9,493

(*) reclassified



/Duisburg

15. INVESTMENT PROPERTY

A. COMPOSITION

	As at December 31,	
	2016	2015
	€'000	
Balance as of January 1	3,845,979	2,179,982
Acquisitions of investment property during the year	440,301	409,912
Investment property arising from initial consolidation	414,270	1,138,494
Disposal of investment property due to loss of control	(347,971)	(101,720)
Transfer to Inventories - trading property	-	(5,120)
Transfer to Assets held for sale (note 26)	(146,078)	-
Fair value adjustment (see note 6)	561,986	224,431
Balance as at December 31	4,768,487	3,845,979

B. MEASUREMENT OF FAIR VALUE

(I) FAIR VALUE HIERARCHY

The fair value of the properties of the group is determined at least once a year by external, independent and certified valuers. The prime valuator of the portfolio is Jones Lang LaSalle GmbH (JLL) and is considered as one of the market leading valuers in the European real estate market. The fair value of the properties was prepared in accordance with the RICS Valuation- Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuations Standards, and in accordance with IVSC

International Valuation Standard (IVS), the International Accounting Standard (IAS), International Financial Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Market Authority (ESMA) based on the Market Value. This is included in the General Principles and is adopted in the preparation of the valuations reports of JLL. Therefore the valuation is based on internationally recognized standards. The company and the valuers confirm that there is no actual or potential conflict of interest that may have influenced the valuers status as external and independent valuator. The valuation fee is determined on the scope of complexity of the valuation report.

The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 4.75%-7.5% (2015: 5%-7.5%).

All the investment properties in the group in total fair value amount of euro 4,768,487 (2015: 3,845,979) thousand have been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

(II) LEVEL 3 FAIR VALUE

The table in part A above shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

Valuation technique

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free period and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

Significant unobservable inputs

- / Assumed market rental growth weighted average 1.4% (2015: 1.5%);
- / Void periods -average 2-4 months after the end of each lease (2015: the same);
- / Assumed future occupancy rate in the range of 93% to 100%. Occupancy rate is as of December 2016, 92.1% (2015: 87.5%);
- / Risk adjusted discount rates in the range of 4.75%-7.5%. Weighted average 5.94% (2015: 6.19%).

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- / Expected market rental growth is higher (lower);
- / Void periods were shorter (longer);
- / The occupancy rates were higher (lower);
- / The risk-adjusted discount rate is lower (higher).

16. DERIVATIVE FINANCIAL INSTRUMENTS



		Year ended December 31,	
		2016	2015
Year of maturity		€'000	
Liabilities			
Non-current portion	2018 - 2026	11,536	6,995

The Group uses interest rate swaps, collars, caps and floors (“hedging instruments”) to manage its exposure to interest rate movements on its bank borrowings. All of the Group’s derivatives financial instruments are linked to the bank loans maturity (see note 21A). The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

/1 Dortmund
/2 Bremen





17. TRADE AND OTHER RECEIVABLES

	Year ended December 31,	
	2016	2015
	€'000	
Operating costs prepayments	145,100	127,662
Rent and other receivables (a)	54,941	48,329
Prepaid expenses	2,396	1,120
Other short term assets	17,231	49,291
	219,668	226,402

(a) Of which euro 21.5 million refers to rent receivables (2015: euro 19.9 million)

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.



18. INVENTORIES - TRADING PROPERTY

	Year ended December 31,	
	2016	2015
	€'000	
Inventories - trading property	27,270	11,877
	27,270	11,877

a. During 2016, the Group has sold approximately 17 units which were presented as inventory trading property for gross proceeds at the amount of euro 7 million. See also note 5.

19. EQUITY

A. SHARE CAPITAL

	As at December 31,			
	2016		2015	
	Number of shares	euro in thousands	Number of shares	euro in thousands
Authorized				
Ordinary shares of euro 0.10 each	400,000,000	40,000	200,000,000	20,000
Issued and fully paid				
Balance as of January 1,	140,970,655	14,097	118,541,449	11,854
Issuance of new ordinary shares	-	-	9,808,641	981
Exercise of convertible bond "Series C"	12,818,228	1,282	12,620,565	1,262
Balance on December 31,	153,788,883	15,379	140,970,655	14,097

B. AUTHORIZED CAPITAL

On August 9, 2016 at the Extraordinary General Meeting of the Company, it was decided to increase its existing authorized share capital from its present amount of Euro 20,000,000 to Euro 40,000,000.

C. ISSUED CAPITAL DURING 2015-2016

- (1) On September 10, 2015 the Company received gross proceeds of euro 151 million from a capital increase against a cash contribution. A total of 9.5 million new ordinary shares were placed at an issue price of euro 15.9 as part of a private placement to institutional investors.
- (2) On September 29, 2015 the Company received gross proceeds of euro 5 million from capital increase against a cash contribution. A total of 308.6 thousand new shares were placed at an issue price of euro 16.35.
- (3) On September 29, 2015 the Company received gross proceeds of euro 7 million from a placement of a financial instrument – a 1.1 million call options convertible to the Company's shares (in ratio of 1:1) for an additional price of euro 17.17 per option and exercisable in the period between March 2016 to August 2021.
- (4) Since the initial placement of Convertible bond series C and until December 31, 2016, a total amount of 274.8 million bonds were converted into shares. According to the convertible bond's terms, a total of 28.5 million shares were issued (12.8 million shares were issued in 2016. See also Note 21B).

D. ISSUANCE OF PERPETUAL NOTES

- (1) On February 13, 2015, the Company successfully placed euro 150 million in aggregate principal amounts of Perpetual notes. These notes were issued at a price of 96.3% of the principal amount. These Perpetual notes are of unlimited duration and can only be called back by the Company on certain contractually fixed dates or occasions. Up until the first call date in February 2022, the Perpetual notes shall bear a coupon rate of 3.75% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (February 2027) shall correspond to the five-year swap rate plus a margin of 388.8 basis points p.a. The mark-up will increase by 25 basis points (to 413.8 basis points p.a.) as of February 2027 and by another 75 basis points (to 488.8 basis points p.a.) as of February 2042.
- (2) On March 3, 2015, Company placed a tap issue of euro 250 million in aggregate principal amounts of the Perpetual notes. These notes were issued at a price of 97.04% of the principal amount. The total aggregated principal amount of the notes at the end of the reporting period was euro 400 million.
- (3) On July 29 2015, the Company completed a successful tap up of its 3.75% Perpetual notes by euro 100 million. The new notes have the same terms and conditions as the existing ones and increased the nominal amount of the outstanding 3.75% Perpetual notes to euro million 500.

- (4) On September 22 2016, the Company successfully placed euro 200 million in aggregate principal amounts of Perpetual notes. These notes were issued at a price of 95.27% of the principal amount. These Perpetual notes are of unlimited duration and can only be called back by the Company on certain contractually fixed dates or occasions. Up until the first call date in January 2023, the Perpetual notes shall bear a coupon rate of 2.75% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (January 2028) shall correspond to the five-year swap rate plus a margin of 363.7 basis points p.a. The mark-up will increase by 25 basis points (to 388.7 basis points p.a.) as of January 2028 and by another 75 basis points (to 463.7 basis points p.a.) as of January 2043.
- (5) These Perpetual notes are presented in the consolidated statement of financial position as equity attributable to its holders, which is part of the total equity of the Group. The coupon is deferrable until payment resolution of a dividend to the shareholders. The deferred amounts shall not bear interest. Due to dividend distribution, an amount of euro 16.5 million payable to the Perpetual notes holders has been reclassified and presented in Trade and other payables.

E. SHARE PREMIUM

The share premium derives directly from the capital increases which were affected since the date of incorporation and exercise conversions of bonds into shares.

F. CAPITAL RESERVES

The capital reserves include shareholders loan that have been converted to equity and therefore can be distributed at any time, and proceeds from financial instruments and share-based payments reserves which temporarily cannot be distributed.

G. RESOLUTION OF DIVIDEND DISTRIBUTION

On June 29 2016, the shareholders' annual meeting resolved upon the distribution of cash dividend in the amount of euro 0.25 per share (ex-date and payment date were on June 30, 2016 and on July 1, 2016, respectively).

On June 24 2015, the shareholders' annual meeting resolved upon the distribution of cash dividend in the amount of euro 0.2 per share (ex - date and payment date were on June 25, 2015 and on July 3, 2015, respectively).



20. SHARE BASED PAYMENT AGREEMENTS

A. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

On December 31, 2016 and 2015, the Group had the following share-based payment arrangements:

(I) INCENTIVE SHARE PLAN

The annual general meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive plan for the board of directors, key management and senior employee's. The incentive plan has a four years vesting period with milestones to enhance management's long term commitment to GCP's strategic targets. Strategic targets are long term like-for-like occupancy and rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share EPS and NAV per share. Management is incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating to A-.

The key terms and conditions related to program are as follows:

Incentive granted to Board of Directors, key management and senior employees	Number of instruments in thousands	Weighted vesting period	Contractual life of the incentive
October 1, 2014 – July 1, 2016	345 - 465	1.68 years	4 years

B. RECONCILIATION OF OUTSTANDING SHARE OPTIONS

The number and weighted-average of share options under the share incentive program and replacement awards were as follows:

	Year ended December 31,	
	2016	2015
	Number of shares	Number of shares
	In thousands of shares	
Outstanding on January 1	273	157
Granted during the year	134	116
Outstanding on December 31	407	273

During the reporting period, the total amount recognized as share-based payment was euro 1,024 thousand (2015: euro 753 thousand). It was presented as administrative and other expenses in the consolidated statement of comprehensive income and as share-based payment reserve in the consolidated statement of changes in equity.

21. LOANS AND BORROWINGS

A. COMPOSITION

	Weighted average interest rate	Maturity date	Year ended December 31,	
			2016	2015
			€'000	
Long - term liabilities				
Loans and borrowings (*)	2%	2018-2042	896,577	792,224
Total long term loans			896,577	792,224
Straight and convertible Bonds				
Convertible bond Series C (B)	1.5%		-	122,576
Straight bond series D (C)	2%	2021	482,379	479,032
Straight bond series E (D)	1.5%	2025	519,252	516,517
Straight bond – CHF (E)	4.75%	2018	48,447	49,864
Convertible bond Series F (F)	0.25%	2022	427,909	
Total Straight and convertible Bonds			1,477,987	1,167,989
Short - term liabilities				
Loan redemption	2%	2017	10,830	34,678
Loans and borrowings	2%	2017	18,406	19,998
Total Short - term loans			29,236	54,676

(*) approx. Euro 2.1 Billion (2015: euro 1.8 Billion) of investment properties are encumbered.



/1 Dortmund
/2 Berlin
/3 Dresden

B. CONVERTIBLE BOND SERIES C

On February 24, 2014, the Company issued euro 150 million (nominal value) bonds, convertible into ordinary shares of the Company and bear a coupon of 1.50% p.a., payable semi-annually in arrears (hereafter – “Convertible bond series C”). The initial conversion price was fixed at euro 9.72. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 106.65% of their principle amount.

On June 19, 2014, the Company successfully completed with the tap up placement of additional euro 125 million (nominal value) of Convertible bond series C, for a consideration that reflected 111.25% of their principal amount. The total aggregated principal amount of the Convertible bond series C increased to euro 275 million (nominal value).

On June 25, 2015, as a result of the resolved dividend distribution (see note 19G) and in accordance with the terms and conditions of the bond, the Company adjusted the conversion price for the Convertible bond series C to be euro 9.5957 per share.

On January 11, 2016 the Company has resolved to exercise its right to redeem the outstanding euro 275 million 1.5 per cent Convertible bond C (hereafter – “Convertible bond”) in accordance with the terms and conditions of the Convertible bond. As of the resolution day, the principle amount of the Convertible bond which has been converted and/or redeemed is euro 151,800,000. As of February 1, 2016 the principal amount of the Convertible bond which has been converted into share capital of the Company was euro 274,800,000 which represents 99.93 per cent of the aggregate principal amount of the Convertible bond and results a decrease of debt in the same amount. As a result, the equity of the company increase by euro 123 million. The outstanding Convertible bond in the amount of Euro 200,000 has been redeemed at its principal amount and accrued interest.

	Year ended December 31,	
	2016	2015
	€'000	
Balance at the beginning of the year	125,683	247,451
Expenses (income) for the year	(3,063)	583
Expenses paid	-	(3,433)
Conversion to ordinary shares and redemption	(122,620)	(118,918)
Carrying amount of liability at the end of the year	-	125,683
Non-current portion of Convertible bond series C	-	122,576
Accrued interest	-	-
Total convertible bond series C	-	122,576
Deferred income	-	3,107



21. LOANS AND BORROWINGS

(CONTINUED)

C. STRAIGHT BOND SERIES D

On October 29, 2014, the Company successfully completed the placement EUR 500 million, in aggregate principal amount of new fixed-rate secured bonds, due 2021 with a coupon of 2 per cent and a price of 95.564% of their principal amount (the "Series D Bonds"). The offer was over-subscribed.

Starting that day, "Series D" bond is traded on the Irish stock exchange, on its regulated market.

	Year ended December 31,	
	2016	2015
	€'000	
Balance at the beginning of the year	480,758	478,107
Issuance costs during the year	-	(610)
Expenses for the year	13,347	13,261
Financial expenses paid	(10,000)	(10,000)
Carrying amount of liability at the end of the year	484,105	480,758
Non-current portion of bond series D	482,379	479,032
Accrued interest	1,726	1,726
Total bond series D	484,105	480,758

D. STRAIGHT BOND SERIES E

On April 17, 2015, the Company successfully placed euro 400 million in aggregate principal amount of series E straight bonds. The new bond series was placed of an issue price of 96.76% of the principal amount and mature after 10 years. It bears a coupon of 1.5% p.a., payable semi-annually in arrears starting from October 2015.

On September 18, 2015, the Company successfully completed with the tap up placement of additional euro 150 million (nominal value) of straight bond series E, for a consideration that reflected 89.21% of their principal amount. The total aggregated principal amount of the straight bond series E increased to euro 550 million (nominal value).

	Year ended December 31,	
	2016	2015
	€'000	
Balance at the beginning of the year	518,213	-
Proceeds from issuance of bond series E (5,500 notes at euro 100,000 par value)	-	520,860
Issuance costs	(497)	(5,854)
Net proceeds during the year	(497)	515,006
Expenses for the year	11,482	6,342
Financial expenses paid	(8,250)	(3,135)
Carrying amount of liability at the end of the year	<u>520,948</u>	<u>518,213</u>
Non-current portion of bond series E	519,252	516,517
Accrued interest	1,696	1,696
Total bond series E	<u>520,948</u>	<u>518,213</u>



/Berlin

21. LOANS AND BORROWINGS

(CONTINUED)

E. STRAIGHT BOND CHF

In July 2015 the Group acquired a subsidiary (through business combination) which placed on July 8, 2013 a Swiss Franc (CHF) 55 million straight bond maturing in July 2018. The bond bears a coupon of 4.75% p.a., payable annually in arrears starting from July 2014. The bond is listed on the SIX Swiss Exchange.

	Year ended December 31,	
	2016	2015
	€'000	
Balance as at the beginning of the year / at the business combination (July 2, 2015)	51,029	54,582
Finance expense (income) for the year, net	3,418	(1,058)
Expenses paid	(2,405)	(2,495)
Held in treasury	(2,476)	-
Carrying amount of liability at the end of the year	49,566	51,029
Non-current portion of straight bond	48,447	49,864
Accrued interest	1,119	1,165
Total bond	49,566	51,029

/1 Wuppertal
/2 Berlin

/1



/2

F. CONVERTIBLE BOND SERIES F

On February 24, 2016 the Company successfully completed the placement of euro 450 million bonds series F, convertible into ordinary shares of the Company and bear a coupon of 0.25% p.a. payable semi-annually in arrears. The bonds were issued at 100% of their principal amount and will be redeemed at maturity of 6 years at par value. The initial conversion price was set at euro 26.9713.

	Year ended December 31,	
	2016	2015
	€'000	
Balance at the beginning of the year	-	-
Proceeds from issuance of Convertible bond series F (4,500 notes at euro 100,000 par value)	450,000	-
Issuance costs	(5,236)	-
Net proceeds during the year	444,764	-
Amount classified as equity component	(20,284)	-
Expenses for the year	4,366	-
Expenses paid	(563)	-
Carrying amount of liability at the end of the year	428,283	-
Non-current portion of Convertible bond series F	427,909	-
Accrued interest	374	-
Total convertible bond series F	428,283	-

21. LOANS AND BORROWINGS (CONTINUED)



G.

(1) SECURITY, NEGATIVE PLEDGE

(a) For Gutburg Immobilien S.A. (hereafter – “Gutburg”), a wholly-owned subsidiary of the Company, and its subsidiaries (hereafter – “Gutburg Group”), a negative pledge, default including cross default and change of control.

(2) COVENANTS (AS DEFINED IN THE TERMS AND CONDITIONS OF THE BONDS)

The Company undertakes that it will not, and will procure that none of its subsidiaries will, up to (and including) the Final Discharge Date, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence:

- (a) The sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and
- (b) The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since

the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);

- (c) The Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 2.0;
- (d) The Company undertakes that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125% of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date; and
- (e) The Company and GCP Ltd. will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the charged accounts, unless the Issuer or GCP Ltd., respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders.

For Gutburg’s CHF bond:

- (f) All current and future financial liabilities of the Gutburg Group in total (excluding the bond) is not more than 75% of the total market value of the investment properties;
- (g) The total equity of the Gutburg Group which is adjusted for deferred taxes, subordinated instruments as well as interest rate swaps related to senior loans is more than 17.5% of all the assets;
- (h) The payment of dividends, repayment of capital or a similar benefit to shareholders and/or participants (hereafter - “Distribution”) which in total is not more than 50% of the profit of the year which is adjusted for market value changes of the investment properties, market value changes of interest rate swaps related to secured loans, deferred taxes expenses as well as expenses for refurbishments and investments; and
- (i) The adjusted equity ratio of the Gutburg Group must not fall below 22.5% because of a Distribution.

22. TRADE AND OTHER PAYABLES

As at December 31,

	2016	2015
	€'000	
Trade and other payables	85,027	40,869
Prepayments received from tenants	132,587	118,645
Deferred income	8,665	5,545
Other liabilities	25,224	25,299
	251,503	190,358

23. OTHER LONG TERM LIABILITIES

As at December 31,

	2016	2015
	€'000	
Tenancy deposits	28,937	21,370
Finance lease liability	2,982	2,989
Loan from associate undertakings (see note 25)	-	54
Deferred income	-	3,107
Others	6,343	5,189
	38,262	32,709

/1 Cologne
/2 Leipzig



/2

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	€'000
Balance as at January 1, 2015	12,967
Movement during the year	5,927
Balance as at December 31, 2015	18,894
Movement during the year	(4,709)
Balance as at December 31, 2016	14,185



25. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(i) Loans from associated undertakings (see note 23)

	Year ended December 31,	
	2016	2015
	€'000	
Other associate undertakings	-	54
	-	54

(ii) Interest on loans from related parties

	Year ended December 31,	
	2016	2015
	€'000	
Interest on loans from related party during the year	-	14
	-	14

(iii) Rental and operating income from related party

	Year ended December 31	
	2016	2015
	€'000	
Rental and operating income from related party during the year	179	-
	179	-

There were no transactions between the group and its key management during the year (except as described in note 20).



/Nuremberg

26. DISPOSAL GROUP HELD FOR SALE



In fourth quarter 2016, the Group management committed to a plan to sell few properties, some of them through sale of subsidiaries. Accordingly, assets and liabilities which are included in the disposal group are presented as a disposal group held for sale.

Efforts to sell the disposal group have started and a sale is expected within twelve months.

No impairment loss was recognized on reclassification of the disposal group as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	As at December 31,	
	2016	2015
	€'000	
Assets classified as held for sale		
Investment property	146,078	-
Cash and cash equivalents	1,634	-
Other assets	2,782	-
Total assets classified as held for sale	150,494	-
Liabilities classified as held for sale		
Loans and borrowings	11,597	-
Other liabilities	15,961	-
Total liabilities classified as held for sale	27,558	-

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group is exposed to the following major risks from its use of financial instruments:

- / Credit risk
- / Liquidity risk
- / Market risk

The Group is not exposed to currency risk except for Swiss Franc (CHF) 55 million straight bond maturing in July 2018 as all other investments and financing arrangements are in euro.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

(I) CREDIT RISK

Credit risk arises because of a failure of counter parties discharging their obligations which could result in a reduction of the amount of future cash inflows from financial assets at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group monitors the ageing profile of its receivables on a continuous basis.

(a) Rent and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance to a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

/1 Berlin
/2 Bremen



(b) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Carrying amount	
	2016	2015
	€'000	
Rent and other receivables (see note 17)	54,941	48,329
Traded securities at fair value through profit and loss	181,397	152,924
	236,338	201,253

The maximum exposure to credit risk for the end of the reporting period derived by the tenants and trade securities' risk profile.



i. Impairment losses

The aging of rent receivables at the end of the reporting period that were not impaired was as follows:

	Year ended December 31,	
	2016	2015
	€'000	
Neither past due and past due 1–30 days	9,128	8,013
Past due 31–90 days	7,999	9,024
Past due above 90 days	4,345	2,860
	21,472	19,897

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on the historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

ii. Cash and cash equivalents

The Group held cash and cash equivalents of euro 448,873 thousand as of December 31, 2016 (2015: euro 236,001 thousand), which represents its maximum credit exposure on these assets. There are no restrictions on the Cash and cash equivalents balances of the Group.



27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

(II) LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The following are the remaining contractual maturities at the end of the reporting period and at the end of 2015 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

As at December 31, 2016

	Contractual cash flows including interest						More than 3 years
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	
	€'000						
Non-derivative financial liabilities							
Bank loans	937,410	1,064,841	5,397	38,617	68,838	61,852	890,137
Straight bonds	1,050,078	1,226,184	-	20,571	71,988	18,250	1,115,375
Convertible bond F	427,909	455,888	-	1,025	1,025	1,025	452,813
Trade payables	85,027	85,027	63,231	21,796	-	-	-
Total	2,500,424	2,831,940	68,628	82,009	141,851	81,127	2,458,325

As at December 31, 2015

	Contractual cash flows including interest						More than 3 years
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	
	€'000						
Non-derivative financial liabilities							
Bank loans	846,900	943,980	41,754	30,286	70,835	55,712	745,393
Straight bonds	1,045,413	1,246,119	-	20,651	20,651	71,192	1,133,625
Convertible bond C	122,576	126,896	924	924	125,048	-	-
Trade payables	40,869	40,869	6,811	34,058	-	-	-
Total	2,055,758	2,357,864	49,489	85,919	216,534	126,904	1,879,018

(III) MARKET RISK

a. Profile

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group was as follows:

	Nominal amount, as at December 31,	
	2016	2015
	€'000	
Hedge instruments		
Swap	277,408	155,937
Cap, collar	368,183	383,463
Total hedge instruments	645,591	539,401
Fixed interest rate	1,754,433	1,403,080
Variable rate instruments		
Variable	68,272	72,409
Total interest-bearing financial instruments	2,468,296	2,014,889

b. Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	€'000		€'000	
December 31, 2016				
Variable, Cap, collar rate instruments	(3,028)	-	(3,028)	-
Cash flow sensitivity	(3,028)	-	(3,028)	-
December 31, 2015				
Variable, Cap, collar rate instruments	(4,324)	585	(4,324)	585
Cash flow sensitivity	(4,324)	585	(4,324)	585

(IV) OPERATING RISK

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)

(V) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

1. Financial assets and liabilities measured at fair value:

	Level 1	Level 2	Level 3	Total
	€'000			
December 31, 2016				
Traded securities at fair value through profit or loss	181,397	-	-	181,397
Total assets	181,397	-	-	181,397
Derivative financial instruments	-	11,536	-	11,536
Total liabilities	-	11,536	-	11,536
December 31, 2015				
Traded securities at fair value through profit or loss	152,924	-	-	152,924
Total assets	152,924	-	-	152,924
Derivative financial instruments	-	6,995	-	6,995
Total liabilities	-	6,995	-	6,995

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

(b) All of the Group's derivative financial instruments are linked to the bank loan maturities.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

2. Financial assets and liabilities not measured at fair value:

	Level 1	Level 2	Level 3	Total
	€'000			
December 31, 2016				
Trade and other receivables	-	219,668	-	219,668
Total assets	-	219,668	-	219,668
Loans and borrowings (*)	-	925,813	-	925,813
Convertible bond	-	427,909	-	427,909
Straight Bonds	-	1,050,078	-	1,050,078
Tax payables	-	15,843	-	15,843
Trade and other payables	-	251,503	-	251,503
Total liabilities	-	2,671,146	-	2,671,146
December 31, 2015				
Trade and other receivables	-	226,402	-	226,402
Total assets	-	226,402	-	226,402
Loans and borrowings (*)	-	846,900	-	846,900
Convertible bond	-	122,576	-	122,576
Straight Bonds	-	1,045,413	-	1,045,413
Tax payables	-	13,389	-	13,389
Trade and other payables	-	190,358	-	190,358
Total liabilities	-	2,218,636	-	2,218,636

(*) including short term bank loan and loan redemption.



/Berlin

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(CONTINUED)



/ Neu-Isenburg

(VI) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

The Group's portfolio is located in major cities and strong markets throughout Germany. The current regional distribution structure enables the Group on one hand to benefit of economic scale, and on the other provides a diverse, well allocated and risk-averse portfolio.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with an LTV to remain at a target below 45%. As at December 31, 2016 and 2015 the LTV ratio was 34.7% and 42.1%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

28. OPERATING LEASE

The Group entered into long term rent agreements as a lessor of its investment property. The future minimum rent income which will be received is as follows:

As at December 31,	
2016	2015
€'000	
Less than a year	23,512
Between one to five years	49,137
More than five years	21,306
256,654	93,955

29. COMMITMENTS

The Group does not have significant commitments as at December 31, 2016 and 2015.

30. CONTINGENT ASSETS AND LIABILITIES

The Group does not have significant contingent assets and liabilities as at December 31, 2016 and 2015.

31. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period.

32. GROUP SIGNIFICANT HOLDINGS

The details of the significant holdings in the Group are as follows:

NAME	Place of incorporation	Principal activities	December 31,	
			2016 Holding %	2015 Holding %
Subsidiaries held directly by the Company				
Grandcity Property Ltd	Cyprus	Holding of investments	94.8%	94.8%

NAME	Place of incorporation	Principal activities	December 31,	
			2016 Holding %	2015 Holding %
Significant subsidiaries held directly under Grandcity Property Ltd.				
Pesoria Limited	Cyprus	Holding of investments	100%	100%
Bunavento Limited	Cyprus	Holding of investments	100%	100%
Bafitek Limited	Cyprus	Holding of investments	100%	100%
Sparol Limited	Cyprus	Holding of investments	100%	100%
Gutburg holdings Limited	Cyprus	Holding of investments	100%	100%
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	100%
MBG Portfoliogesellschaft GmbH	Germany	Holding of investments	94.8%	100%
Brown Grodaldo Grundstücks GmbH	Germany	Investing in real estate properties	94.9%	94.8%
Cerise Hollyhock Grundstücks GmbH	Germany	Investing in real estate properties	100%	94.9%
Cato zweite Immobilienbesitz und -verwaltungs GmbH	Germany	Investing in real estate properties	94%	94%
AssetCo Halle GmbH & Co KG	Germany	Investing in real estate properties	94%	94%
Bonny 35. GmbH	Germany	Investing in real estate properties	94.9%	94.9%
Gutburg Immobilien S.A	Luxembourg	Holding of investments	100%	100%

(a) Details of the most significant Group entities referring to investing in real estate properties in Germany and their mother companies.

(b) The holding percentage in each entity equals to the voting rights the holder has in it.

(c) There are no restrictions on the ability of the Group to access or use the assets of its subsidiaries to settle the liabilities of the Group.





/Hannover

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