GRAND CITY
Properties S.A.

Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2017

Berlin

Cologne

Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2017

IMPRINT

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Contents

Essen

Key financials

BALANCE SHEET HIGHLIGHTS

in €'000 unless otherwise indicated	Dec 2017	Dec 2016	Dec 2015
Total Assets	**7,508,292**	6,153,733	4,688,903
Total Equity	**3,849,662**	3,065,064	2,172,295
Loan-to-Value	**36%**	35%	42%
Equity Ratio	**51%**	50%	46%

P&L HIGHLIGHTS

in €'000 unless otherwise indicated	1–12/2017	Change	1–12/2016
Rental and operating income	**494,889**	14%	435,668
EBITDA	**870,535**	6%	824,557
Adjusted EBITDA	**247,980**	10%	224,729
FFO I	**178,013**	11%	160,120
FFO I per share (in €)	**1.12**	7%	1.05
FFO I per share after perpetual notes attribution (in €)	**0.96**	4%	0.92
FFO II	**204,453**	-11%	228,740
Net Profit	**639,149**	-2%	653,105
EPS (basic) (in €)	**3.35**	-6%	3.56
EPS (diluted) (in €)	**3.06**	-6%	3.25

	2017*	Change	2016
Dividend distribution per share (in €)	**0.73**	7%	0.68

* 2017 dividend subject to AGM approval

NAV HIGHLIGHTS

in €'000 unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes	EPRA NNNAV
Dec 2017	**3,691,675**	**3,327,186**	**3,993,057**	**3,206,966**
Dec 2017 per share (in €)	**22.4**	**20.2**	**24.2**	**19.4**
Per share growth	**+27%**	**+23%**	**+17%**	**+24%**
Dec 2016	2,737,726	2,541,060	3,208,453	2,431,814
Dec 2016 per share (in €)	17.7	16.4	20.7	15.7

Munich

Strenghtened market position

MAY 2017

SEP 2017

DEC 2017

GCP's up-listing to the Prime Standard in May 2017 resulted in inclusion in key market indices such as the **MDAX** and the **STOXX** family, solidifying the Company's position among the largest and most traded stocks in the market and expanding the investor base.

MOST AWARDED COMPANY BY EPRA

At the EPRA Conference in September 2017, GCP's accomplishments were recognized and rewarded with a total of **5 awards**, including two **Gold** awards, two **Most Improved** awards, as well as **1st place for Outstanding Contribution to Society**.

HIGH SUSTAINALYTICS SCORE

91ST PERCENTILE

In November 2017 GCP's ESG measures were assessed by Sustainalytics, a leading sustainability rating agency, who ranked the Company in the **91st percentile** among over 300 peers worldwide, noting GCP as **Outperformer**.

Continued portfolio growth internally and externally

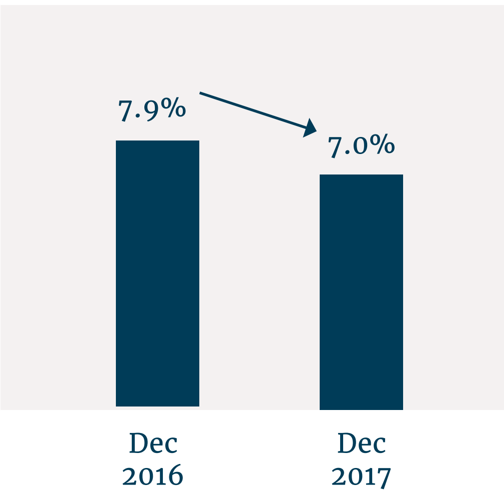
2017 LIKE-FOR-LIKE (L-F-L) NET RENTAL INCOME DEVELOPMENT

Occupancy growth
L-F-L
+1.2%

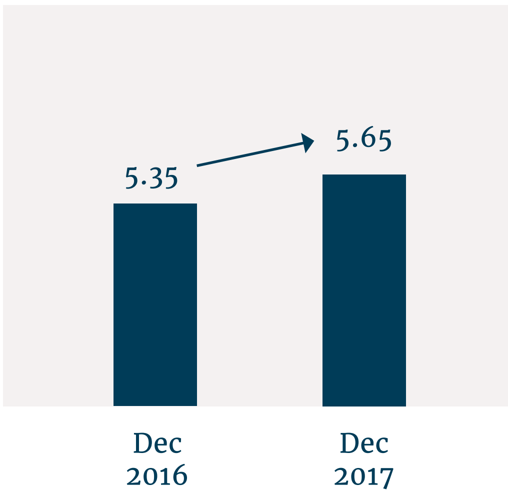
Total net rent growth
L-F-L
+3.5%

In-place rent growth
L-F-L
+2.3%

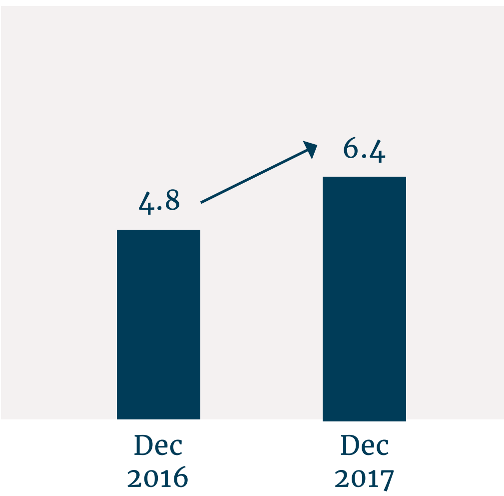
VACANCY RATE



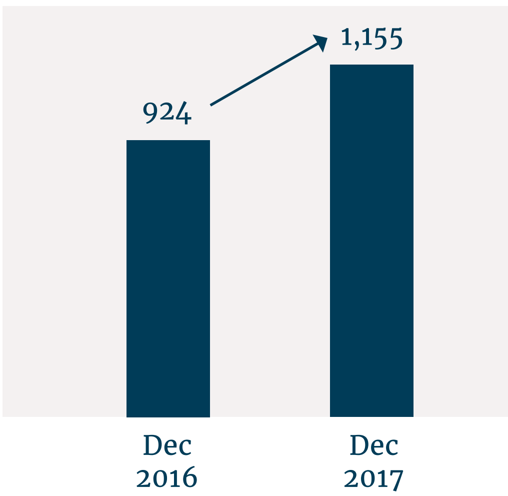
RENT PER SQM (IN €)



INVESTMENT PROPERTY (IN € BILLIONS)

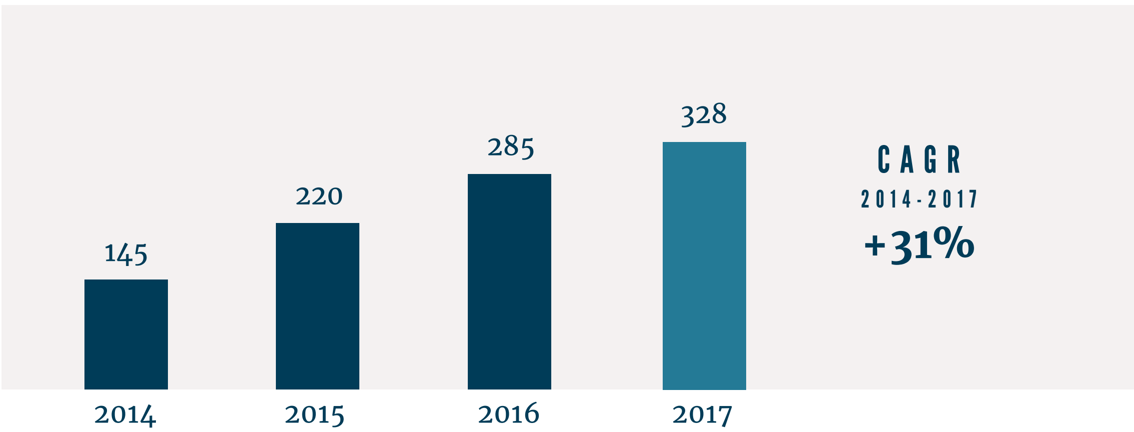


VALUE PER SQM (IN €)

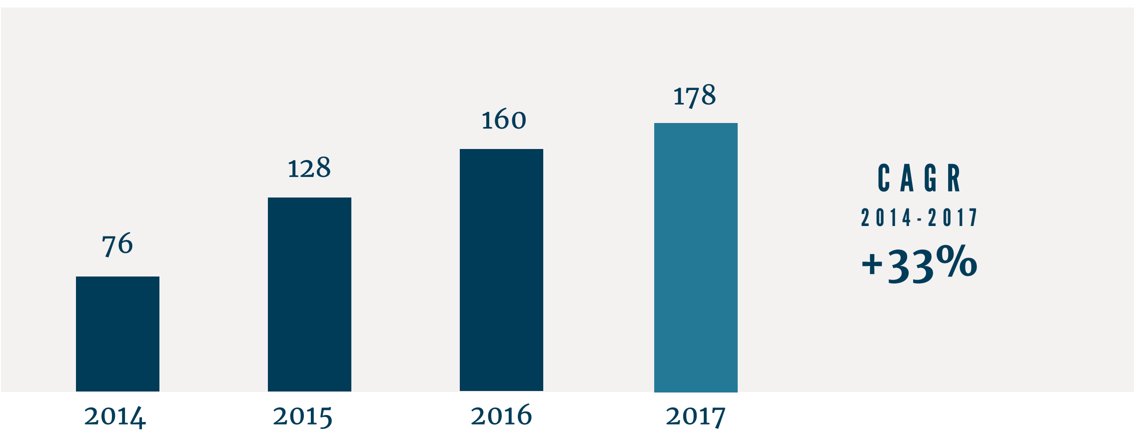


Demonstrating consistent top and bottom line cash flow growth

NET RENTAL INCOME (IN € MILLIONS)



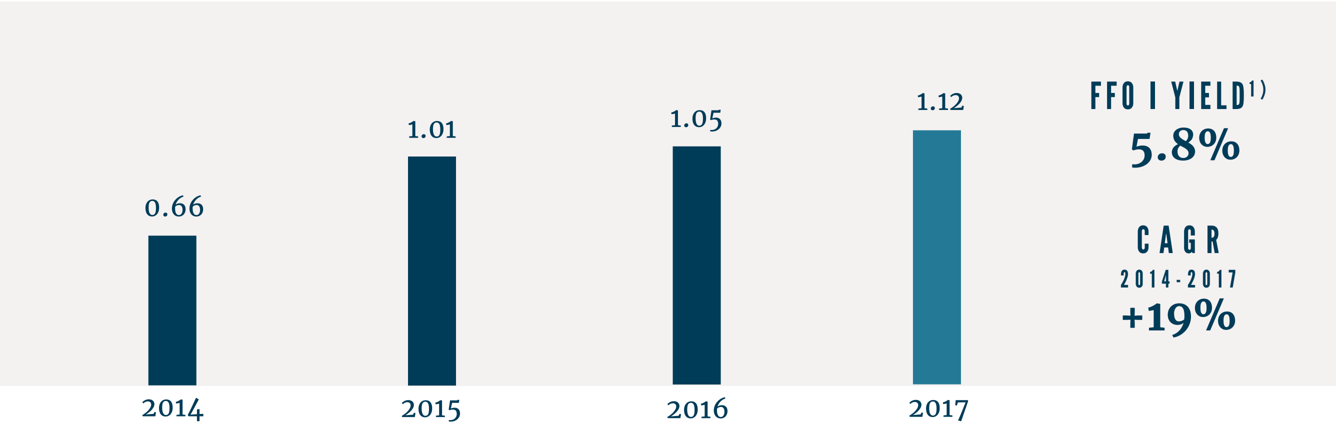
FFO I (IN € MILLIONS)



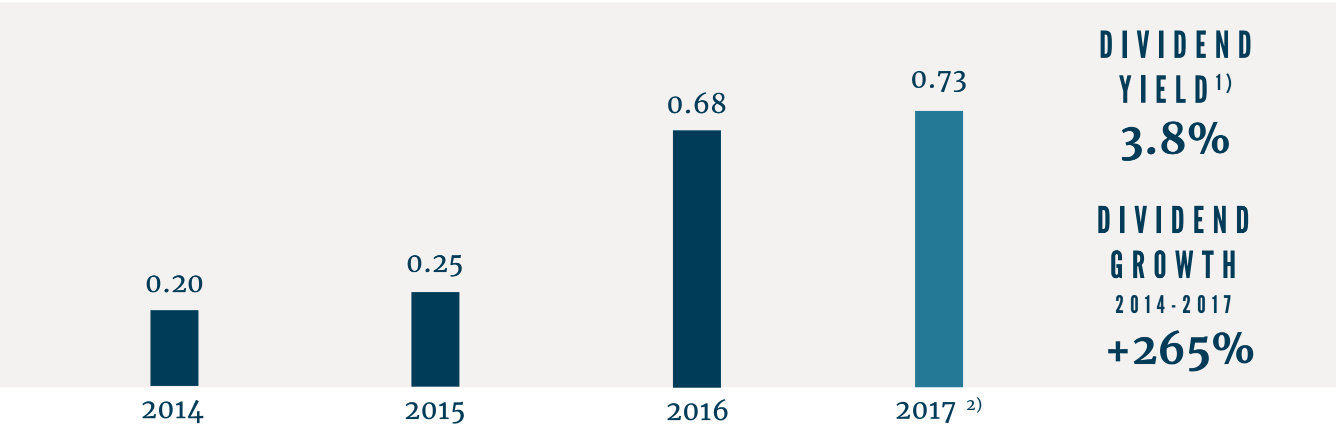
Achievements

Proven shareholder value creation

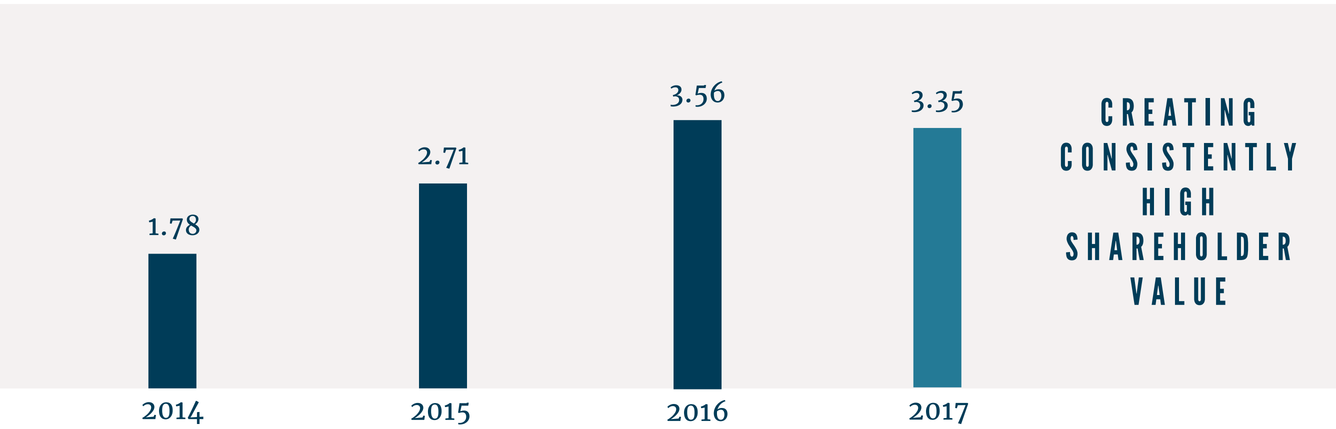
FFO I PER SHARE (IN €)



DIVIDEND PER SHARE (IN €)



BASIC EARNINGS PER SHARE (IN €)

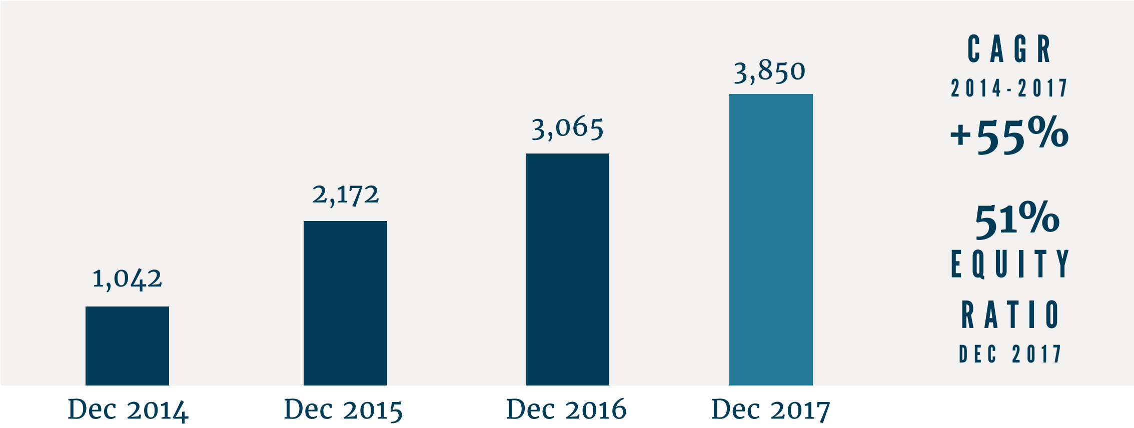


1) based on a share price of €19.2
2) the dividend for 2017 is subject to AGM approval and based on a payout ratio of 65% of FFO I per share

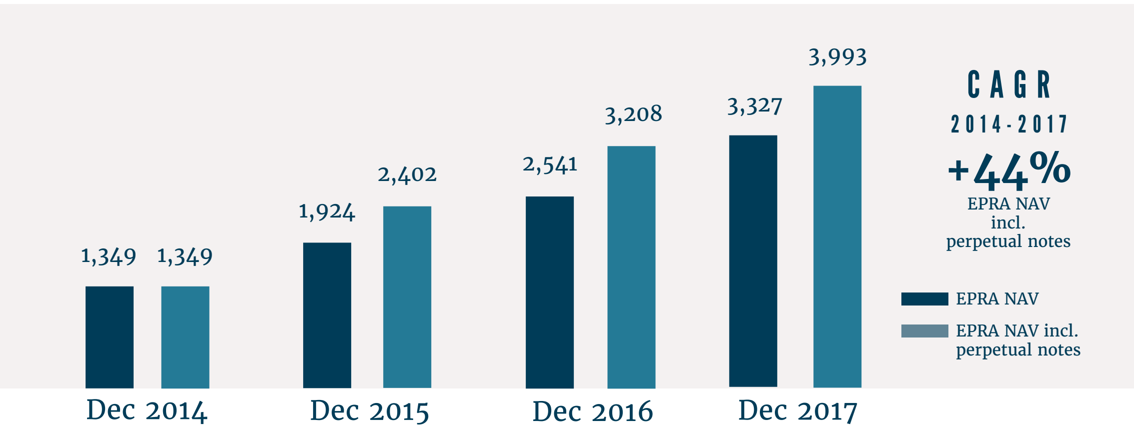
Achievements

Continuing to grow the equity base

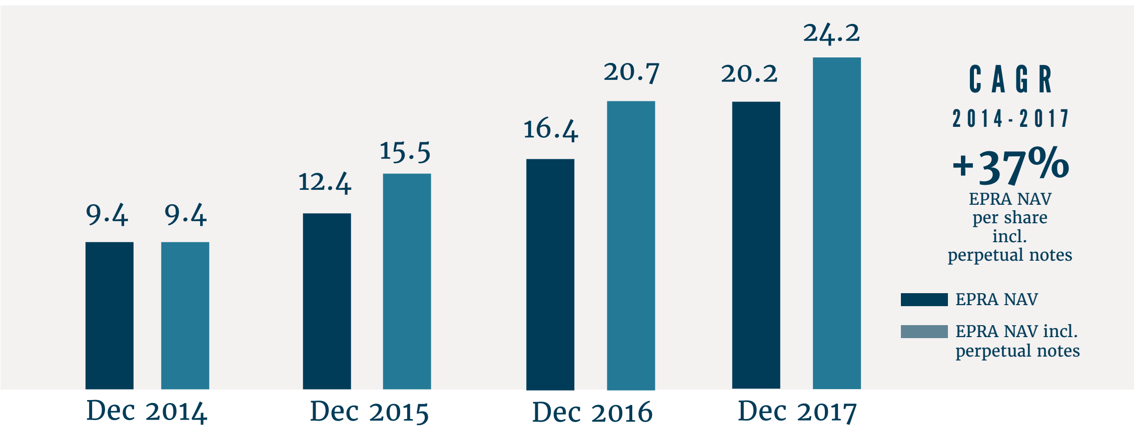
EQUITY (IN € MILLIONS)



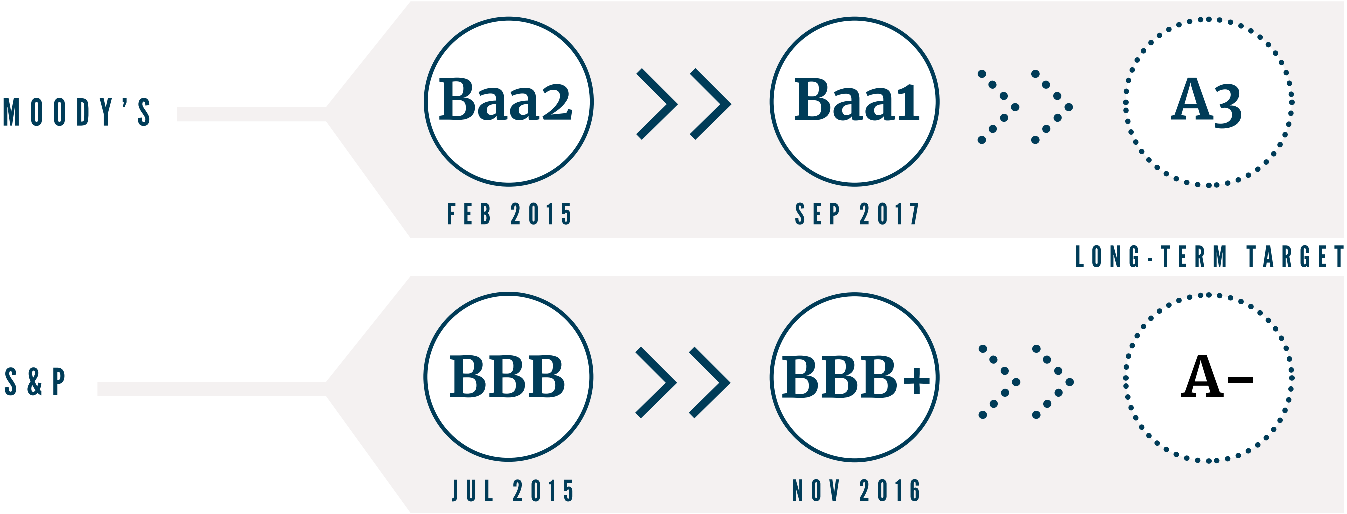
EPRA NAV (IN € MILLIONS)



EPRA NAV PER SHARE (IN €)



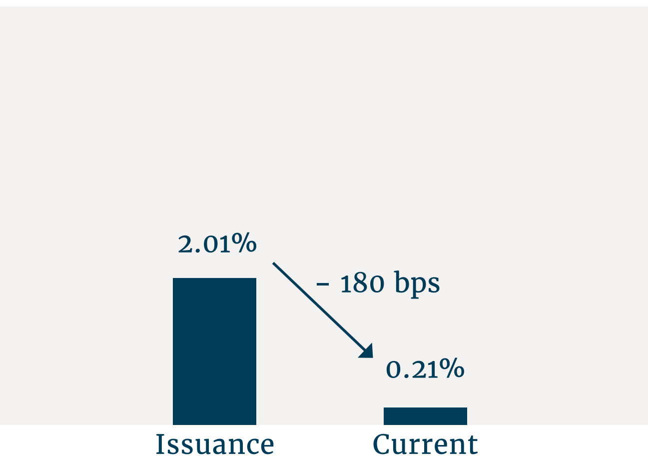
Credit rating upgrade



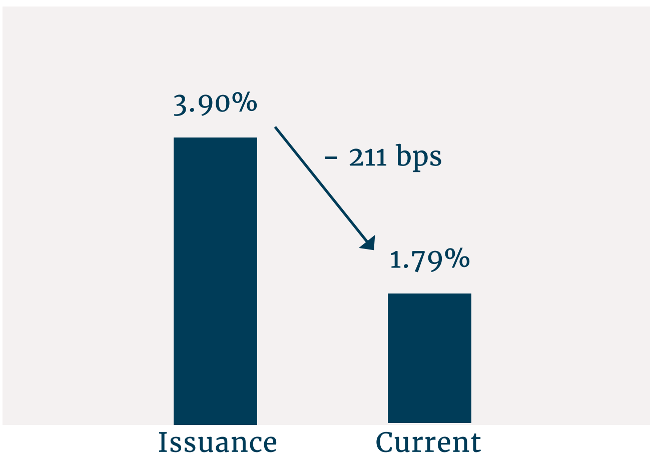
In September 2017, Moody's upgraded GCP's long-term issuer rating to **Baa1**, attesting to the strong business profile and credit quality - one step away from the long-term target.

Decreasing bond and perpetual notes spreads mirroring GCP's strong credit profile

STRAIGHT BOND SERIES D SPREAD OVER MID-€ SWAP



3.75% PERPETUAL NOTES SPREAD OVER MID-€ SWAP



Achievements

Strong financial structure and credit profile supporting capital market activities

Capital markets activity supporting the effective debt management process

LONG AVERAGE DEBT MATURITY:

8.5 years

LOW AVERAGE COST OF DEBT:

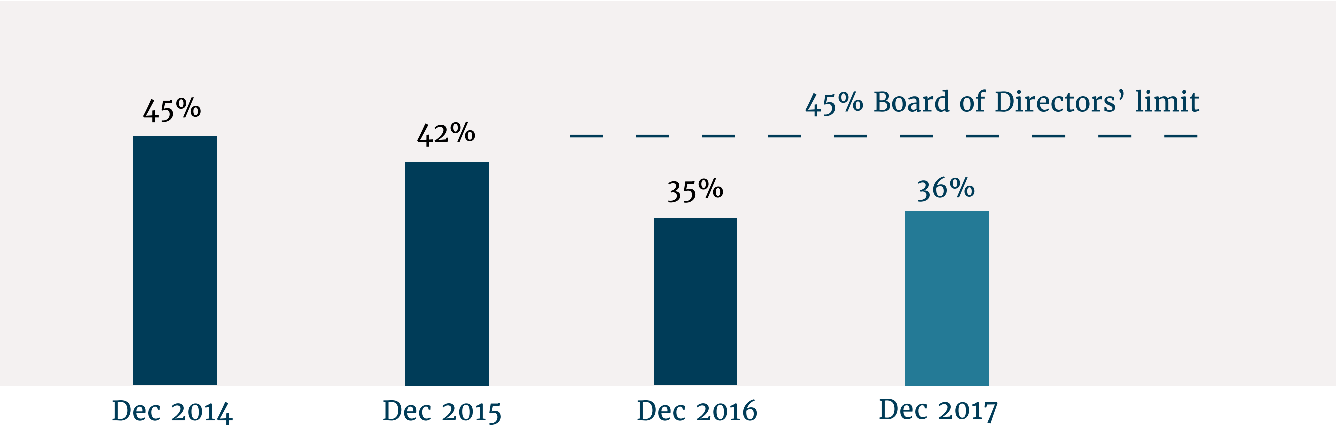
1.6%

Average debt maturity increased from 7 years in 2016 as a result of refinancing efforts that extended the average maturity by 2.5 years, while simultaneously maintaining a low cost of debt

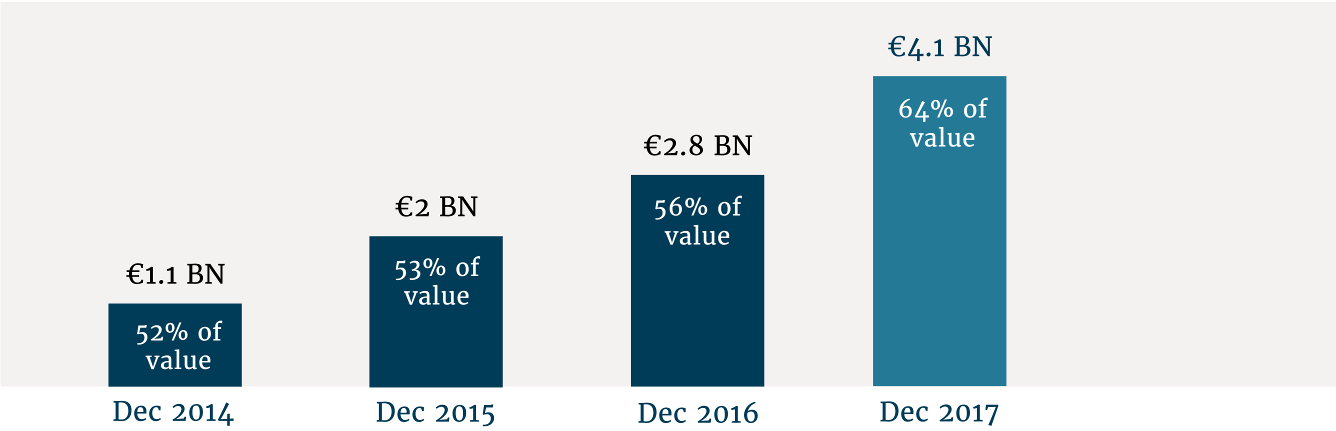
Strong flexibility and diversified funding sources through continued access to capital markets with €1.8 billion raised since 2017

- **€198 million** equity capital increase in June 2017
- **EMTN Programme** established
  - Issuance of **€600 million** Series G straight bonds due 2026 at a coupon of 1.375% in July 2017, simultaneous buy-back of €321 milion of the 2% Series D straight bonds due 2021
  - Issuance of **€255 million** in aggregate of 15-year Series H straight bonds due 2032 at a coupon of 2% - GCP's longest maturing bond issuance yet - in October 2017 and tap up in February 2018
  - Issuance of Hong Kong dollar (HKD) 900 million **(€93 million)**, 10-year Series I straight bonds in January 2018 - GCP's first foreign currency issuance - with full currency hedge to maturity
  - Issuance of **€500 million** Series J straight bonds due 2027 at a coupon of 1.5% in February 2018, and simultaneous buy-back of €41 million of the 2% Series D straight bonds due 2021 and €170 million of the Series F convertible bonds due 2022
  - Issuance of CHF 125 million **(€108 million)** Series K straight bonds due 2026 at a coupon of 0.96% in February 2018, full currency hedge of notional amount to maturity

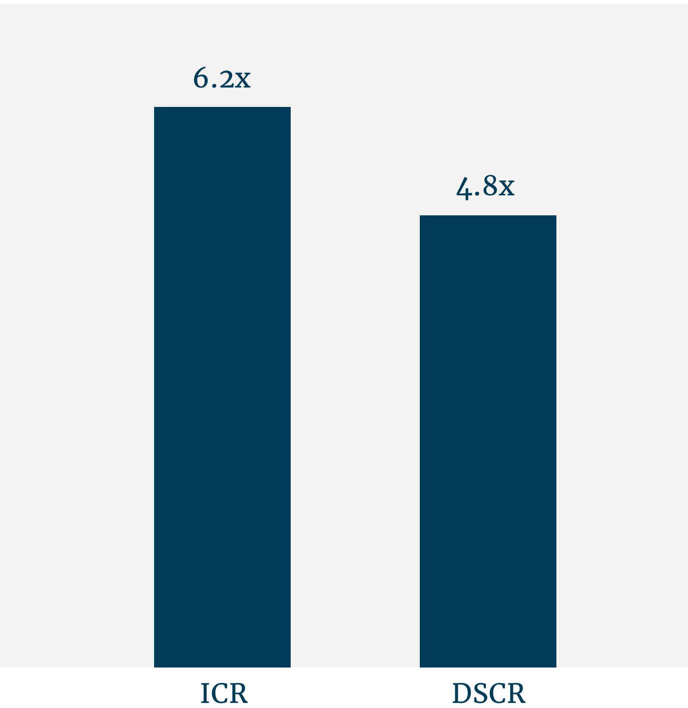
MAINTAINING LOW LEVERAGE (LOAN-TO-VALUE)



CONTINUOUS GROWTH OF UNENCUMBERRED ASSETS



STRONG DEBT COVER RATIOS (1-12/2017)



Letter of the Management Board

DEAR SHAREHOLDERS,

As we draw the curtains on 2017, we are pleased to report to you on yet another successful year for our organization, one filled with achievements, accomplishments and development on several fronts. With your support, we have established our position as one of the leading residential real estate companies in Germany, and we continue to work hard to reinforce GCP's strong and established market position and reputation.

The Company's position amongst the largest and most successful companies listed in Germany solidified in 2017, concluding with GCP's inclusion in the MDAX stock index of the Deutsche Börse in September 2017, only three months after the initial inclusion through Fast Entry into the SDAX index. This and additional index inclusions, such as into the Stoxx index family in December 2017, were made possible following the uplisting of the Company's shares to the Prime Standard of the Frankfurt Stock Exchange in the first half of the year, another important corporate achievement fulfilled.

Our growth in 2017 has been the result of our successful value-add business model, rising from extracting the high embedded potential in our portfolio along with additional accretive external growth. In 2017 we have continued repositioning our portfolio, evident through total rent growth of 3.5% stemming from in-place rent like-for-like growth of 2.3% and occupancy like-for-like growth of 1.2%. Furthermore, in 2017 we have increased our portfolio by over 4k units across our key locations, through dozens of accretive acquisitions, which contain further upside potential. Due to the focus on densely populated areas with strong underlying fundamentals, our portfolio is benefiting from the prevailing supply and demand gap, thus further supporting and advancing our internal potential, resulting in increasing operational profitability, driving valuation uplifts and NAV growth. Despite the offsetting acquisition effects during the year our portfolio's vacancy rate has decreased to 7.0% from 7.9% a year ago, further contributing to the growth in rental income, with annualized net rents currently of €351 million as of December 2017, an increase of 14% over the year-end 2016 annualized net rents. Owing to the successful ongoing repositioning process of our portfolio, in 2017 we again present healthy operational results reflecting our positive operational developments, with an adjusted EBITDA and FFO growth of 10% and 11%, respectively. Consequently, this resulted in strong value accretion with total profit of €639 million in 2017, fueling the increase in total equity to €3.8 billion. The value creation achieved during the year resulted in 23% year-over-year EPRA NAV per share growth to €20.2, validating GCP's ability to create significant value on a per share basis. The impressive profitability figures will of course flow through to our shareholders, with the resulting dividend of €0.73 per share for 2017 to be proposed at the upcoming AGM in June, based on the Company policy payout ratio of 65% of FFO I per share. This represents growth of 7% over the dividend for 2016 of €0.68 per share, highlighting the attractiveness of GCP as a value dividend stock.

Looking forward, our portfolio continues to embody high upside potential with the majority of our properties rented below market levels, which keeps widening with the very positive rent dynamics in Germany. Our current portfolio still benefits from a large gap to market in terms of rental rates and vacancy levels, with great upside potential present as a result. Our track record validates the success of our value-add business model and we will continue to extract the high upside potential of our portfolio while remaining on the lookout for external growth opportunities in the market which fit our accretive acquisition criteria. In September 2017, the European Public Real Estate Association (EPRA) has awarded GCP the EPRA BPR Gold award, recognizing our high level of transparency and reporting standards. In addition, we received the EPRA BPR Most Improved award.

Our reporting efforts have expanded in 2017 into ESG disclosures, and we have started communicating our efforts made in environmental, social and governance matters. Part of our corporate culture has always been to focus on highest tenant satisfaction, implementing cost efficient solutions to reduce energy and waste, and high employee retention. We created a dedicated ESG team, reporting directly to and actively supported by the highest level of management, to implement effective measures to reach our goals. We increased our disclosure efforts through our initial environmental report, adopting EPRA's sustainability best practices recommendations (sBPR), which lead to EPRA's acknowledgment with their highest award for sustainability, the sBPR Gold and the Most Improved Award. Our remarkable efforts to maintain the highest level of tenant satisfaction have been additionally recognized by EPRA with the 1st place for Outstanding Contribution to Society award. In total we received five awards from EPRA, reflecting the significant progress we have made in the last periods. Additionally, our ESG practices were reviewed by Sustainalytics, one of the leading sustainability rating agencies, who ranked us as Outperformer in the 91st percentile among over 300 real estate companies globally. We believe these recognitions speak volumes about our successful approach to sustainability as an integral component of our organization, and we look to continuously progress on this front. The next step for us will be the publication of our first full sustainability report in the coming weeks.

Tenant engagement and satisfaction continues to be of utmost important, as well as our involvement in the community life and society as a whole. To that end we look to ensure that our customer service remains at the highest standards, offering tenants the possibilities to book appointments, report concerns, and other functions through our comprehensive smartphone app which we developed in 2017. Our state-of-the-art customer service center, certified with two TÜV certifications with annual quality inspections, is available 24/7 and in various languages in order to provide best-in-class tenant support. We are always looking for ways to support and contribute to a warm and healthy community feeling. We are very proud of our service staff and the comprehensive tenant platform we have built, and will continue to take all steps necessary to ensure the highest service quality and tenant satisfaction standards.

Our solid financial platform is stronger than ever as we continue to proactively manage our debt maturities by refinancing higher interest debt with cheaper borrowings and doing so ahead of schedule, with no significant upcoming maturities in the short term, allowing the Company to concentrate what it does best – creating value. Our longstanding impressive track record in accessing capital markets continued in 2017 as well: in addition to the equity increase of €200 million in June 2017, we initiated our first EMTN programme. Following many years of successful market issuances, we took it a step further as we realized the strong benefits and convenience provided by an EMTN programme, which provides high flexibility of issuing large-sized instruments, in a short amount of time, in various currencies and maturities and resulting in attractive pricing, thus widening our investor base and further decreasing execution risk and dependency. Through this €10 billion EMTN programme we issued €600 million Series G 9-year straight bonds at a low coupon of 1.375%, replacing most of the higher-coupon 2% Series D straight bonds with 3.5 years remaining to maturity. Additionally, we issued the 15-year Series H straight bonds – our longest maturity bond yet – in an aggregate amount of €255 million in October 2017 including a tap up in February 2018. We have already started 2018 strongly on the capital markets front by issuing our first non-EUR issuances: the Hong Kong Dollar denominated Series I straight bond at an effective coupon of 1.0% and the Series K Swiss Franc denominated straight bond at a coupon of 0.96%, both swapped into Euro until maturity, as a result of the strong demand for the Company's debt instruments from foreign investors. Additionally, we issued the €500 million Series J straight bonds due 2027 while simultaneously repaying €41 million of the remaining 2% Series D straight bonds outstanding and €170 million of the Series F convertible bonds. Resulting from our active debt management is an extended average debt maturity of 8.5 years, providing for long-term stability and planning security while locking in low-interest debt. Meanwhile, we stay true to our conservative financial policy with the LTV remaining low at 36%, well below the internal policy limit of 45%. Our financial strength is also reflected in our high investment-grade credit ratings; in September 2017, Moody's further upgraded GCP to Baa1 with a stable outlook, in addition to our BBB+ rating from S&P. We are now one notch away from our stated A-/A3 target with both agencies, and reiterate our commitment to achieving this goal in the long run.

We would like to take the opportunity to once again thank you, our shareholders, for your ongoing trust and support. As we close the door on 2017, a successful year for GCP on various levels, we enter 2018 with the same energy and determination to achieve the goals we've set ourselves, and look forward to another exciting and successful year.

Christian Windfuhr
CEO

Refael Zamir
Director (chairman), CFO

Simone Runge-Brandner
Independent Director

Daniel Malkin
Independent Director

Highlights

PROFITABILITY HIGHLIGHTS

in €'000 unless otherwise indicated	**1–12/2017**	1–12/2016
Rental and operating income	**494,889**	**435,668**
EBITDA	870,535	824,557
Adjusted EBITDA	**247,980**	**224,729**
Profit for the period	639,149	653,105
EPS (basic) (in €)	3.35	3.56
EPS (diluted) (in €)	3.06	3.25
FFO I	**178,013**	**160,120**
FFO I per share (in €)	1.12	1.05
FFO I per share after perpetual notes attribution (in €)	0.96	0.92
FFO II	**204,453**	**228,740**
Interest Cover Ratio	6.2	6.2
Debt Service Cover Ratio	4.8	4.7

FINANCIAL POSITION HIGHLIGHTS

in €'000 unless otherwise indicated	**Dec 2017**	Dec 2016
Cash and liquid assets [1]	**402,331**	**631,904**
Total Assets	**7,508,292**	**6,153,733**
Investment Property [2]	6,387,868	4,795,757
Total Equity	**3,849,662**	**3,065,064**
EPRA NAV	**3,327,186**	**2,541,060**
EPRA NAV including perpetual notes	**3,993,057**	**3,208,453**
Total loans and borrowings [3]	940,682	937,410
Straight bonds [4]	1,422,920	1,050,078
Convertible bond Series F	432,073	427,909
Loan-to-Value	36%	35%
Equity Ratio	51%	50%

1) including cash and cash equivalents held for sale
2) including inventories - trading properties
3) including short-term loans and borrowings, loan redemption, and financial debt held for sale
4) including bond redemption

Berlin

EPRA PERFORMANCE MEASURES

in €'000 unless otherwise indicated	Dec 2017	Dec 2016
EPRA Earnings	167,323	151,984
EPRA Earnings per share (in €)	1.05	0.99
EPRA NAV	3,327,186	2,541,060
EPRA NAV per share (in €)	20.2	16.4
EPRA NAV incl. perpetual notes	3,993,057	3,208,453
EPRA NAV incl. perpetual notes per share (in €)	24.2	20.7
EPRA NNNAV	3,206,966	2,431,814
EPRA NNNAV per share (in €)	19.4	15.7
EPRA Net initial yield (NIY)	4.0%	4.7%
EPRA "topped-up" NIY	4.0%	4.7%
EPRA Vacancy	7.0%	7.9%
EPRA Cost Ratio (incl. direct vacancy costs)	24.4%	22.7%
EPRA Cost Ratio (excl. direct vacancy costs)	21.3%	18.0%

Hamburg

The Company

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors (the "Board") hereby submits the consolidated annual report as of December 31, 2017.

The figures presented in this Board of Directors' Report are based on the consolidated financial statements as of December 31, 2017, unless stated otherwise.

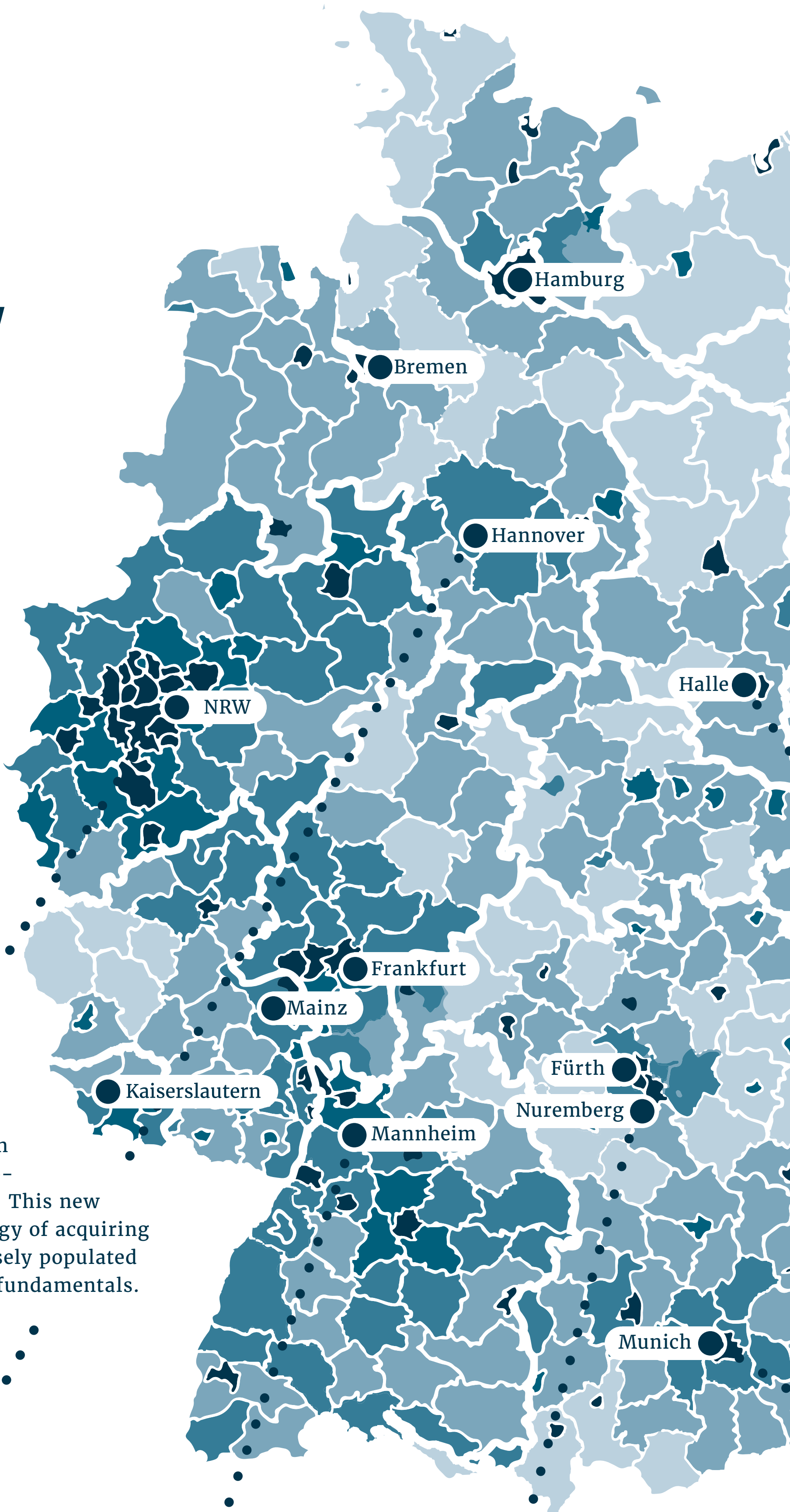
GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany. The Group's portfolio as of December 2017 consists of 87k units (hereinafter "GCP portfolio" or "the Portfolio") located in densely populated areas with a focus on 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 December 2017 is €5.65 per square meter and the EPRA Vacancy is 7.0%. 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 allow 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 flows.

The Portfolio



ATTRACTIVE PORTFOLIO CONCENTRATED ON DENSELY POPULATED METROPOLITAN AREAS IN GERMANY WITH VALUE-ADD POTENTIAL

GCP's well-balanced and diversified portfolio is composed of properties in attractive micro-locations with identified value creation potential primarily in major German cities and urban centers.

The Group's well-allocated portfolio provides for strong geographic and tenant diversification and benefits from economies of scale, supporting the risk-averse portfolio approach. GCP's focus on densely populated areas is mirrored by 28% of its Portfolio being located in NRW, 24% in Berlin, 16% in the metropolitan region of Dresden, Leipzig and Halle, with additional holdings in other major urban centers with strong fundamentals such as Nuremberg, Munich, Mannheim, Frankfurt, Bremen and Hamburg. Additionally, GCP has added an exposure of about 2% of total portfolio value in London. This new geographical location follows the Company's strategy of acquiring properties with significant upside potential in densely populated areas characterized by strong demand and market fundamentals.

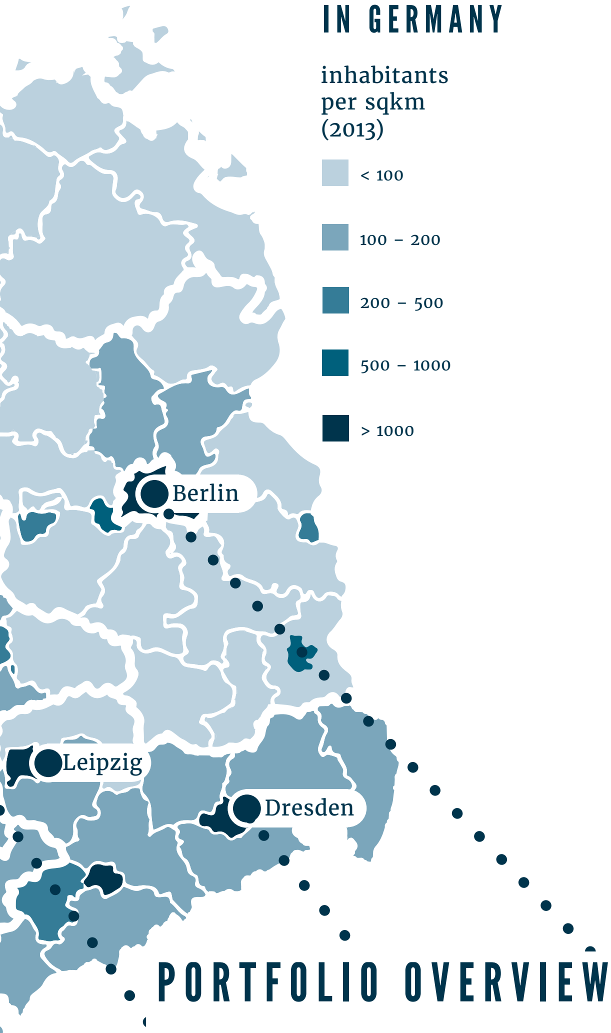

Cologne


Hannover

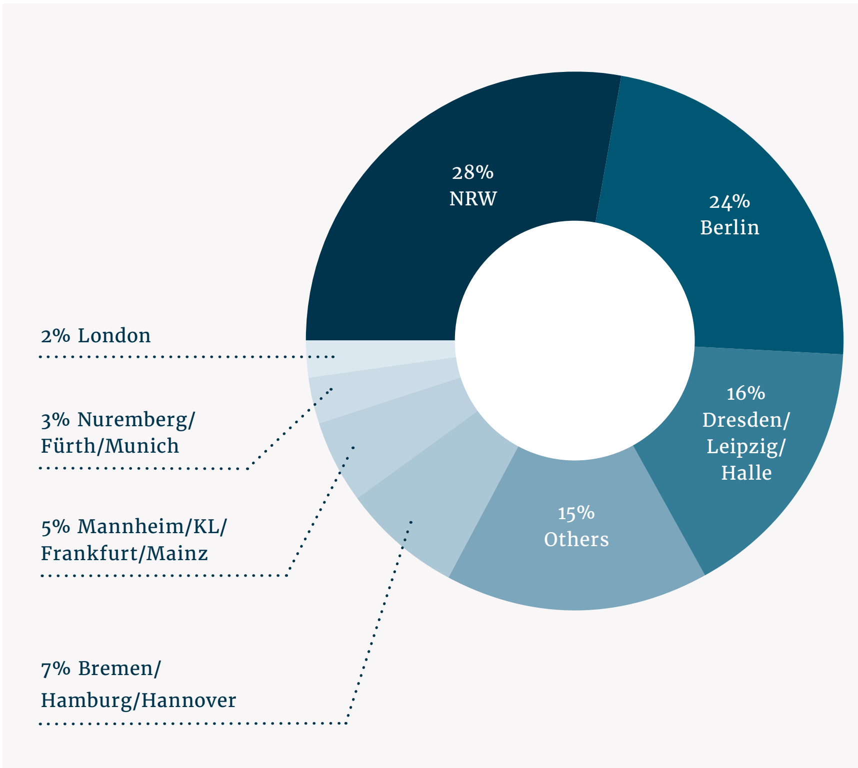

Mannheim


Nuremberg

POPULATION DENSITY IN GERMANY



REGIONAL DISTRIBUTION BY VALUE



PORTFOLIO OVERVIEW

GCP has assembled a portfolio of high quality assets in densely populated metropolitan regions, benefiting from diversification among dynamic markets with positive economic fundamentals and demographic developments.

December 2017	Value (in €M)	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	1,792	1,825	7.7%	111	5.4	27,294	982	6.2%
Berlin	1,502	639	5.2%	53	7.2	8,276	2,351	3.5%
Dresden/Leipzig/Halle	1,049	1,143	8.8%	61	4.9	19,888	918	5.8%
Mannheim/KL/Frankfurt/Mainz	312	242	4.3%	17	6.1	4,011	1,288	5.5%
Nuremberg/Fürth/Munich	197	102	3.4%	10	7.7	1,471	1,925	4.9%
Bremen/Hamburg/Hannover	440	364	4.0%	25	6.0	5,445	1,210	5.6%
Others	1,096	1,217	7.8%	74	5.7	20,395	901	6.7%
Total	**6,388**	**5,532**	**7.0%**	**351**	**5.65**	**86,780**	**1,155**	**5.5%**


Munich


Halle

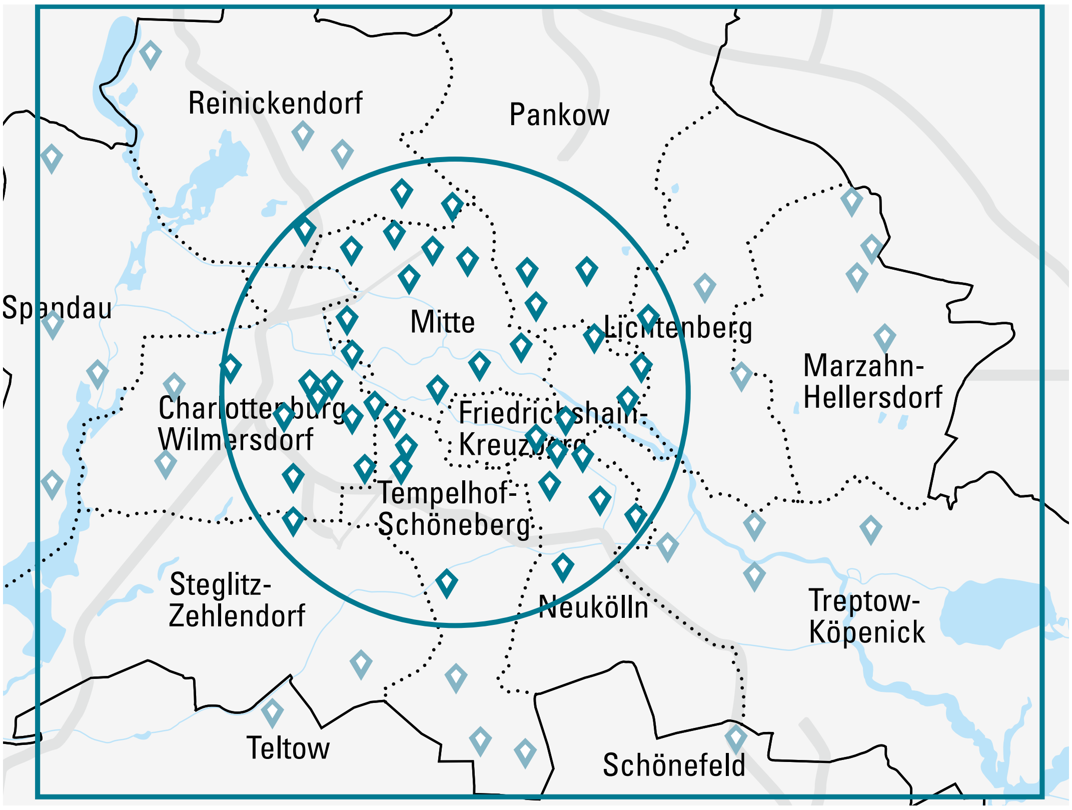

Dresden


Berlin

Berlin – Best in class portfolio

24% OF GCP'S PORTFOLIO

QUALITY LOCATIONS IN TOP TIER BERLIN NEIGHBORHOODS



70% **Top tier locations**

of the Berlin portfolio is located in top tier neighborhoods: Charlottenburg, Wilmersdorf, Mitte, Kreuzberg, Lichtenberg, Neukölln, Schöneberg, Steglitz and Potsdam.

30% **Affordable locations**

is well located primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf.

Berlin - Mitte

Berlin - Friedrichshain

Berlin - Prenzlauer Berg

KEY DRIVERS

Capital city,
public administration
and start-up hub

Diverse economy base
with a focus on
the service sector

Highest population density
and positive net
migration balance

Berlin's extremely low home-ownership rate results in high rental activity and demand, supporting the strong market fundamentals. At **14%**, Berlin has by far the lowest home-ownership rate in the country, compared to the national average of **46%**

Berlin - Charlottenburg

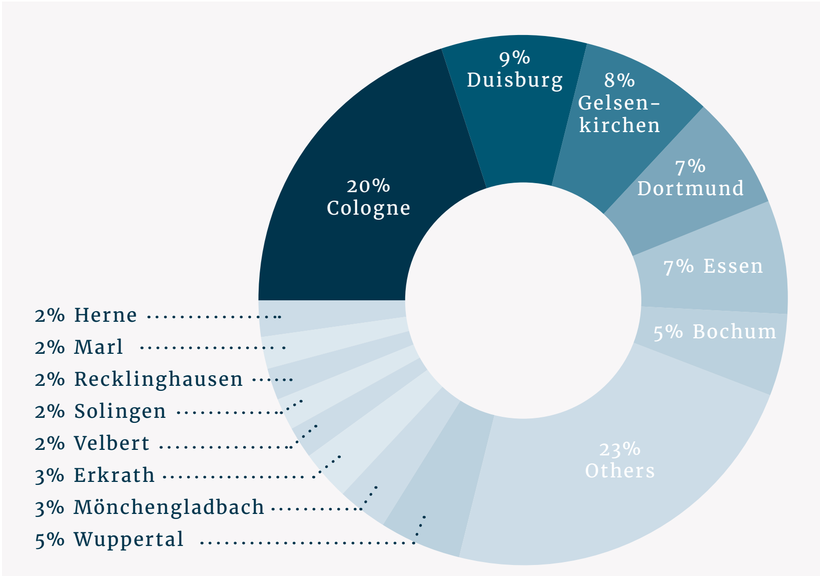
	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Berlin	1,502	639	5.2%	53	7.2	8,276	2,351	3.5%

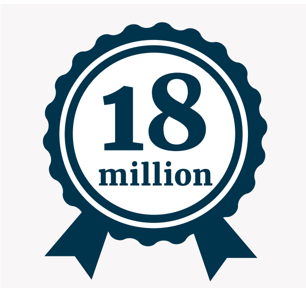
North Rhine-Westphalia (NRW)

28% OF GCP'S PORTFOLIO

WELL POSITIONED IN THE LARGEST METROPOLITAN AREA IN GERMANY

Duisburg





NRW is the most populous German state with approximately 18 million inhabitants, and is home to four of Germany's largest 10 cities

Largest regional economy in Germany with over 21% of the total GDP and 15% of the country's total exports

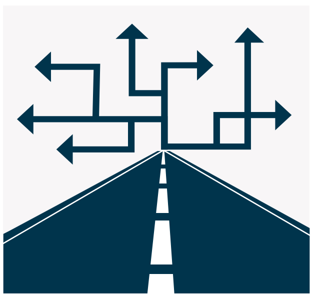
DAX

19 of the 50 largest companies in Germany based in the state, including 10 DAX companies

Most densely populated federal state in Germany (excluding the three city-states) with an average density of 524 inhabitants per square kilometer

KEY DRIVERS

International business hub. Nearly 20,000 foreign companies, a quarter of all foreign companies in Germany, maintain their German/European headquarters in NRW



NRW provides its inhabitants excellent infrastructure, with Germany's most dense and well-connected autobahn network and extensive railway system interconnecting the region to the surrounding areas and the rest of Europe

GCP's single largest location in NRW is Cologne, the largest city in the state and the 4th largest city in Germany with a population of over 1 million and a population density of over 2,600 per sqkm

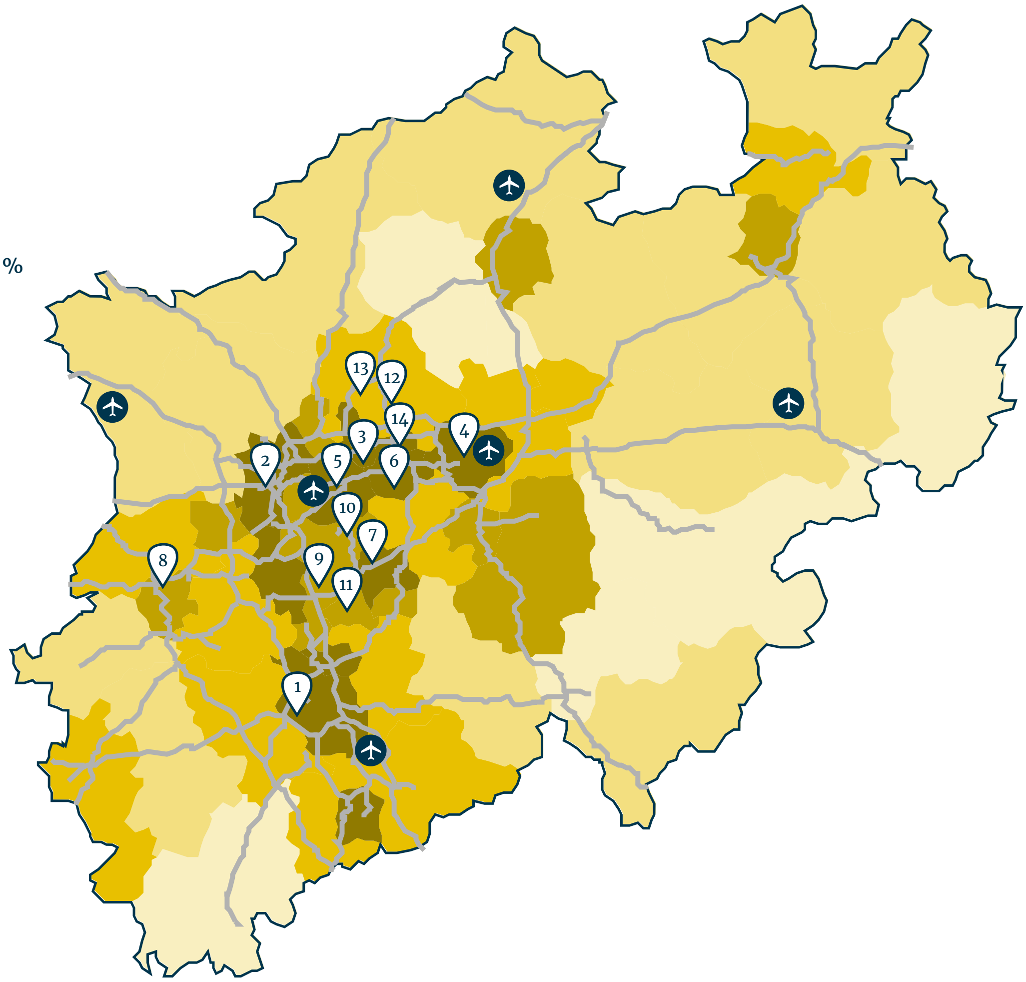
Cologne

POPULATION DENSITY IN NRW

1. Cologne – 20%
2. Duisburg – 9%
3. Gelsenkirchen – 8%
4. Dortmund – 7%
5. Essen – 7%
6. Bochum – 5%
7. Wuppertal – 5%
8. Mönchengladbach – 3%
9. Erkrath – 3%
10. Velbert – 2%
11. Solingen – 2%
12. Recklinghausen – 2%
13. Marl – 2%
14. Herne – 2%

Inhabitants per sqkm (2015)

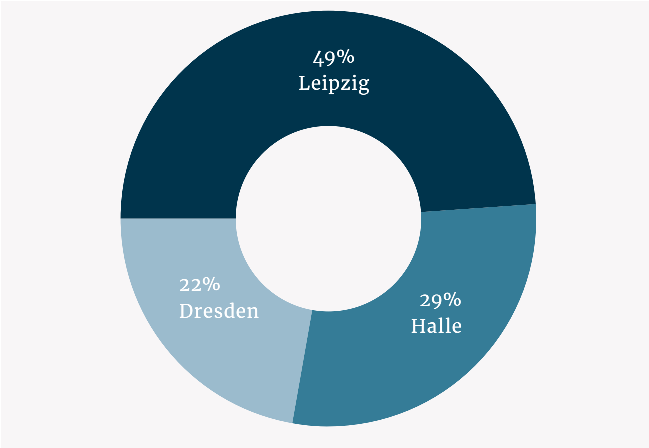
- > 2,000
- 1,000 – 2,000
- 500 – 1,000
- 200 – 500
- 0 – 200



	Value (in €M)	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	1,792	1,825	7.7%	111	5.4	27,294	982	6.2%

Quality East Portfolio

16% OF GCP'S PORTFOLIO

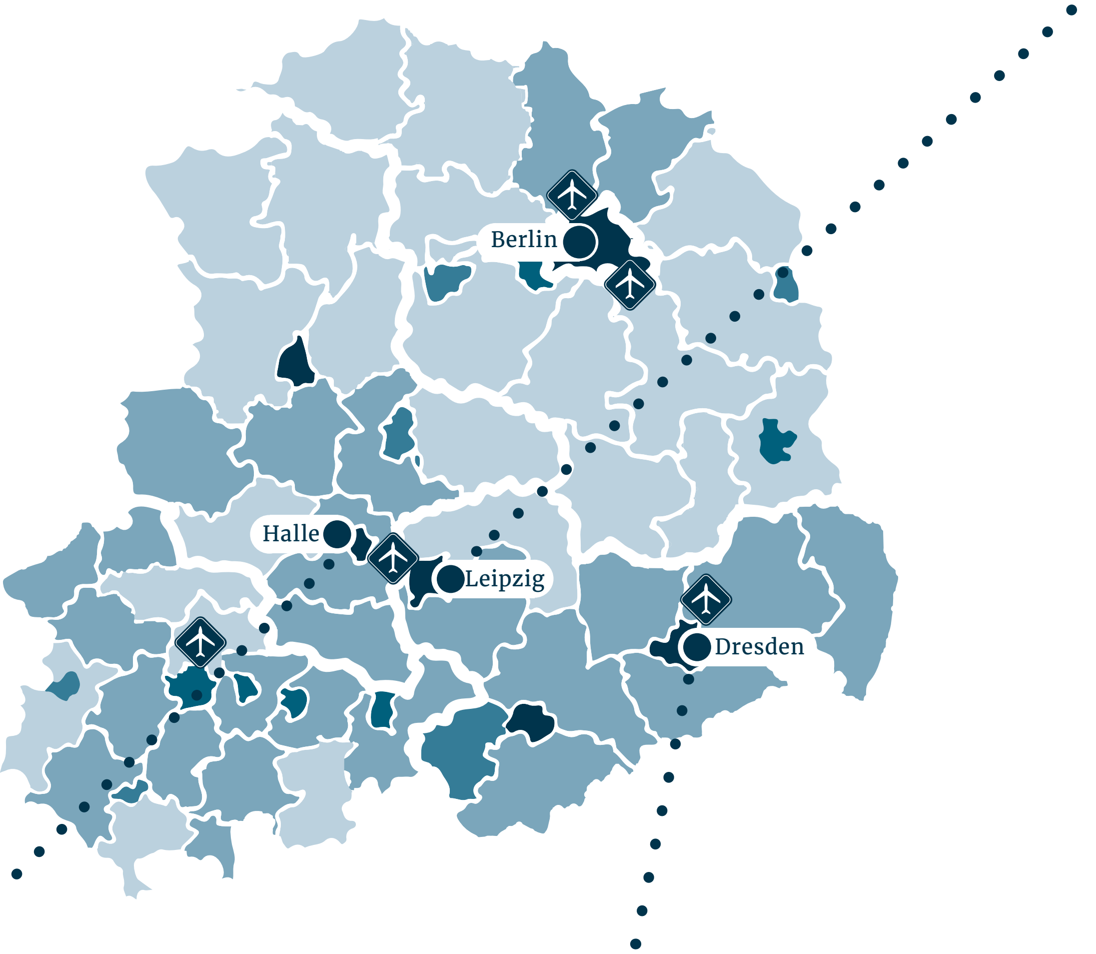


DRESDEN / LEIPZIG / HALLE

POPULATION DENSITY

inhabitants
per sqkm
(2013)

< 100
100 – 200
200 – 500
500 – 1000
> 1000




Halle


Dresden

Leipzig

KEY DRIVERS

Large and fast growing: combined population of **1.4** million inhabitants while the metropolitan areas combine to **2.8** million

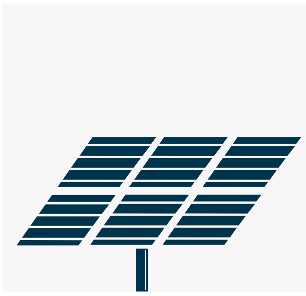
Leipzig has the highest population growth in Germany since 2012

Dresden has the highest birth rate among Germany's largest cities

These two cities are expected to experience the highest growth in population under 20 years old through to 2030

Halle has the largest university in Saxony-Anhalt and one of the oldest universities in Germany, and a nurturing ground for the local startup ecosystem.

Together with Leipzig, Halle is at the heart of the Central German Metropolitan Region.



Halle is an important educational, science and research center, with a focus on innovative sectors such as micro-, nano- and solar technologies, and is home to the second largest technology park in eastern Germany.

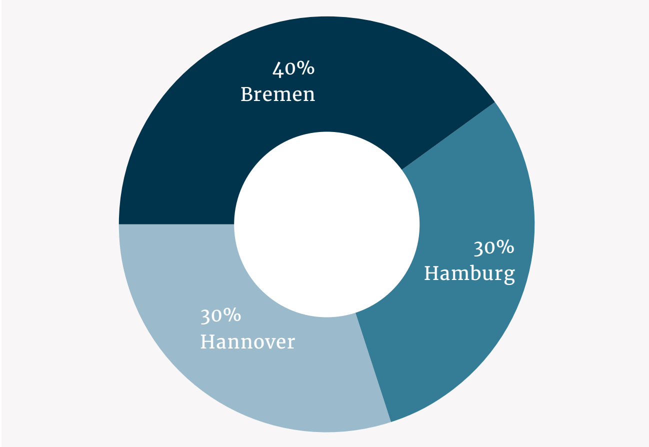
	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Dresden/Leipzig/Halle	1,049	1,143	8.8%	61	4.9	19,888	918	5.8%

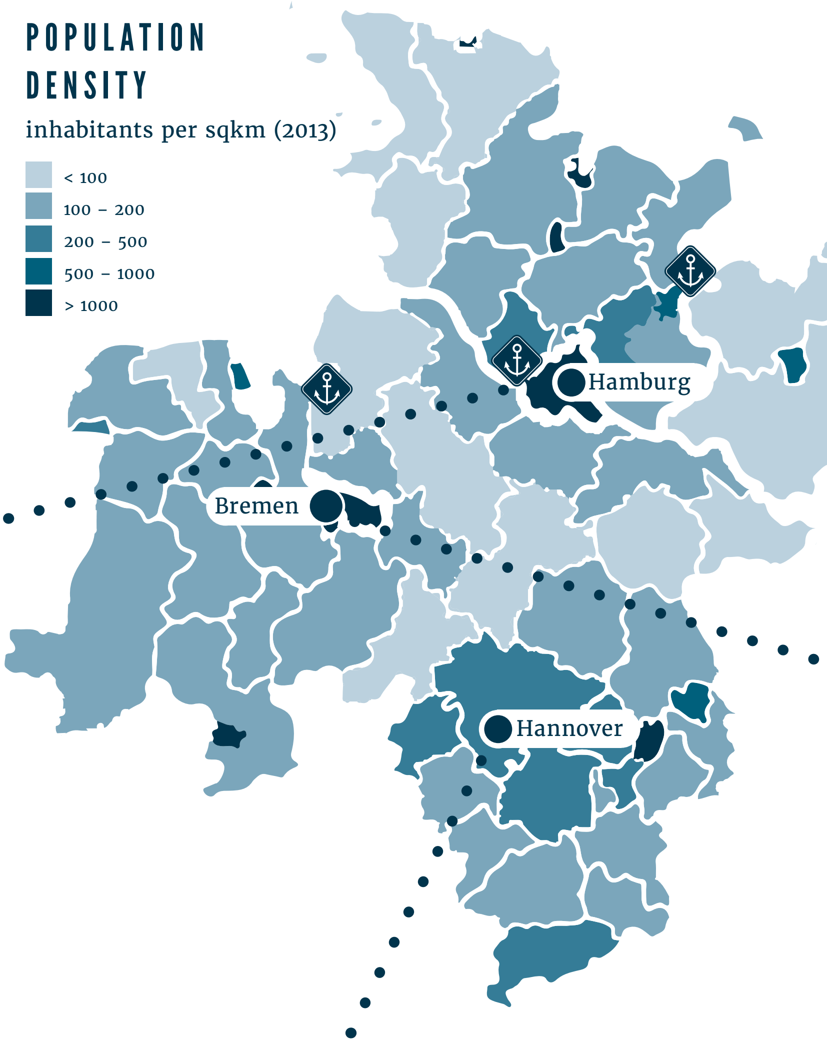
Quality North Portfolio

7% OF GCP'S PORTFOLIO

BREMEN / HAMBURG / HANNOVER

The three largest cities in the north of Germany.






Hamburg

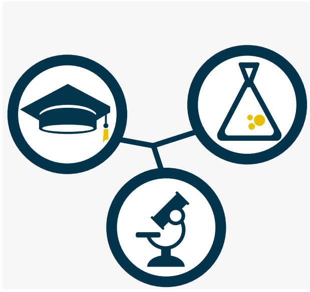

Hannover

KEY DRIVERS

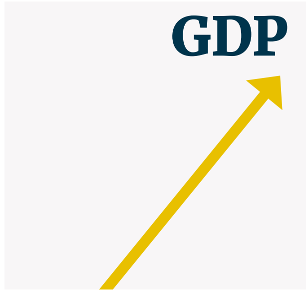
HAMBURG

Hamburg is the 2nd largest city in Germany

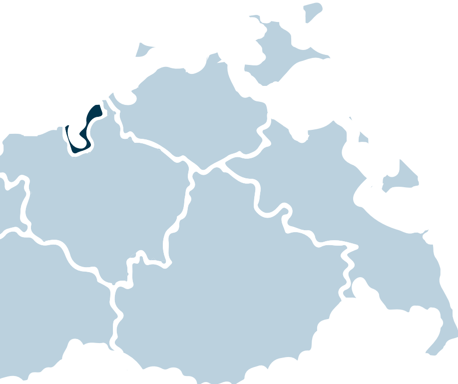
Second-busiest European port resulting in large international trade in the city



Major European education, science and research hub, with nearly 20 universities



Hamburg boasts the highest GDP per capita of all German states



HANNOVER

Hannover is the capital of Lower Saxony and an important regional, economic and business center

Home to large national and multinational corporations including Volkswagen, Continental, TUI Group and Talanx

Bremen

BREMEN

Important economic and industrial center with a large focus on international trade, aerospace and automotive industries, as well as food industry

Like Hamburg, Bremen is a major port city with the Port of Bremerhaven the 4th busiest in Europe

	Value (in €M)	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
Bremen/Hamburg/Hannover	440	364	4.0%	25	6.0	5,445	1,210	5.6%

Key strengths

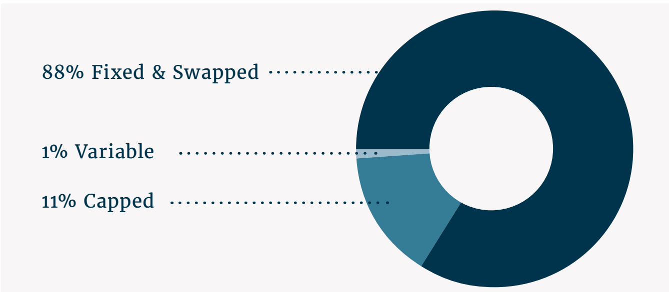
CONSERVATIVE FINANCIAL POLICY

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 debt plus equity ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios with a strong ICR
- 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 clauses
- Dividend of 65% of FFO I per share

As part of the conservative financial approached adopted by management the Company continuously maintains high liquidity, with €402 million in cash and liquid assets and approx. €100 million in unused credit facilities as of December 31, 2017, providing for high financial flexibility.

HEDGING STRUCTURE



GCP's bank loans are spread across more than 50 separate loans from around 20 different financial institutions that are non-recourse and have no cross-collateral or cross-default provisions.

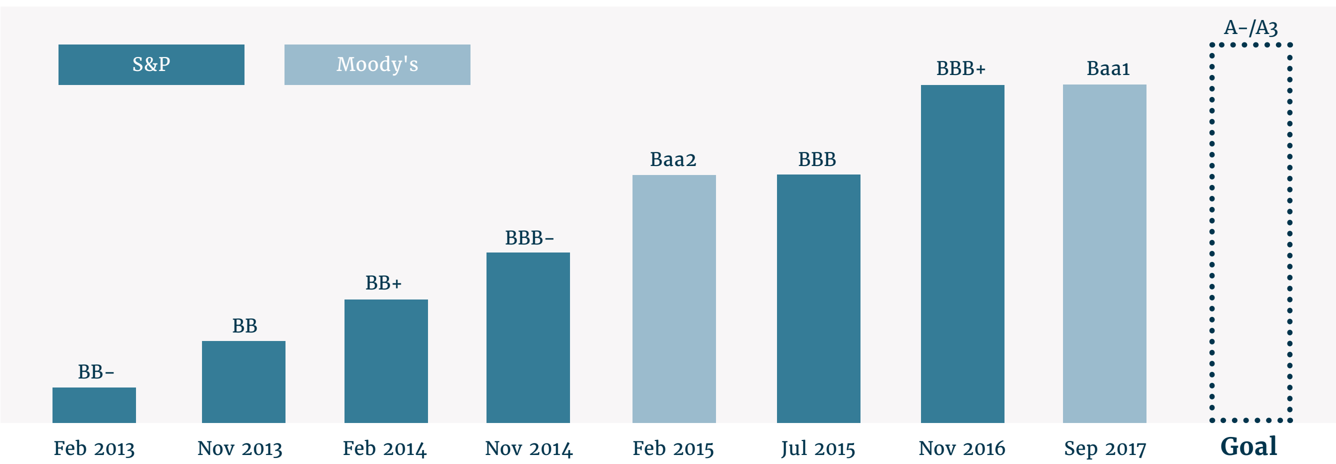
Fitting to the Company's conservative capital structure, 99% of its interest is hedged.

Part of GCP's conservative financial policy, bonds issued in foreign currencies are hedged to Euro until maturity.

CREDIT RATING

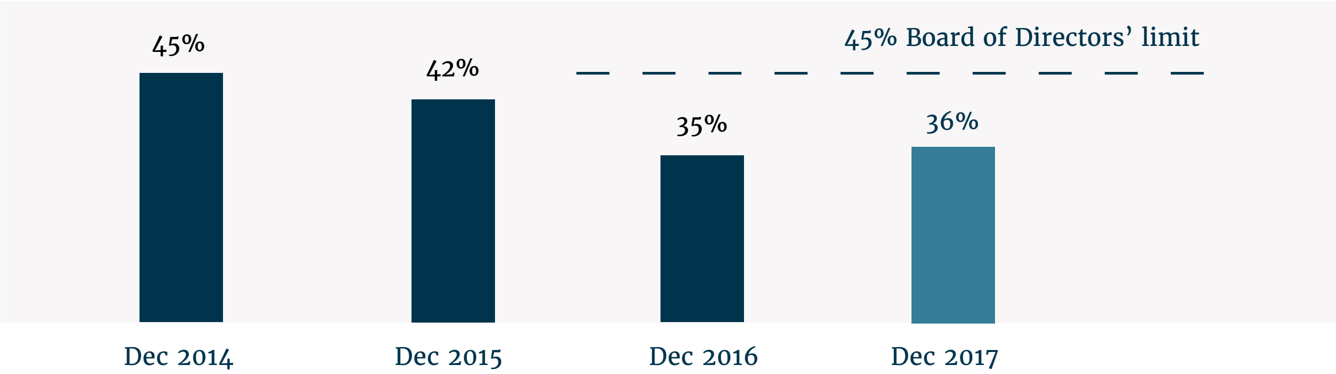
GCP maintains investment-grade credit ratings from both Standard & Poor's (S&P) and Moody's Investors Service (Moody's), with current long-term issuer ratings of **BBB+** and **Baa1**, respectively. Additionally, S&P assigned GCP a short-term rating of **A-2**. The Company has a long-term goal of achieving an A- credit rating, an important component of its financial policy, and to that effect the Board of Directors has decided to implement policies, management and financial strategies to achieve that target.

The Company has established a strong track record of achieving rating improvements owing to continuous improvements in its business and financial profiles. In September 2017, Moody's increased GCP's issuer rating to Baa1, noting the portfolio's strong diversification, the Company's strong credit metrics, high liquidity and financial flexibility, and strong access to capital markets. In November 2016, S&P increased the Company's issuer rating for the 5th time in four years, to BBB+, owing to the Company's strengthened position within its business risk profile.



LOAN-TO-VALUE

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, 2017 is at 36%, below the management limit of 45%.

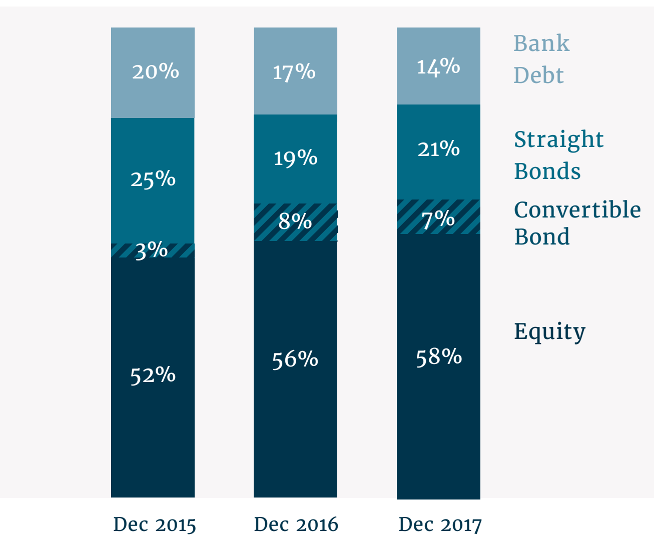


DEBT COVER RATIOS (1-12/2017)

GCP's financial flexibility remains strong over time due to its high profitability, which is reflected in consistently high debt cover ratios. The Interest Cover Ratio for 2017 was 6.2x times and the Debt Service Cover Ratio was 4.8x times.

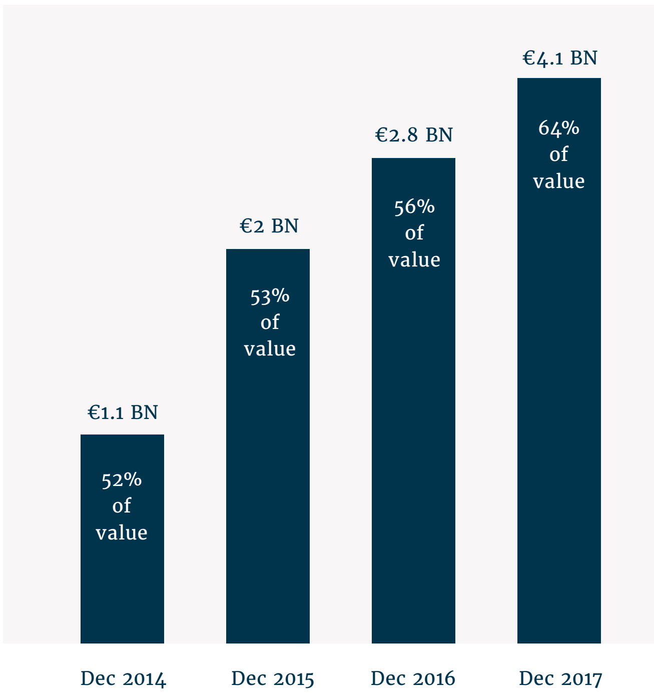
FINANCING SOURCES MIX

An important component of GCP's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital markets: straight bonds, convertible bonds, perpetual notes and equity capital. In addition, the Company maintains lasting relationships with dozens of banks and financial institutions, providing for access to bank financing.

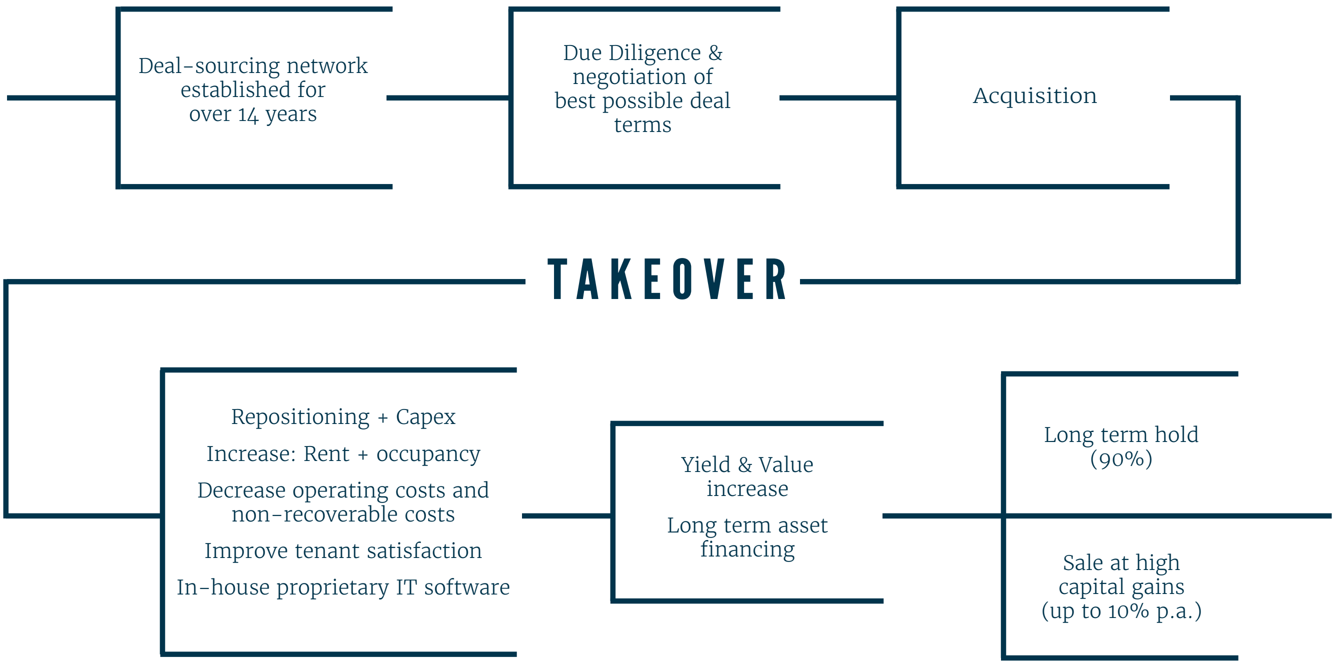


UNENCUMBERED ASSETS

The Company maintains as part of its conservative financial policy a high proportion of unencumbered assets to provide additional financial flexibility and contribute to a strong credit profile, with €4.1 billion in unencumbered assets as of year-end 2017, representing 64% of the total portfolio value.



Company strategy and business model



FOCUS ON VALUE-ADD OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED REGIONS, 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, Dresden and Halle, as well as other major cities and urban centers in Germany and a minor stake in London.

The Company believes its platform has the right abilities and systems in place to continue its strong performance and to further realize on the high upside potential embedded in the portfolio. The Group also believes that there are acquisition opportunities in these attractive markets to support its external growth strategy.

For its acquisitions, the Company adheres to the following specific criteria:

- Acquisition in densely populated areas and major cities
- High cash flow generating assets
- Vacancy reduction potential
- Rent level per sqm 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

Kaiserslautern

CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME AND COST DISCIPLINE

GCP seeks to maximize cash flows from its portfolio through the effective 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 ongoing 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 increase cash flows.

MAXIMIZE TENANT SATISFACTION

A key pillar of the overall success of GCP is tenant satisfaction. The Company places strong emphasis on enhancing the living quality and environment of its tenants through various measures. GCP strives to develop a community feeling amongst its tenants by installing playgrounds, improving accessibility at the properties, organizing family-friendly events, supporting local associations as well as through various other initiatives. Some of the Company's regularly organized tenant events include Santa Claus celebrations for Christmas, Easter egg-searching events as well as different summer events, such as the dozens of "GCP Summer Games" parties that are organized annually. The Company believes that even minor initiatives, such as providing free plastic bags for dog owners to use in disposing of dog waste, go a long way in promoting a pleasant environment. In addition, GCP identifies opportunities to work with local authorities to improve the existing infrastructure in the community, contributing to increased demand for the neighbourhood.

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 the 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, 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.

Capital markets

INVESTOR RELATIONS ACTIVITIES

GCP is proactively presenting its business strategy and thus enhancing perception, as well as awareness, of the Company among capital market investors. GCP seizes opportunities to present a platform for open dialogue, meeting hundreds of investors in dozens of conferences around the globe as well as hosting investors at our offices. The improved perception leads to a better understanding of GCP's business model, operating platform and competitive advantage, and strong confidence from investors.

MDAX MATERIAL

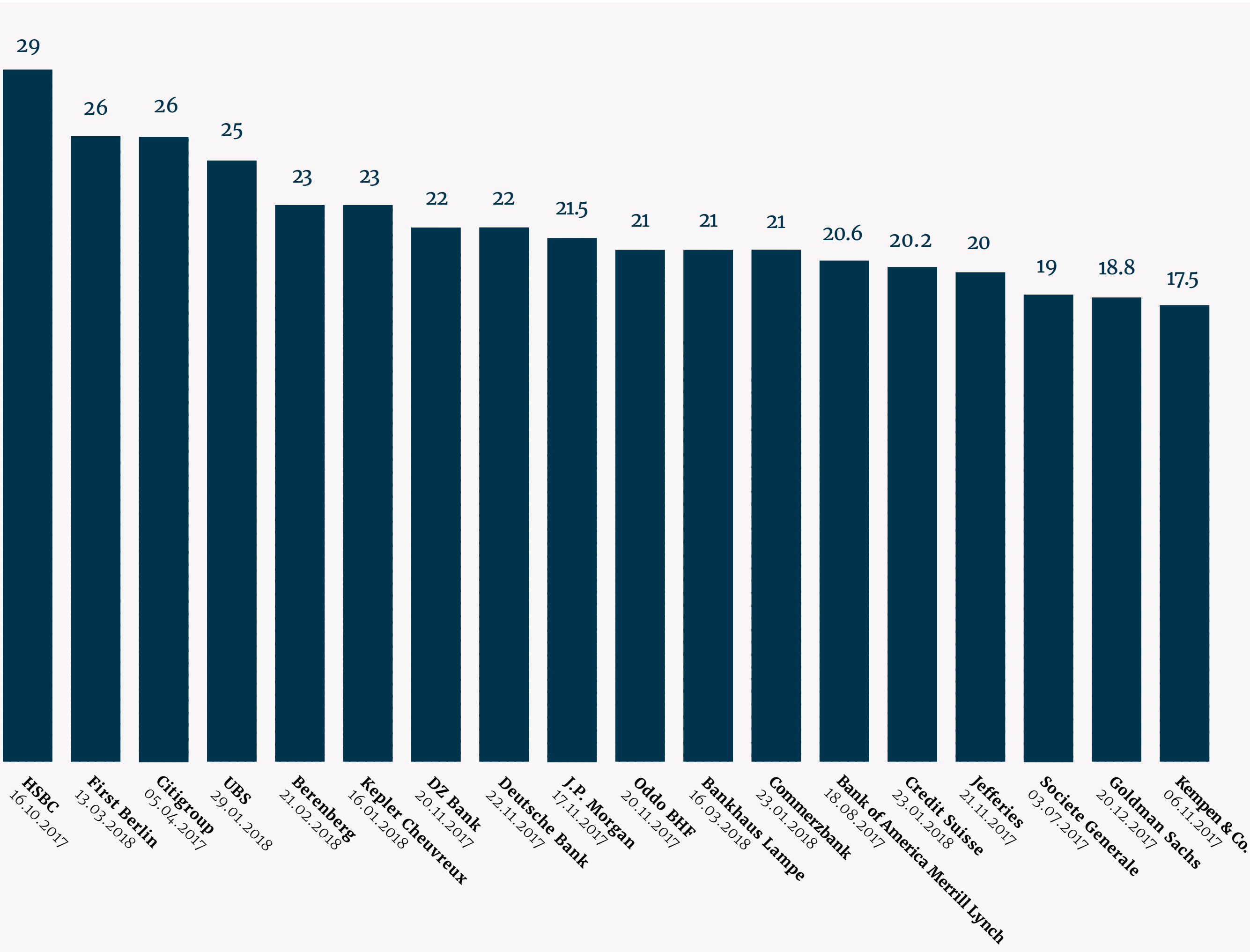
GCP was notched up to the mid-cap MDAX index of the Deutsche Börse in September 2017, following the initial inclusion in the SDAX index in June 2017, owing to the Company's large market capitalisation, strong share liquidity, and upgrade to the Prime Standard earlier in 2017, and as such ranking it among the 80 largest and most traded stocks listed in the Prime Standard of the Frankfurt Stock Exchange. Additionally, GCP joined the STOXX index family in December 2017 as it was added to the STOXX All Europe 800 index. These key index inclusions are the result of many years of success in equity markets and the strong investor perception of the Company, and represent a landmark achievement for GCP, resulting in further increased visibility and share liquidity. Additionally, GCP is already a constituent of major FTSE EPRA/NAREIT indices, including FTSE EPRA/NAREIT Global, Developed, and Developed Europe, as well as the GPR 250 index, DIMAX, and the MSCI index family.

Placement	Frankfurt Stock Exchange
Market segment	Prime Standard
First listing	Q2 2012
Number of shares (as of 31 December 2017)	164,788,883 ordinary shares with a par value of EUR 0.10 per share
Nominal share capital (as of 31 December 2017)	16,478,888 EUR
Number of shares on a fully diluted basis (as of 31 December 2017)	183,315,158
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market capitalisation (as of 31 December 2017)	3.2 bn EUR
Key index memberships	MDAX FTSE EPRA/NAREIT Global FTSE EPRA/NAREIT Developed FTSE EPRA/NAREIT Developed Europe STOXX All Europe 800 MSCI World IMI Core Real Estate GPR 250 DIMAX

VAST AND PROVEN TRACK RECORD IN CAPITAL MARKETS

The Company has established over the years an impressive track record in capital markets, continuously accessing various markets through its strong relationships with the leading investment banks in the market. Supported by two investment-grade credit ratings (BBB+ from S&P and Baa1 from Moody's), GCP is able to quickly and efficiently source funds at attractive interest rates, significantly contributing to its low average cost of debt (of currently 1.6%). Since 2012, GCP has issued approx. €5 billion through 23 issuances of straight bonds, convertible bonds, equity and perpetual notes. The Company recently launched a EMTN programme, providing significant convenience and flexibility by enabling the issuance in a short period of time of financial instruments of various kinds, sizes, currencies and maturities. Subsequently, the Company's first non-EUR denominated instruments were issued in 2018: a Hong Kong dollar denominated straight bond (Series I) and a Swiss Franc denominated straight bond (Series K), both with currency hedges in place, demonstrating the strong demand for the Company's instruments from global investors. Through its strong access to capital markets, GCP is able to proactively and effectively manage its debt structure, contributing to a long average debt maturity of approx. 8.5 years.

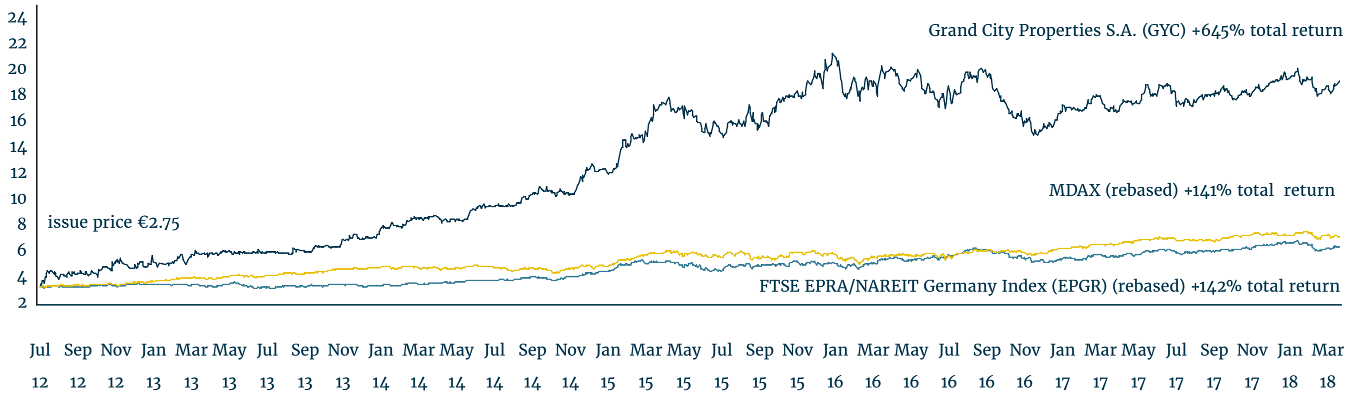
ANALYST RECOMMENDATIONS



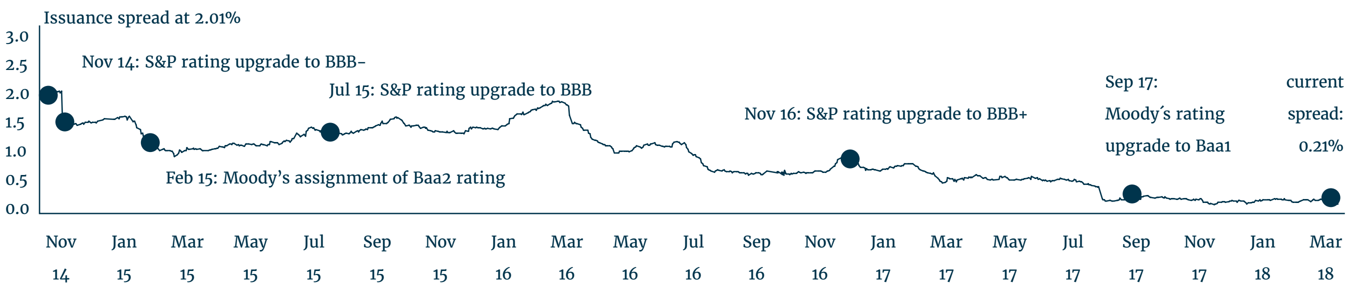
Capital markets

Berlin

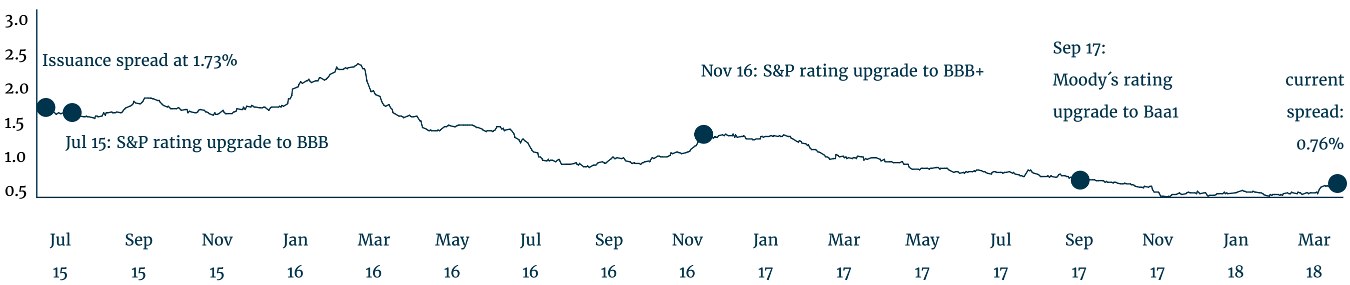
SHARE PRICE PERFORMANCE AND TOTAL RETURN COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)



STRAIGHT BOND SERIES D – SPREAD OVER MID-€-SWAP, REMAINING 3.5 YEARS



STRAIGHT BOND SERIES E – SPREAD OVER MID-€-SWAP, REMAINING 7 YEARS



3.75% PERPETUAL NOTES SPREAD OVER MID-€-SWAP

ESG – Environmental, Social and Governance

As a large organization with a wide-reaching impact from its operational activities, it is of crucial importance to Grand City Properties to ensure the sustainability of its operations and properties and maintain a high standard of responsibility to all its stakeholders, from tenants to employees to shareholders, as well as creditors, suppliers, the environment and the communities in which GCP operates. This is carried out through the Company's various ESG measures and initiatives which are conceived and implemented by a dedicated ESG department. The Company considers ESG to be a pillar for the overall success of the organization and as such all ESG activity is closely monitored and reviewed by the CEO of the Company, to whom the ESG team reports directly.

The Company's continuous effort and ongoing commitment to enhancing and expanding its ESG initiatives and reporting was recognized in November 2017 by **Sustainalytics, one of the leading sustainability rating agencies, which ranked GCP in the 91st percentile among over 300 global real estate companies, noting the Company as an Outperformer.**

ENVIRONMENTAL RESPONSIBILITY

The Company believes that the environmental aspects of its business model are of high importance. GCP pays great attention to the environmental aspects of the repositioning process and includes, as well as improves upon, environmental measures. The Company sees the implementation of environmentally friendly measures as both an important environmental issue as well as an integral part of the optimization of its cost structure.

Management reviews of the environmental policies are coupled with the ongoing monitoring of environmental performance such as the use of energy and water as well as the reduction of carbon emissions. Data management systems are being developed in order to continuously monitor the development of key environmental indicators. As part of this process the Company has implemented reporting in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and published an initial Environmental Report in June 2017, with the published environmental data externally assured by GUT Certifizierungsgesellschaft für Managementsysteme. Subsequently, **GCP was awarded the sBPR Gold award by EPRA in September 2017 for meeting the highest sustainability reporting standards**.

GCP continues to implement various measures on an ongoing basis in order to reduce its environmental footprint. To date, the Company has switched the majority of its properties, as well as all of its own offices, to electricity from renewable sources, and will continue to gradually switch the remaining when existing contracts expire. As a result, considerable cost savings have been achieved so far compared to the previous electricity providers. Ongoing modernization of heating systems to high-efficiency systems have additionally resulted in a substantial reduction in emissions. Of the Company's portfolio that is supplied by centralized gas heating systems, many have been switched to climate-neutral gas, with the remainder expected to be switched gradually over the coming years as existing contracts expire, with new contracts signed exclusively with partners supplying fully climate-neutral gas.

The Company has implemented a Green Procurement Policy that is supplemental to the Environmental Policy overarching this field. The Company partners with vendors that create products and services to a great extent with renewable energy and that are using supplies made from recycled materials. The Company's Supplier Environmental Programme is supported by our Supplier Code of Conduct which pays reference to the use and compliance to environmental regulations and the compliance to legal standards. Suppliers have to proof external certifications that help assess the environmental impact of their activities and products delivered.

The Company is using strategic partners for energy supply (gas and electricity), who possess all relevant certifications and analyze the 'energy portfolio' they have with us on a regular basis. GCP's agreement with its energy suppliers requires that all GHG emissions be 100% offset. The statistical data provided to the Company by the supplier provides a thorough overview of its energy consumption level, and provides forecasts of the tons of GHG saved and offset as part of the agreement.

EPRA sBPR GOLD

MOST IMPROVED AWARD EPRA sBPR

SUSTAINALYTICS

Ranked Outperformer at the 91st percentile among over 300 real estate peers

„We are very proud of our efforts in ensuring the sustainability of our operations, which we see as integral to the long-term vision and success of Grand City Properties. By reducing our environmental footprint through active integration of green technologies, creating a positive impact on our society and various stakeholders, and maintaining strong governance standards throughout the organization, we strive to make sure that the Company's success is mirrored in its ESG platform.“

- Christian Windfuhr, CEO

SOCIAL RESPONSIBILITY

GCP perceives social responsibility as a top priority and is committed towards its tenants and its employees. GCP is fully aware of its responsibility towards its tenants and their well-being in their respective homes. To this end, the Company does not only ensure the quality and accessibility of its residential units and surroundings, but also provides high quality services to its tenants through its double TÜV-certified (DIN EN 15838) Service Centre, which is available 24/7 and in various languages. The Company's commitment to its tenants on the social front through its Social Tenant Manager program was recognized by the **European Public Real Estate Association (EPRA), which awarded GCP 1st place for Outstanding Contribution to Society** in September 2017.

The Company methodically tracks customer satisfaction and aims to respond promptly and efficiently to feedback received. The Company 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 accessibility needs.

The social activities organized by GCP are of importance to both the Company and its tenants. These social gatherings bring tenants together, support the community feeling and improve the Company's interactions with its tenants. GCP organizes over a hundred interactive tenant events annually, from Easter egg-hunts to Santa Claus visits to barbecues, sports events, soccer club sponsorship, children parties, etc., encouraging social cohesion and interaction between tenants themselves as well as with Grand City team members.

Within the local communities Grand City seeks to contact and develop partnerships with local policy makers, social workers and other constituencies, such as local newspapers, associations, clubs, etc. in order to support and participate in local initiatives, which improve the living conditions of the local community. These include community development in terms of education, integration, local sports events, the installation or improvement of existing playgrounds and sports facilities, as well as deploying Grand City social workers to support and consult tenants on a personal level and provide after-school and homework support for children. Where needed, GCP also provides facilities for such purposes free of charge.

As an employer GCP sees it as its responsibility to provide employees with opportunities for personal development and internal advancement. To this end, the Company provides an ongoing Leadership Program and ongoing employee support. The Company founded its own in-house academy in 2014 which provides employees and managers with training and development. GCP has a high employee retention rate, including among middle and upper management. The Company cares for the well-being of its employees and to that end provides them with a fitness center at its operational headquarters in Berlin free of charge. The fitness center is managed by qualified trainers, who develop and supervise individual training programs for those who wish to take advantage of this service. Additionally, yoga and aerobic classes are offered by specialized coaches.

ESG – Environmental, Social and Governance

CORPORATE GOVERNANCE

GCP emphasizes the importance of corporate governance with a high standard of transparency, executed by the Board of Directors with a majority of independent directors and the management. The Company directs its efforts in maintaining the high trust it receives from its shareholders and bondholders. 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 with international leading institutional investors and major global investment and sovereign funds.

In order to maintain high corporate governance and transparency standards, the Company has implemented the Advisory Board, the Risk Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee.

Furthermore, the Company ensures that its Board of Directors and its senior executives have vast experience and skills in the areas relevant to its business. The Company has quarterly reporting standards and updates its corporate presentation on a continuous basis.

The Company has a very strict Code of Conduct which applies to all its employees and main suppliers, and incorporates an Anti-Corruption Policy, Conflict of Interest Policy, Anti-Bribery Policy, Anti-Discrimination Policy and others. The Code has been recently updated with a focus on improved transparency in its reporting lines, which are now supported by the Compliance Department and the whistleblower system.


Mönchengladbach

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Grand City Properties S.A. for 2018 will take place on June 27, 2018 in Luxembourg. The meeting will resolve on, among others, the amount of the dividend for the 2017 fiscal year to be distributed to shareholders of the Company.

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 best interests.

The Board of Directors represents the shareholders as a whole and makes decisions solely in the Company's best interests and independently of any conflicts of interest. The Board of Directors and senior management regularly evaluate the effective fulfillment of their remit and compliance with strong corporate governance standards. 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. The Board of Directors currently consists of a total of three members, two of whom 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
Mr. Refael Zamir	Director, chairman, CFO
Ms. Simone Runge-Brandner	Independent Director
Mr. Daniel Malkin	Independent Director

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

	Executive Management		Independent Directors		
€	**Christian Windfuhr** (CEO)	**Refael Zamir** (CFO – Director)	**Daniel Malkin**	**Simone Runge-Brandner**	**2017**
Salary, directors fee and supplementary payments*	209,536	269,552	78,000	78,000	635,088
Fixed and variable share incentive	353,520	194,750	–	–	548,270
Total Remuneration	**563,056**	**464,302**	**78,000**	**78,000**	**1,183,358**

* based on employer's costs

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 and 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 to assist and provide expert advice to the Board of Directors in fulfilling its oversight responsibilities relating to the different types of risks the Company is exposed to, recommend a risk management structure including its organization and processes, as well as assess and monitor effectiveness of the overall 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 systems and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks.

REMUNERATION COMMITTEE

The Board of Directors established a Remuneration Committee. The Remuneration Committee shall submit proposals regarding the remuneration of executive managers to the Board, ensuring that these proposals are in accordance with the remuneration policy adopted by the Company and the performance evaluation results of the persons concerned. To that end, the committee shall be informed of the total remuneration paid to each member of the executive management by other companies affiliated with the group.

NOMINATION COMMITTEE

The Board of Directors established a Nomination Committee. The Nomination Committee shall be composed of a majority of Non-Executive Directors. For every significant position to be filled, the committee will make an evaluation of the existing and required skills, knowledge and experience. Based on this assessment, a description of the role, together with the skills, knowledge and experience required shall be drawn up. As such, the committee shall act in the best interests of the Company, and among others, prepare plans for succession of Directors, evaluate existing and required skills, knowledge, and experience, consider proposals from shareholders, the Board and executive management, and suggest candidates to the Board.

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 five 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.

— ESG risk-related expenditures – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organizational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget.

EXTERNAL RISK MITIGATION

Through 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 in a specific section on the Company's website. The Company discloses its share ownership and additionally discloses any shareholder position above 5% when 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 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 the (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

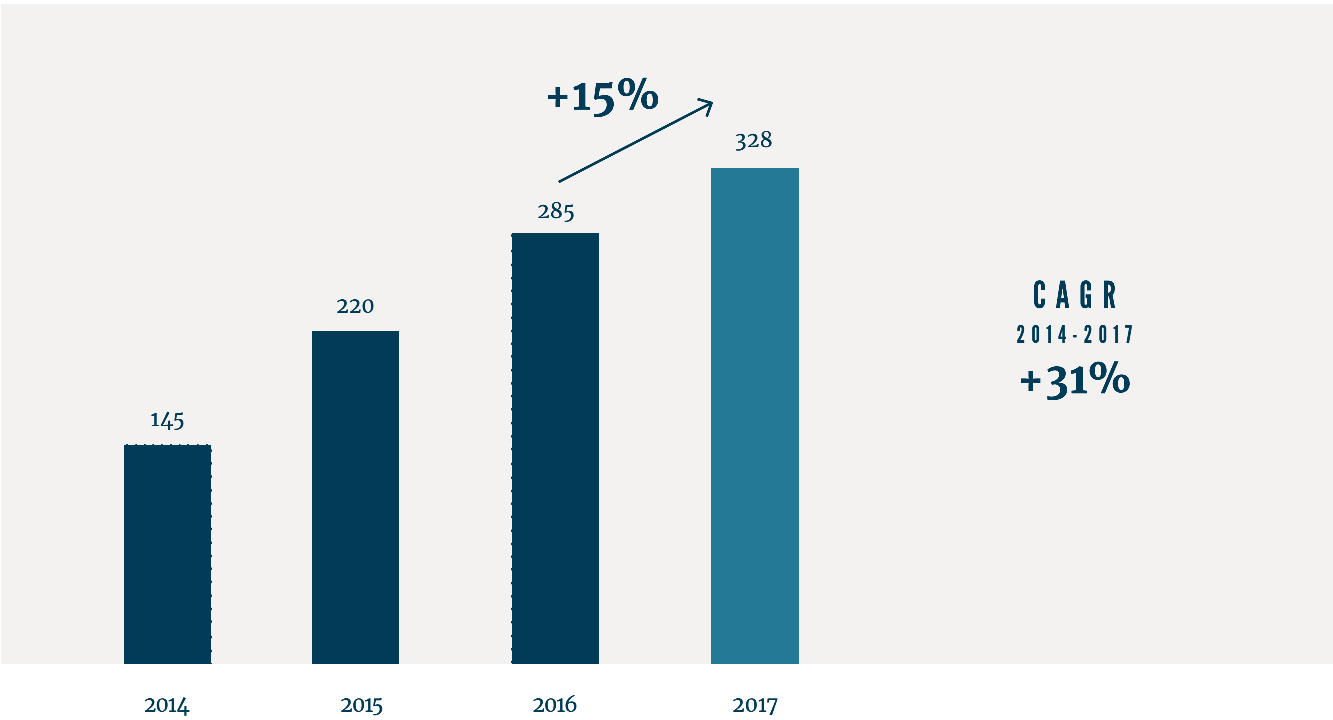
For the year ended December 31,	2017	2016
	€'000	
Revenue	496,875	442,670
Rental and operating income	**494,889**	**435,668**
Net rent	328,056	285,069
Capital gains, property revaluations and other income	616,459	598,280
Property operating expenses	(238,894)	(204,108)
Administrative & other expenses	(10,961)	(9,550)
Share in profit from investment in equity-accounted investees	6,491	541
Operating profit	868,482	822,862
Adjusted EBITDA	**247,980**	**224,729**
Finance expenses	(40,208)	(36,319)
Other financial results	(42,727)	(11,121)
Current tax expenses	(28,040)	(26,799)
Deferred tax expenses	(118,358)	(95,518)
Profit for the period	**639,149**	**653,105**
FFO I	**178,013**	**160,120**

REVENUE

For the year ended December 31,	2017	2016
	€'000	
Net rent	**328,056**	**285,069**
Operating and other income	166,833	150,599
Rental and operating income	**494,889**	**435,668**
Revenue from sales of inventories – trading properties	1,986	7,002
Total revenue	**496,875**	**442,670**

GCP generated in 2017 total revenues of €497 million, representing an increase of 12% in comparison to the €443 million recorded in 2016, which are attributable predominantly to rental and operating income. Net rental income amounted to €328 million, increasing by 15% from €285 million in 2016, owing to continuous growth through both external and internal sources. The Company's portfolio increased to 87k units as of December 2017 from 83k units at the end of 2016. Organic growth through operational developments, such as occupancy and rent increases played an increasing role in the positive net rent development during the year: Total like-for-like net rental income increased by 3.5%, with 1.2% coming from occupancy increases and 2.3% from in-place rent growth. These consistently solid operational improvements testify to the large operational potential inherent in GCP's assets, management's ability to continuously identify such assets in the market, and the Company's ability to successfully translate that potential into realized gains through its efficient operational platform. The remaining revenues for the year of €2 million resulted from sales of inventories relating to the disposal of units which were held as inventories – trading property, compared to €7 million in 2016.

NET RENTAL INCOME ANNUAL DEVELOPMENT
(IN € MILLION)



Notes on business performance


Leipzig

CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

For the year ended December 31,	2017	2016
	€'000	
Change in fair value of investment property and profit from bargain purchases	615,359	595,173*
Capital gains and other income	1,100	3,107
Capital gains, property revaluations and other income	**616,459**	**598,280**

* reclassified

Capital gains, property revaluations and other income resulted to €616 million in 2017, up 3% compared to €598 million in 2016, attributed to changes in fair values of investment property. The valuation gains recorded over the course of the year reflect the continuous success of the Company's value-add business model and active management on all levels. The Company's abilities in identifying and acquiring assets with strong long-term value upside potential in line with its accretive acquisition criteria stem from the large deal sourcing network that it has established over more than a decade, which continues to source attractive opportunities. GCP continues to successfully materialize on that embedded potential through its effective operational platform, with operational improvements driven by smart and economically efficient repositioning plans, occupancy increases through efficient marketing and leasing activities, rental rate increases, and realizing cost efficiencies and benefits from economies of scale. The resulting value uplifts year over year testify to the successful implementation of the business strategy by management and staff throughout the entire value creation cycle.

The fair values of the properties are externally appraised by independent, certified valuators at least once a year, with Jones Lang LaSalle (JLL) being the predominant valuator used. As of the end of 2017 the average value per sqm was €1,155, compared to €924 at the end of 2016, generating a net rental yield of 5.5%.

DISPOSAL ANALYSIS

Occasionally and at management's discretion, GCP disposes of properties which are primarily classified as non-core, with the disposal proceeds generally recycled back into the portfolio through acquisition of strategic assets. The Company disposed of several assets during the course of 2017 with a total disposal gain of €26 million (sales income minus acquisition costs incl. capex), reflecting a profit margin of 105%. The assets disposed are located mainly in Berlin and NRW. As the value creation has already been captured the assets have been sold at values equivalent to their book values (IFRS), validating GCP's assets' valuation. The profit margins achieved on the disposed assets demonstrate the Company's abilities to successfully identify, acquire and reposition assets with embedded value potential and materialize on that value through its efficient operational platform and management capabilities.

For the year ended December 31,	2017	2016
	€'000	
Acquisition cost including capex of disposed properties	23,778	81,458
Total revaluation gains on disposed investment property since acquisition	24,842	63,482
Book Value (IFRS)	48,620	144,940
Disposal value of non-core investment property	49,720	148,047
Capital gain	**1,100**	**3,107**
Disposal value of non-core investment property	49,720	148,047
Acquisition cost including capex of disposed properties	(23,778)	(81,458)
Realized profit from disposal of investment properties	**25,942**	**66,589**
Disposal profit margin on investment property	**109%**	**82%**
Revenue from sales of inventories - trading properties	1,986	7,002
Cost of inventories- trading properties sold	(1,488)	(4,971)
Result on the disposal of inventories - trading properties	**498**	**2,031**
Disposal profit margin on inventories - trading properties	**33%**	**41%**
Total result from disposal of properties	**26,440**	**68,620**
Total disposal profit margin on properties	**105%**	**79%**

Notes on business performance

Wuppertal

PROPERTY OPERATING EXPENSES

For the year ended December 31,	2017	2016
	€'000	
Purchased services	(168,732)	(149,357)
Maintenance and refurbishment	(32,905)	(27,004)
Personnel expenses	(21,969)	(18,380)
Depreciation and amortization	(1,610)	(1,351)
Other operating costs	(13,678)	(8,016)
Property operating expenses	**(238,894)**	**(204,108)**

Property operating expenses amounted to €239 million in 2017, compared to €204 million in 2016. The year-over-year increase in operating expenses, which are mostly composed of ancillary expenses recoverable from tenants (including heating, water and cleaning costs), in line with the accompanying increase in rental revenues and is associated with the larger portfolio compared with the previous year. Additionally contributing is the year-over-year occupancy improvement in the portfolio, as most of the ancillary costs are directly tied to the number of occupied units. Personnel expenses increased in 2017 to €22 million, as the Company continues to place high importance on top service quality and tenant satisfaction in tandem with a growing portfolio and continue to expand the scope of services given to our tenants. The increase in other operating costs to €14 million in 2017 is the result of increased vacancy reduction efforts through marketing and leasing promotions as well as maintaining and reinforcing various elements of the Company's strong operational platform. Maintenance and refurbishment expenses, together with the capex efforts conducted during the year, are described in detail below.

Operational expenses have increased due to higher service levels, bigger scope of services and the enhancement of the operational platform. GCP's state-of-the-art, TÜV-certified 24/7 Service Center offers the highest standard of tenant services, providing services in various languages to existing and prospective tenants. The Service Center is reachable via toll-free numbers, e-mail, and the recently launched GCP mobile app. In September 2017, EPRA has awarded GCP 1st place for its outstanding contribution to society.

MAINTENANCE, CAPEX AND MODERNIZATION

GCP's strategy of maintaining high asset quality in its portfolio is reflected in the annual expenditures on maintenance and refurbishment, as well as the capex outlay which is done selectively on a value-add basis, which result altogether in high tenant satisfaction, increased rents, increased occupancy and decreased tenant turnover, increased asset quality and value appreciation over the long term, as well as resulting in cost reductions in the future.

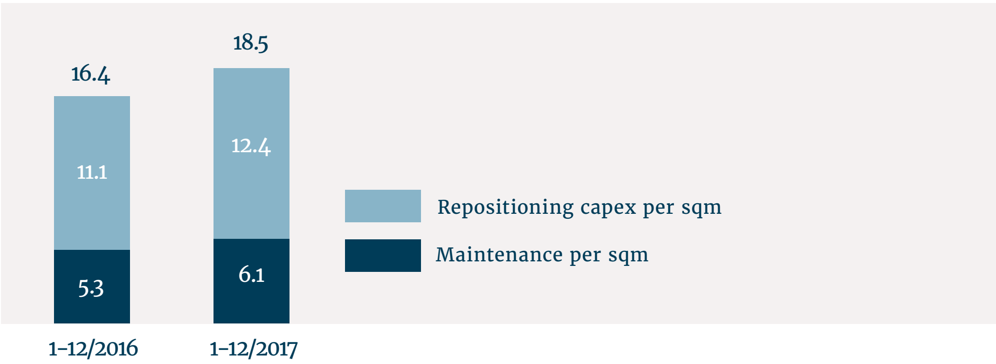
Maintenance and refurbishment expenses amounted to €33 million in 2017, equivalent to €6.1 per average sqm, compared to €27 million and €5.3 per average sqm in 2016, respectively. These costs relate to ongoing, general property upkeep and repairs needed to ensure the high asset quality and comfortable standard of living for our tenants, and results in strong tenant satisfaction. Tenants can easily submit damage reports and maintenance requests via phone or through the GCP smartphone app to GCP's double TÜV-certified 24/7 Service Center, through which the maintenance process is efficiently organized and coordinated, and conveniently monitor the status of the request through the app.

Capex initiatives target vacancy reduction through repositioning and rent increase as the main goals, and are thoughtfully selected on an individual basis based on their expected return on cost. GCP's capex investments in 2017 amounted to €80 million in total, of which €67 million refer to repositioning capex and €13 million refer to modernization. The year-over-year increase in capex spent is reflective of the attractive opportunities GCP is seeking to increase rental income.

Repositioning capex is related to measures aimed at increasing the properties' quality levels and subsequently support the value creation process. Repositioning capex includes upgrading apartments for new rentals, upgrading the staircases and public areas of the building, fire-life safety upgrades, installation of playgrounds and common areas which increase the neighborhood feeling, reconditioning and installing elevators and ramps, and more. In 2017 repositioning capex amounted to €12.4 per average sqm. Due to market wide increased cost of material and labor, total cost for construction works have increased which resulted in 2017 in higher capex spending compared to 2016.

Modernization investments include improving the standards of the apartments as well as increasing the properties' energy saving levels. This capex is targeted specifically to increase rents and includes measures such as adding balconies, improving insulation and energy savings such as façade reconditioning and replacement of windows. These capex initiatives, which amounted in 2017 to €2.4 per average sqm, resulted in a direct contribution of approx. 0.5% to the total like-for-like net rent increase for the year.

MAINTENANCE AND CAPEX DEVELOPMENT (€/SQM)



Notes on business performance

ADMINISTRATIVE AND OTHER EXPENSES

For the year ended December 31,	2017	2016
	€'000	
Personnel expenses	(3,516)	(2,629)
Audit and accounting costs	(2,116)	(1,849)
Legal and professional consultancy fees	(2,286)	(2,296)
Depreciation and amortization	(443)	(344)
Marketing and other expenses	(2,600)	(2,432)
Administrative and other expenses	**(10,961)**	**(9,550)**

GCP recorded administrative and other expenses in the amount of €11.0 million in 2017, compared to €9.6 million in 2016. These overhead costs include salaries of administrative personnel, marketing costs, audit and accounting fees, legal costs, consulting fees and depreciation, as well as other expenses. The year-over-year increase resulted from the Company's growth on the corporate and operational levels and notably included non-recurring costs associated with GCP's up-listing to the Prime Standard of the Frankfurt Stock Exchange in May 2017, the establishment of a dedicated ESG team and increased sustainability reporting measures.

FINANCE EXPENSES

For the year ended December 31,	2017	2016
	€'000	
Finance expenses	**(40,208)**	**(36,319)**

Finance expenses resulted in €40 million in 2017, an increase of €4 million from €36 million for 2016. Owing to its consistently maintained conservative financial structure and vast experience in accessing capital markets, GCP is able to seamlessly source cost-efficient funds and keep borrowing costs low. During the course of 2017 and in the beginning of 2018 GCP tapped the capital markets several times to finance its growth, reinforce its capital structure and extend its debt maturity profile by approx. 2.5 years to 8.5 years while maintaining the average cost of debt at 1.6%. GCP's low cost of debt results in consistently high profitability margins, contributing to the strong operational and bottom line results. The Company's strong credit profile is reflected in investment-grade credit ratings from both Moody's (Baa1) and S&P (BBB+), supporting its access to attractively priced debt. Moody's upgraded the rating in September 2017, noting the Company's strengthened business profile in addition to the already strong financial profile.

In July 2017, GCP launched its first Euro Medium Term Note (EMTN) programme, allowing it the convenience and flexibility of quickly issuing various debt instruments in various sizes, coupons, maturities and currencies. This initiative is the result of the Company's many years of experience and success in the debt capital markets, the long track record built over the years, and the increased demand for the Company's instruments from global investors. With debt financing as a key component of the financing mix and capital structure, the EMTN programme will greatly benefit GCP. Under the programme, GCP issued in July 2017 the €600 million, 9-year Series G straight bonds at a coupon of 1.375% while simultaneously repurchasing most of the higher cost 2% Series D bonds maturing 2021. In October 2017 the Company issued the €110 million Series H straight bonds due 2032, the Company's longest maturing bond yet with a maturity of 15 years, which was tapped up by an additional €145 million in February 2018 to a combined total of €255 million.

The Company has continued its impressive developments on the debt financing side into 2018 with four straight bonds issued in February 2018 through the EMTN programme, of which two are non-EUR denominated. This is the result of both the flexibility provided under the programme and the strong demand observed from foreign investors and marks yet another milestone for GCP as it issued its first ever foreign currency debt. The 10-year Series I straight bonds were issued in Hong Kong dollars (equivalent to €93 million) at an effective coupon of 1.0%, while the Series K straight bonds due 2026 were issued in Swiss Francs (equivalent to €108 million) at a coupon of 0.96%, the Company's lowest coupon yet. Additionally, €500 million Series J straight bonds due 2027 were issued with a coupon of 1.5% and used to repurchase €41 million of the outstanding Series D bonds (3.5 years to maturity) and €170 million of the Series F convertible bonds (4 years to maturity). GCP thrives to optimize it debt schedule, both extending the average debt maturity and cleaning up shorter maturities. Together with financing through fixed rates, GCP is securing its ability to service debt in the long term.

The above robust capital market activity is a key element of the Company's pro-active debt management and results in a further increase to the already long average debt maturity to 8.5 years, allowing management to concentrate on the operational side of the business and fully execute the value-add cycle. The low borrowing costs combined with the strong operational performance result in consistently high debt coverage ratios, as stipulated in the Company's financial policy, with an ICR of 6.2x and DSCR of 4.8x for 2017.

OTHER FINANCIAL RESULTS

For the year ended December 31,	**2017**	2016
	€'000	
Change in fair value of financial assets and liabilities, net	(34,983)	(5,704)
Finance-related costs	(7,744)	(5,417)
Other financial results	**(42,727)**	**(11,121)**

Other financial results, which are mainly related to non-recurring and one-off financial expenses, amounted to an expense of €43 million in 2017 compared to an expense of €11 million for 2016. The higher amount in 2017 is primarily related to the repurchase of €321 million of the higher-coupon Series D straight bonds in July 2017 and associated costs, which contributed to an extension in the Company's average debt maturity. Additionally, the Company incurred bank fees as it refinanced mostly higher-cost bank loans, additionally strengthening the debt profile. Changes in fair values of financial assets and liabilities also includes non-cash items associated with market-linked movements in the value of financial derivatives and traded securities.

Notes on business performance

TAXATION

For the year ended December 31,	2017	2016
	€'000	
Current tax expenses	(28,040)	(26,799)
Deferred tax expenses	(118,358)	(95,518)
Total tax expense	**(146,398)**	**(122,317)**

Total tax expenses resulted in €146 million in 2017, increased from €122 million in 2016 and primarily driven by higher deferred tax expenses. Deferred tax expenses are a non-cash item that is the result of the strong portfolio revaluation gains recorded during the year, and accounts for a theoretical future disposal in the form of an asset deal. These expenses do not, however, usually materialize due to GCP's strategy of holding assets over the long term and largely remains a non-cash item. Nevertheless, the Company employs a conservative approach with regard to deferred taxes, accounting for the theoretical future property disposal through asset deal structures at the full German corporate tax rate of 15.825%. It should be noted that GCP's assets are mainly held in separate SPV's, which enables sales through share deals where the effective capital gain tax is less than 1%.

Current tax expenses on the other hand are a direct result of the Company's current operational cash flows and as such are linked to the recurring operational results during the period. Accordingly, current tax expenses increased by 5% to €28 million in 2017, reflecting the year-over-year growth and the Company's operational performance.

PROFIT FOR THE PERIOD

For the year ended December 31,	2017	2016
	€'000	
Profit for the period	**639,149**	**653,105**
Profit attributable to owners of the Company	534,568	544,820
Profit attributable to perpetual capital investors	24,250	20,272
Profit attributable to non-controlling interests	80,331	88,013

GCP's net profit for 2017 amounted to €639 million, compared to the €653 million in profit recorded in 2016, whereas the operational profits have increased. The slight decrease between the profit of the two years is due to non-recurring items: high other financial expenses and a larger amount of deferred taxes. The increase in other financial results is primarily associated with financing activities during the year that resulted in a strengthened debt structure and financial position, most significantly the repayment of the majority of the higher-coupon Series D straight bonds. Such initiatives are part of the Company's pro-active debt management strategy and result in lower financing expenses going forward, contributing to a higher bottom line in future periods as a result. The larger deferred tax expenses, a non-cash item, increased in comparison to 2016 due to the higher revaluation result in 2017. As previously, the Company's operational performance remains strong with double-digit growth in recurring operational results, witnessed through 11% year-over-year growth in FFO I in 2017.

EARNINGS PER SHARE

For the year ended December 31,	2017	2016
	€'000	
Basic earnings per share (in €)	3.35	3.56
Diluted earnings per share (in €)	3.06	3.25
Weighted average basic shares (in thousands)	159,605	152,836
Weighted average diluted basic shares (in thousands)	176,579	168,020

The Company recorded basic earnings per share of €3.35 and diluted earnings per share of €3.06 in 2017, compared to €3.56 and €3.25 in 2016, respectively. While operational performance increased with double-digit growth during the course of the year, the bottom line was impacted by several one-off, non-recurring, and mostly non-cash items as described in the previous section. Per share earnings were also affected by the higher average share count for the year resulting from the additional equity issuance in June 2017. The diluted earnings per share reflects the theoretical impact of potential future conversion of the Company's Series F convertible bonds issued in 2016, which are currently out-of-the-money.

Gelsenkirchen

Notes on business performance

ADJUSTED EBITDA AND FUNDS FROM OPERATIONS (FFO I)

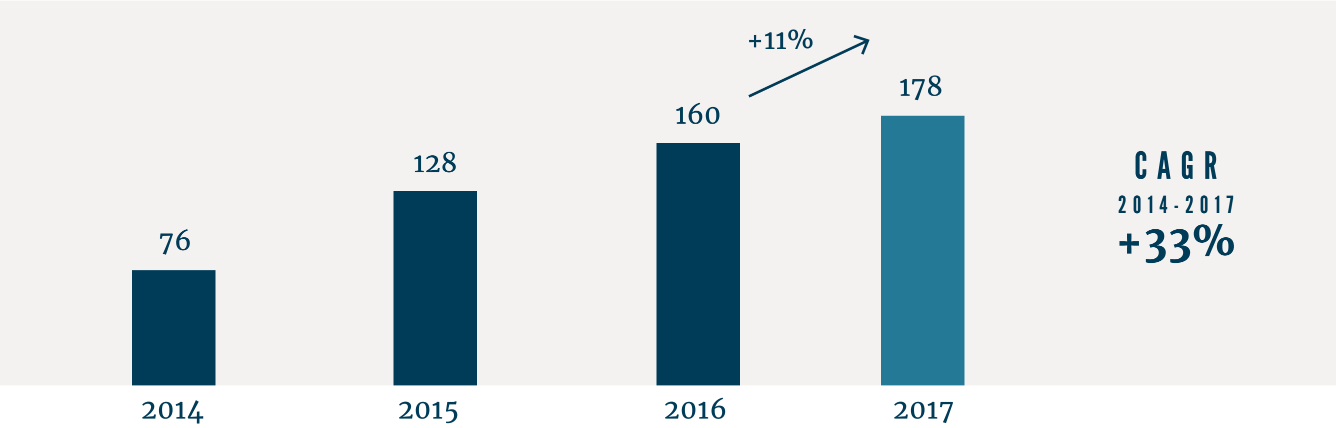
For the year ended December 31,	**2017**	2016
	€'000	
Operating profit	868,482	822,862
Depreciation and amortization	2,053	1,695
EBITDA	**870,535**	**824,557**
Capital gains, property revaluations and other income	(616,459)	(598,280)
Result on the disposal of inventories - trading properties	(498)	(2,031)
Share in profit from investment in equity-accounted investees	(6,491)	(541)
Other adjustments	893	1,024
Adjusted EBITDA	**247,980**	**224,729**
Finance expenses	(40,208)	(36,319)
Current tax expenses	(28,040)	(26,799)
Contribution to minorities	(1,719)	(1,491)
FFO I	**178,013**	**160,120**
Weighted average basic shares in thousands*	159,605	152,836
FFO I per share (in €)	**1.12**	**1.05**

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

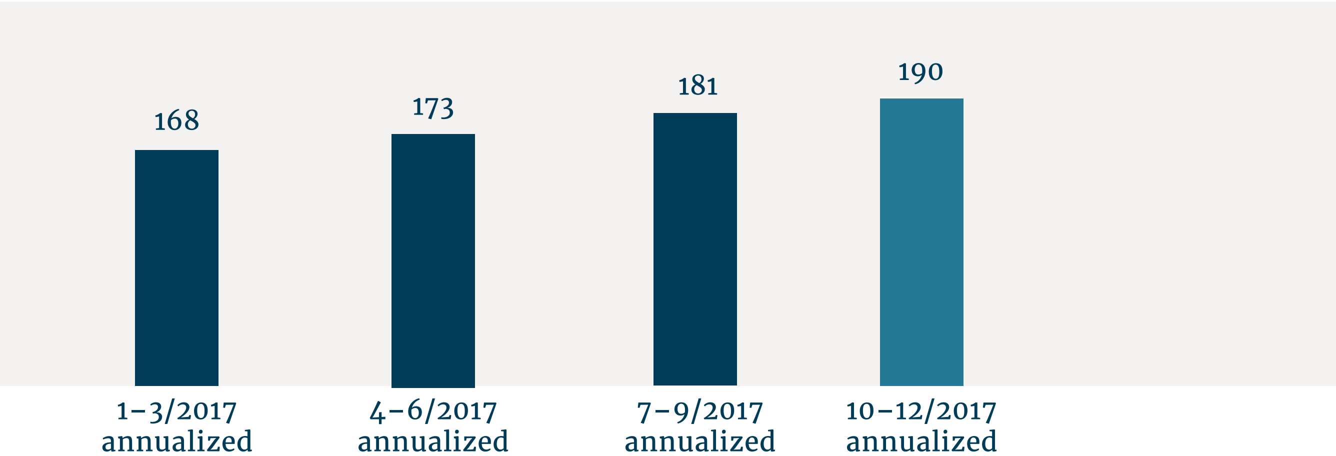
The adjusted EBITDA is an industry standard figure indicative of the Company's recurring operational profits before interest and tax expenses, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as profits from disposal of inventories, share in profit from investment in equity accounted investees and other adjustments. GCP's adjusted EBITDA amounted to €248 million in 2017, representing an increase of 10% from €225 million in 2016. This year-over-year growth in operational results stems both from external growth through selective acquisitions of asset with value creation potential, and growth achieved within the existing portfolio through repositioning efforts, rent and occupancy increases. The solid organic growth was demonstrated through a like-for-like net rental income increase of 3.5% as of December 2017, in line with growth levels of previous years. The increase in rental revenues was partially offset by higher leasing expenses due to increased letting efforts, which resulted in a reduction of the vacancy rate to 7%, increasing operating expenses due to higher service levels provided to our tenants, as well as one-off expenses related to GCP's uplisting to the Prime Standard of the Frankfurt Stock Exchange in the first half of the year.

Funds From Operations I (FFO I) is another key industry performance indicator, used in the real estate sector as the measure of the recurring operational cash flow of the Company, and calculated by deducting from the adjusted EBITDA the finance expenses, current tax expenses and contributions to minorities. GCP generated in 2017 FFO I in the amount of €178 million, reflecting a year-over-year increase of 11% from €160 million in 2016. This strong bottom-line profitability growth, which is in line with the growth in adjusted EBITDA for the year, continuously benefits from the Company's low borrowing costs resulting from the pro-active debt management and ability to access cheap funding via the capital markets.

FFO I DEVELOPMENT (IN € MILLION)



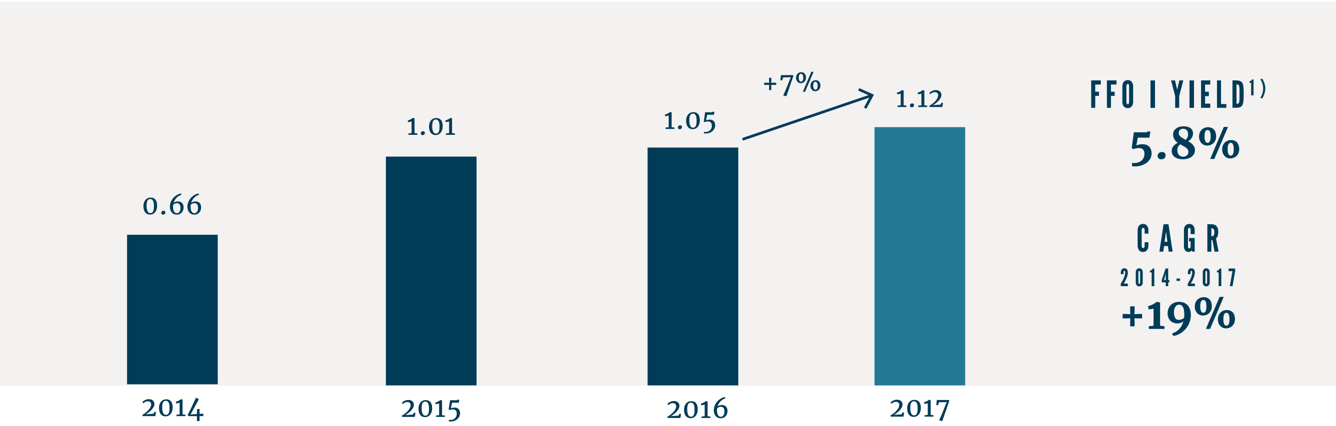
FFO I ANNUALIZED DEVELOPMENT (IN € MILLION)



FFO I PER SHARE

GCP generated FFO I per share of €1.12 in 2017, an increase of 7% compared to €1.05 in 2016, with the year-over-year growth achieved despite the dilutive effect of the equity increase conducted in June 2017. Through effective implementation of its proven business model and disciplined management, the Company consistently generates accretive value for its shareholders, with the strong operational performance resulting in increasing profitability on a per share basis. The resulting FFO I yield of 5.8% highlights GCP's proposition as an attractive cash-generating investment, and flows directly to investors through a high dividend yield given the payout ratio policy of 65% of FFO I per share.

FFO I PER SHARE DEVELOPMENT (IN €)



1) based on a share price of €19.2

Notes on business performance

FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION

For the year ended December 31,	2017	2016
	€'000	
FFO I	**178,013**	**160,120**
Adjustment for accrued perpetual notes attribution	(24,250)	(20,272)
FFO I after perpetual notes attribution	**153,763**	**139,848**
Weighted average basic shares in thousands*	159,605	152,836
FFO I per share after perpetual notes attribution (in €)	**0.96**	**0.92**

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

According to IFRS accounting treatment, the perpetual notes are considered as equity and therefore, these attributions are recorded through changes in equity and not as a financial expense in the P&L and thus not otherwise reflected in the FFO. For enhanced transparency, GCP additionally reports its FFO I per share after attributing the share of profit attributable to the Company's perpetual notes investors. GCP's FFO I per share after perpetual notes attribution in 2017 amounted to €0.96 and increased by 4% from €0.92 in 2016. The year-over-year growth in FFO I was offset by a larger attribution resulting from the additional issuance of €200 million perpetual notes in September 2016, which had a full year effect in 2017 compared to 2016, as well as the larger amount of shares outstanding due to the equity increase conducted in June 2017.

ADJUSTED FUNDS FROM OPERATION (AFFO)

For the year ended December 31,	2017	2016
	€'000	
FFO I	**178,013**	**160,120**
Repositioning capex	(67,015)	(56,325)
AFFO	**110,998**	**103,795**

The Adjusted Funds From Operations (AFFO) is a further measure of comparison which factors into the FFO I the Company's repositioning capital expenditures, which are aimed at increasing the quality of the portfolio. Modernization capex is not included in the AFFO as it is considered an additional investment program, similar to property acquisitions, which is conducted at the discretion of the Company. The Company's AFFO amounted to €111 million in 2017, up from €104 million in 2016. The repositioning capex initiatives GCP carries out are part of the value creation cycle and result in an increased asset quality, as well as contributing to the successful ongoing occupancy increase efforts.

FFO II

For the year ended December 31,	2017	2016
	€'000	
FFO I	**178,013**	**160,120**
Result from disposal of properties*	26,440	68,620
FFO II	**204,453**	**228,740**

* the excess amount of the sale price to cost price plus capex of the disposed properties

FFO II additionally incorporates the results from asset disposals on top of the FFO I. The FFO II for 2017 amounted to €205 million, compared to €229 million in 2016, with the decreased figure attributable to a lower result from disposals during the year compared to 2016, which witnessed more disposal activities. GCP disposed of several properties during the course of 2017 with a total disposal value of €52 million, including non-core properties located in NRW and Berlin and including land with building rights in the center of Berlin. The disposal of land with building rights is part of GCP's value-add process, identifying the development potential of the current portfolio and preparing for future disposal or reserve. The total result from disposals amounted to €26 million, calculated as the difference between the disposal values and the property acquisition costs plus capex, reflects the economic profit generated on the sale of the assets.

Velbert

Notes on business performance

CASH FLOW

For the year ended December 31,	2017	2016
	€'000	
Net cash provided by operating activities	202,306	201,293
Net cash used in investing activities	(608,427)	(557,184)
Net cash provided by financing activities	268,519	570,397
Net change in cash and cash equivalents	**(137,602)**	**214,506**

Net cash from operating activities resulted in €202 million in 2017, in line compared with €201 million in 2016. While recurring operational cash flows saw double-digit growth during the year, cash flow provided by operating activities only increased slightly compared to the previous year because of offsetting effects from changes in working capital and paid taxes.

Net cash used in investing activities amounted to €608 million in 2017, an increase from €557 million used in 2016. The large majority of the total amount spent is attributable to acquisitions carried out during the year, as the total acquisition volume has been lower compared to 2016. GCP continues to make use of its extensive deal sourcing network on a selective, value-add basis, ensuring that the acquired properties meet the strict acquisition criteria guidelines and contain considerable value creation potential that can be materialized in the long run through the Company's operational platform and management abilities.

Net cash provided by financing activities amounted to €269 million in 2017 compared to €570 million in 2016. Overall, the total financing volume in 2017 was higher, with the lower total cash from financing activities compared to the prior year attributable to several factors. While close to €900 million was raised in the capital markets through the issuance of the Series G and Series H straight bonds and the equity increase in June 2017, compared to over €600 million raised in 2016, the net capital raised was lower year-over-year due to the repurchase of €321 million notional amount of the Series D straight bonds, which strengthen the Company's debt maturity structure by increasing the average maturity and decreasing the cost of debt. Financing through banks and financial institutions also contributed as a net amount of loans was repaid during the course of 2017, while in 2016 a net amount of loans was drawn. Lastly, there was an impact from dividends paid to shareholders as a result of both the increased payout ratio and the higher amount of operational profits achieved, with the Company's strong profitability passed on to shareholders.

The net cash flow effect resulted to a decrease of €138 million over the course of 2017, with a cash and liquid assets balance of €402 million as of the end of 2017. Despite the net cash outflow during the year, GCP's liquidity position remains extremely strong and is further supported by approx. €100 million in available credit facilities, as well as a large pool of unencumbered assets. The maintenance of strong liquidity is part of the Company's conservative financial approach and results in a great deal of financial flexibility and comfort, such as seizing on attractive acquisition opportunities using only internal resources and without the need to arrange financing.

ASSETS

	Dec 2017	Dec 2016
	€'000	
Non-current assets	**6,712,360**	**5,126,031**
Investment property*	6,387,868	4,795,757
Current assets	**795,932**	**1,027,702**
Total Assets	**7,508,292**	**6,153,733**

* including inventories – trading properties

The balance of total assets as of the end of 2017 amounted to over €7.5 billion, representing an increase of 22% from €6.15 billon at the end of 2016. The increase in total assets was predominantly driven by growth in the value of investment properties over the course of the year, reflective of GCP's successful growth through its established operational model and business strategy as the Company continues to strengthen its position as one of the largest listed residential companies in Germany.

The value of investment properties increased by 33% to €6.4 billion from €4.8 billion at the end of 2016, which is the driving factor behind the strong year-over-year growth in the asset base. This growth was driven both externally through selective and accretive acquisitions as well as by strong internal growth through positive operational developments such as repositioning efforts and like-for-like gains in occupancy and in-place rents, driving positive property revaluations. Acquisitions throughout the year were conducted at an average multiple of 23x. GCP's portfolio increased in 2017 in by 4k units across GCP's strategic portfolio locations including Berlin, NRW, Hamburg and Hannover. Additionally, following the Company's strategy to acquire properties in major cities with strong fundamentals, the Company acquired over 300 residential units in London, amounting to about 2% of total portfolio value as of the end of 2017. The Company is committed to creating accretive operational profits and carefully cherry picking opportunities with significant value-add potential. The Company believes that on a limited scale, London offers the Company attractive prospects, when assessing correctly the merits of each and every acquisition made. GCP is continuously evaluating potential acquisition opportunities fitting the Company's accretive acquisition criteria, including value creation potential, as external growth remains a viable option despite decreasing supply in the market. Other non-current assets include investments in equity-accounted investees in the amount of €37 million, reflecting holdings in non-consolidated entities, as well as advance payments for properties, deposits, prepayments and investments in financial assets such as NPL's and deal options.

The fair values of investment properties are externally appraised at least once a year by independent and certified valuations, with Jones Lang LaSalle (JLL) acting as the Company's main appraiser. The primary valuation approach is based on the discounted cash flow (DCF) model based on certain time period (predominantly 10-years). The below table summarizes the key valuation parameters used by external independent valuators*.

Valuation paramaters	2017	2016
Rental multiple	18.2	15.6
Value per sqm	1,155	924
Market rental growth p.a.	1.5%	1.4%
Management cost per unit	262	265
Ongoing maintenance cost per sqm	8.3	7.5
Average discount rate	5.5%	5.9%
Average cap rate	4.7%	5.0%

* in the original version JLL was written

Notes on business performance

Current assets, which are mostly composed of cash and liquid assets and assets held for sale, decreased to €0.8 billion from €1.0 billion in 2016. Cash and liquid assets remained high at the end of 2017 at €402 million, with the decrease from €632 at year-end 2016. GCP consistently maintains a high level of liquidity as part of its conservative financial approach, providing for strong financial flexibility, ensuring sufficient financial headroom, and enabling the Company to quickly seize on attractive acquisition opportunities. Assets held for sale consist of properties identified by management as non-core holdings, generally located throughout the portfolio's locations, and being marketed for disposal. As of year-end 2017 these assets amounted to €123 million and generated €7 million in annual net rental income. The remaining items under current assets include rent and other receivables, prepayments for operating costs and other expenses and trading inventories.

December 2017	Value (in €M)	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	1,792	1,825	7.7%	111	5.4	27,294	982	6.2%
Berlin	1,502	639	5.2%	53	7.2	8,276	2,351	3.5%
Dresden/Leipzig/Halle	1,049	1,143	8.8%	61	4.9	19,888	918	5.8%
Mannheim/KL/Frankfurt/Mainz	312	242	4.3%	17	6.1	4,011	1,288	5.5%
Nuremberg/Fürth/Munich	197	102	3.4%	10	7.7	1,471	1,925	4.9%
Bremen/Hamburg/Hannover	440	364	4.0%	25	6.0	5,445	1,210	5.6%
Others	1,096	1,217	7.8%	74	5.7	20,395	901	6.7%
Total	**6,388**	**5,532**	**7.0%**	**351**	**5.65**	**86,780**	**1,155**	**5.5%**

Solingen

LIABILITIES

	Dec 2017	Dec 2016
	€'000	
Total loans and borrowings [1)]	940,682	937,410
Straight bonds [2)]	1,422,920	1,050,078
Convertible bond	432,073	427,909
Deferred tax liabilities [3)]	501,999	328,519
Other long-term liabilities and derivative financial instruments	59,229	49,798
Current liabilities [4)]	301,727	294,955
Total Liabilities	**3,658,630**	**3,088,669**

1) including short-term loans and borrowings, loan redemption, and financial debt held for sale
2) including bond redemption
3) including deferred tax liabilities of assets held for sale
4) excluding short-term loans and borrowings, debt redemption, and financial debt held for sale

Total liabilities increased to €3.7 billion as of year-end 2017, an increase of 18% compared to €3.1 billion at year-end 2016. The majority of the balance are non-current liabilities which consist primarily of financial debt and deferred tax liabilities. The larger proportional increase in total assets of 22% over the year compared to total liabilities supports the continuous maintenance of low leverage, and underlines the Company's conservative financial structure and policy.

Non-current liabilities amounted to €3.3 billion as of year-end 2017 and increased 20% from €2.8 billion at year-end 2016. The great majority of the balance is financial debt including straight bonds, convertible bonds and bank loans, which are used to finance the Company's growth and constitute a key element of the financial and capital structure. The amount of financial debt increased by 16% in 2017 as a result of the simultaneous issuance of the €600 million Series G straight bonds at a low coupon of 1.375% and buy-back of €321 million of the total €500 million of the higher-coupon 2% Series D straight bonds due 2021. Furthermore, in October 2017 GCP issued its longest-ever maturing bond, the 15-year €110 million Series H straight bonds due 2032, which was tapped by an additional €145 million in Q1 2018. These capital markets initiatives, which resulted in an increased average debt maturity and decreased average cost of debt, are a prime example of the Company's pro-active debt management which aims to ensure a strong financial position with a long-term view and lock in attractive interest rates for years to come.

Deferred tax liabilities, which amount to 15% of the total non-current liabilities and accounted for almost a third of the total increase during the period, are the result of revaluation gains recorded. Despite the majority of GCP's assets being held through separate SPV's, facilitating the possibility of asset disposals through share deals as opposed to asset deals, the Company follows a conservative approach in its deferred taxes accounting treatment by accounting for the full German corporate tax effect of 15.825% on revaluations gains, assuming the theoretical future disposals via asset deals.

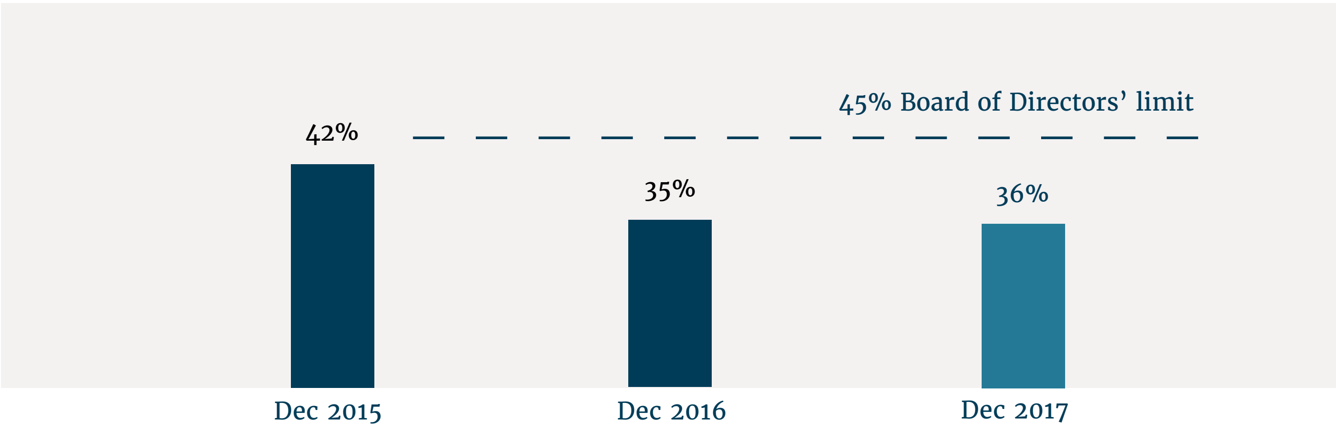
Notes on business performance

LOAN-TO-VALUE

	Dec 2017	Dec 2016
	€'000	
Investment property [1]	6,425,430	4,850,634
Investment properties of assets held for sale	117,246	146,078
Equity-accounted investees	37,261	117,785
Total value	**6,579,937**	**5,114,497**
Total debt [2]	2,795,675	2,415,397
Cash and liquid assets [3]	402,331	631,904
Net debt	**2,393,344**	**1,783,493**
LTV	**36%**	**35%**

1) including advanced payments for investment properties and inventories – trading properties
2) including loans and borrowings held for sale
3) including cash and cash equivalents held for sale

The Company's conservative financial approach is first and foremost reflected in its low leverage with an LTV of 36% as of year-end 2017, in-line with 35% at year-end 2016 and well-below the internal limit of 45% set out in the financial policy. The conservative leverage level is also reflected in the continuously strong credit metrics with an ICR of 6.2x and DSCR of 4.8x for 2017, significantly above the mandated debt covenants. The high buffer between the current level and the policy ceiling results in considerable headroom and provides strong protection in case of market downturn.



EQUITY

	Dec 2017	Dec 2016
	€'000	
Total Equity	**3,849,662**	**3,065,064**
of which equity attributable to perpetual notes investors	665,871	667,393
of which non-controlling interests	364,489	196,666

Total equity as of year-end 2017 increased to over €3.8 billion, up 26% from €3.1 billion at year-end 2016. The growth in equity stems from the net profit for the year in the amount of €639 million as well as the €198 million equity capital increase carried out in June 2017, while being offset by the dividend distribution for the previous year in the amount of €112.5 million in July 2017. The impressive year-over-year growth in equity is the result of the GCP's proven business model and its successful implementation on all levels of the Company, resulting in consistent value generation. The balance of non-controlling interest increased by €168 million, of which €80 million refer to profit attributable to non-controlling interest generated in 2017 and the remaining relates to non-controlling interest arising from initially consolidated companies and other transactions.

Berlin

EPRA performance measures

Leipzig

The European Public Real Estate Association (EPRA) is the widely-recognized market standard guidance and benchmark provider for the European real estate industry. EPRA's Best Practices Recommendations dictate the ongoing reporting of a set of performance metrics intended to enhance the quality of reporting by bridging the gap between the regulated IFRS reporting presented and specific analysis relevant to the European real estate industry. These standardized EPRA Performance Measures provide additional relevant earnings, balance sheet and operational metrics, and facilitate for the simple and effective comparison of performance-related information across different companies. The information presented below is based on the materiality and importance of information. For example, as GCP has no material properties under development those are not taken into consideration.

	Dec 2017	Dec 2016
	€'000	
EPRA Earnings	167,323	151,984
EPRA Earnings per share (in €)	1.05	0.99
EPRA NAV	3,327,186	2,541,060
EPRA NAV per share (in €)	20.2	16.4
EPRA NNNAV	3,206,966	2,431,814
EPRA NNNAV per share (in €)	19.4	15.7
EPRA Net initial yield (NIY)	4.0%	4.7%
EPRA "topped-up" NIY	4.0%	4.7%
EPRA Vacancy	7.0%	7.9%
EPRA Cost Ratio (incl. direct vacancy costs)	24.4%	22.7%
EPRA Cost Ratio (excl. direct vacancy costs)	21.3%	18.0%

EPRA EARNINGS

The EPRA Earnings indicator is intended to serve as a key indicator of the underlying operational profits for the year in the context of a European real estate company, intended to measure the extent to which the Company's dividend distribution is covered by its operational income. GCP also provides a reconciliation of the EPRA Earnings to the FFO I, another widely-recognized and key performance measure, as it believes it to be a better measure of recurring operational profits and given that its dividend payout policy is based on the FFO I, supporting its importance and relevance.

For the year ended December 31,	**Dec 2017**	Dec 2016
	€'000	
Earnings per IFRS income statement	639,149	653,105
Capital gains, property revaluations and other income	(616,459)	(598,280)
Result on the disposal of inventories - trading properties	(498)	(2,031)
Change in fair value of financial assets and liabilities, net	34,983	5,704
Deferred tax expenses	118,358	95,518
Share in profit from investment in equity-accounted investees	(6,491)	(541)
Contribution to minorities	(1,719)	(1,491)
EPRA Earnings	**167,323**	**151,984**
Weighted average basic shares in thousands*	159,605	152,836
EPRA Earnings per share (in €)	**1.05**	**0.99**
Bridge to FFO I		
Add back: Depreciation	2,053	1,695
Add back: Finance-related costs	7,744	5,417
Add back: Other adjustments	893	1,024
FFO I	**178,013**	**160,120**
FFO I per share (in €)	**1.12**	**1.05**

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

GCP's EPRA Earnings amounted to €167 million in 2017, or €1.05 on a per share basis, compared to €152 million and €0.99 per share in 2016, respectively. The year-over-year increase of 10% is in line with the parallel increase in FFO I during the year.

EPRA performance measures

EPRA NAV

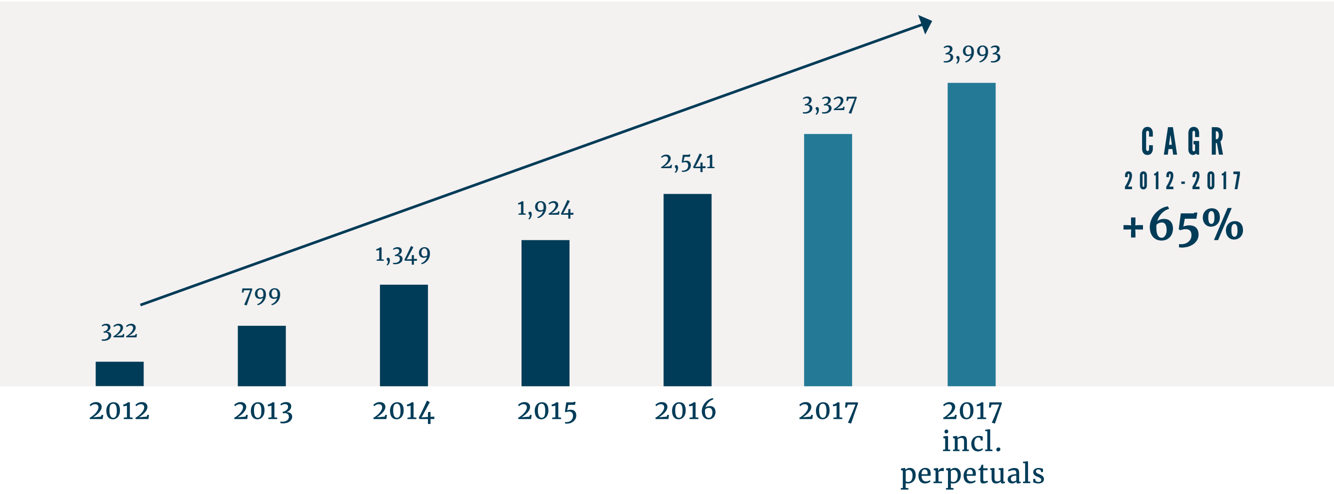
The EPRA NAV is defined by EPRA as the net asset value of the Company adjusted to include real estate properties and other investment interests at fair values and exclude certain items that are not expected to materialize in a long-term real estate business model. The purpose of the EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the Group's balance sheet items in the context of a true real estate investment company with a long-term oriented investment strategy. As perpetual notes are classified as equity in accordance with IFRS treatment, GCP additionally reports the EPRA NAV including the perpetual notes.

	Dec 2017		Dec 2016	
	€'000	€ per share	€'000	€ per share
Equity per the financial statements	**3,849,662**		**3,065,064**	
Equity attributable to perpetual notes investors	(665,871)		(667,393)	
Equity excluding perpetual notes	**3,183,791**		**2,397,671**	
Fair value measurements of derivative financial instruments	5,885		11,536	
Deferred tax liabilities*	501,999		328,519	
NAV	**3,691,675**	**22.4**	**2,737,726**	**17.7**
Non-controlling interests	(364,489)		(196,666)	
EPRA NAV	**3,327,186**	**20.2**	**2,541,060**	**16.4**
Equity attributable to perpetual notes investors	665,871		667,393	
EPRA NAV incl. perpetual notes	**3,993,057**	**24.2**	**3,208,453**	**20.7**
Basic amount of shares including in-the-money dilution effects	165,004		154,910	

* including balances held for sale

GCP's EPRA NAV as of year-end 2017 amounted to €3.3 billion, representing an increase of 31% from €2.5 billion at year-end 2016, with the increase driven primarily by the profits for the period in the amount of €639 million and the €198 million equity capital increase in June 2017, while offset partially by the €112.5 million dividend distribution for the 2016 fiscal year in July 2017. On a per share basis, the EPRA NAV increased by 23% to €20.2 per share from €16.4 per share, demonstrating the strong value accretion delivered to shareholders. EPRA NAV including perpetual notes increased to €4.0 billion and €24.2 per share, respectively, up 24% and 17% from €3.2 billion and €20.7 per share at year-end 2016, respectively.

EPRA NAV DEVELOPMENT (IN € MILLIONS)



EPRA NNNAV

The EPRA NNNAV is derived by adjusting the EPRA NAV by marking to market the values of the Company's financial debt, derivative financial instruments and deferred taxes. The purpose of the EPRA NNNAV is to provide stakeholders with the most relevant information on the Company's financial liabilities by reporting them at their fair values as of the end of the period.

GCP's EPRA NNNAV as of year-end 2017 amounted to €3.2 billion and €19.4 per share, increased by 32% and 24% from €2.4 billion and €15.7 per share at year-end 2016, respectively.

	Dec 2017	Dec 2016
	€'000	
EPRA NAV	**3,327,186**	**2,541,060**
Fair value measurements of derivative financial instruments	(5,885)	(11,536)
Adjustment to reflect fair value of debt	(86,420)	(79,442)
Deferred tax liabilities*	(27,915)	(18,268)
EPRA NNNAV	**3,206,966**	**2,431,814**
Basic amount of shares including in-the-money dilution effects	165,004	154,910
EPRA NNNAV per share (in €)	**19.4**	**15.7**

* 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

The EPRA Net Initial Yield (NIY) is intended to serve as a standardized portfolio valuation indicator. It is calculated by subtracting the passing non-recoverable operating costs from the passing net rental income as of the end of the period, and dividing the result by the fair value of the full property portfolio (including non-core assets) plus an allowance for estimated purchasers' costs. EPRA 'topped-up' NIY is an additional calculation that factors into consideration the effects of rent-free periods and other lease incentives.

	Dec 2017	Dec 2016
	€'000	
Investment property	6,376,224	4,768,487
Investment properties of assets held for sale	117,246	146,078
Inventories - trading properties	11,644	27,270
Complete property portfolio	6,505,114	4,941,835
Allowance for estimated purchasers' costs	535,053	406,471
Gross up complete property portfolio valuation	**7,040,167**	**5,348,306**
End of period annualized net rental income [1)]	358,000	313,000
Operating costs [2)]	(77,883)	(63,283)
Annualized net rent, after non-recoverable	**280,117**	**249,717**
Notional rent expiration of rent-free periods or other lease incentives	N/A	N/A
Topped-up net annualized rent	280,117	249,717
EPRA NIY	**4.0%**	**4.7%**
EPRA "topped-up" NIY	**4.0%**	**4.7%**

1) including net rental income from assets held for sale
2) to reach annualized operating costs, cost margins were used for each respective period

The EPRA NIY of the GCP portfolio as of year-end 2017 was 4.0%, decreased from 4.7% as of year-end 2016 due to the strong operational performance achieved during the year which resulted in positive valuation movements, as well as general yield compression in GCP's main strategic locations.

EPRA VACANCY

EPRA Vacancy is an operational measures that calculates a real estate company's economic vacancy rate as based on the prevailing market rental rates, as opposed to in-place rents and physical vacancy. It is calculated by dividing the market rental value of the vacant spaces in the portfolio by the market rental value of the entire portfolio.

	Dec 2017	Dec 2016
EPRA Vacancy	**7.0%**	**7.9%**

The EPRA Vacancy of the Company's investment properties as of year-end 2017 was 7.0%, a decrease from 7.9% at year-end 2016 as a result of the continued strong letting efforts, increased asset quality through repositioning capex and positive market dynamics in GCP's strategic locations.

EPRA COST RATIOS

The EPRA Cost Ratios provide a detailed analysis of a Company's operating costs structure and provide for increased comparability across companies. The cost ratio is derived by dividing the Company's direct administrative expenses and property operating expenses (including non-recoverable service charges) by the rental income for the year, excluding ground rents. The ratio is calculated both including and excluding the direct vacancy costs.

	Dec 2017	Dec 2016
	€'000	
Operational expenses	40,517	31,791
Maintenance and refurbishment	32,905	27,004
Administrative expenses	10,961	9,550
Exclude:		
Depreciation	(2,053)	(1,695)
Ground rents	(2,819)	(2,652)
EPRA Costs (including direct vacancy costs)	**79,511**	**63,998**
Direct vacancy costs	(10,356)	(13,255)
EPRA Costs (excluding direct vacancy costs)	**69,155**	**50,743**
Rental and operating income	494,889	435,668
Less: ground rents	(2,819)	(2,652)
Less: operating income	(166,833)	(150,599)
Rental income, net	**325,238**	**282,417**
EPRA Cost Ratio (including direct vacancy costs)	**24.4%**	**22.7%**
EPRA Cost Ratio (excluding direct vacancy costs)	**21.3%**	**18.0%**

The Company's EPRA Cost Ratios, both including and excluding direct vacancy costs, increased slightly in 2017 compared to 2016. The increase is related to the operational costs resulting from higher quality tenant service standard provided and maintenance expenditures required to maintain high property quality and preserve asset value, as well as other expenses associated with the maintenance of GCP's strong operational platform and the Company's large scale and one-off costs.

Duisburg

Responsibility Statement

To the best of our knowledge, the annual consolidated financial statements of Grand City Properties S.A., prepared in accordance with the applicable reporting principles for financial statements, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the management report of the Group includes a fair view of the development of the business, and describes the main opportunities, risks, and uncertainties associated with the Group.

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 19, 2018

Refael Zamir
Director (chairman), CFO

Simone Runge-Brandner
Independent Director

Daniel Malkin
Independent Director

Report of the Réviseur d'Entreprises Agréé

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Grand City Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under those Regulation, Law and standards are further described in the « Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES

a) Why the matter was considered to be one of most significant in the audit?

We refer to the accounting policy on page 95 "(L) Investment Property", and on page 96 "(M) Assets held for sale" and to Note 15 "Investment Property" on page 114 and Note 25 "Disposal group held for sale" on page 132 in the consolidated financial statements of Grand City Properties S.A.

As at 31 December 2017 the Group held a portfolio of investment properties with a fair value of TEUR 6,376,224 (2016: TEUR 4,768,487) and investment properties within Assets held for sale with a fair value of TEUR 117,246 (2016: TEUR 146,078).

The valuation of investment properties is a significant judgement area and is underpinned by a number of assumptions.

The fair value measurement of investment property is inherently subjective and requires valuation experts and the Group'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 cause a significant change in its fair value.

The Group uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment properties.
The external valuers were engaged by management, and performed their work in compliance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards, TEGoVA European Valuations Standards and IVSC International Valuation Standard. The Valuers used by the Group have considerable experience of the markets in which the Group operates. In determining a property's valuation, the valuers take into account property-specific characteristics and information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.

The significance of the estimates and judgments involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement in the consolidated statement of comprehensive income and consolidated statement of financial position, warrants specific audit focus in this area.

b) How the matter was addressed during the audit?

Our procedures over valuation of investment properties include but are not limited to the following:

- We tested the design and implementation of the key controls around the determination and monitoring of the fair value measurement of the investment properties;

- We assessed the competence, capabilities, qualifications, independence and integrity of the external valuers and read their terms of engagement by Grand City Properties S.A. to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;

- We assessed that that the valuation approach applied by the external valuer is in accordance with relevant valuation and accounting standards and suitable for use in determining the carrying value in the consolidated statement of financial position;

- We tested the integrity, accuracy and completeness of inputs used by the external valuers, as well as appropriateness of valuation parameters used, such as discount capitalisation rates, market rents per square meter and capital expenditure;

- We assessed the valuation process and significant assumptions and critical judgement areas by benchmarking the key assumptions to external industry data and comparable property transactions, in particular the yields applied;

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report, the Corporate Governance Statement and Corporate Social Responsibility report but does not include the consolidated financial statements and our report of the "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.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Report of the Réviseur d'Entreprises Agréé (CONTINUED)

RESPONSIBILITIES OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on April 12, 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

The Board of Directors' Report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 40 to 43. The information required by Article 68ter 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, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014, on the audit profession were not provided and that we remain independent of the Group in conducting the audit.

OTHER MATTER

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) points a), b), e), f) and g) 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.

Luxembourg, March 19, 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé
39 Avenue John F. Kennedy
L 1855 Luxembourg

Joseph de Souza

Dortmund

The notes on pages 86 to 140 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Note	For the year ended December 31, 2017	2016
		€'000	
Revenue	5	496,875	442,670
Capital gains, property revaluations and other income	6	616,459	598,280
Share of profit from investments in equity-accounted investees	13	6,491	541
Property operating expenses	7	(238,894)	(204,108)
Cost of buildings sold		(1,488)	(4,971)
Administrative and other expenses	8	(10,961)	(9,550)
Operating profit		**868,482**	**822,862**
Finance expenses	9a	(40,208)	(36,319)
Other financial results	9b	(42,727)	(11,121)
Profit before tax		**785,547**	**775,422**
Current tax expenses	10	(28,040)	(26,799)
Deferred tax expenses	10	(118,358)	(95,518)
Tax and deferred tax expenses		**(146,398)**	**(122,317)**
Profit for the year		**639,149**	653,105
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(511)	-
Total comprehensive income for the year		**638,638**	**653,105**

Consolidated statement of comprehensive income

(CONTINUED)

	Note	For the year ended December 31, 2017	2016
		€'000	
Profit attributable to:			
Owners of the Company		534,568	544,820
Perpetual notes investors	18D	24,250	20,272
Non-controlling interests		80,331	88,013
		639,149	**653,105**
Total comprehensive income attributable to:			
Owners of the Company		534,057	544,820
Perpetual notes investors		24,250	20,272
Non-controlling interests		80,331	88,013
		638,638	**653,105**
Net earnings per share attributable to the owners of the company (in €)			
Basic earnings per share	11	**3.35**	**3.56**
Diluted earnings per share	11	**3.06**	**3.25**

The notes on pages 86 to 140 form an integral part of these consolidated financial statements.

Mannheim

Consolidated statement of financial position

		As at December 31,	
		2017	2016
	Note	€'000	
Assets			
Equipment and intangible assets	14	19,649	15,833
Investment property	15	6,376,224	4,768,487
Advanced payments for investment property transactions		37,562	54,877
Investment in equity-accounted investees	13	37,261	117,785
Other non-current assets	12	213,920	154,520
Deferred tax assets	10C	27,744	14,529
Non-current assets		**6,712,360**	**5,126,031**
Cash and cash equivalents		312,058	448,873
Traded securities at fair value through profit and loss		89,426	181,397
Inventories - trading property		11,644	27,270
Trade and other receivables	17	259,774	219,668
Assets held for sale	25	123,030	150,494
Current assets		**795,932**	**1,027,702**
Total assets		**7,508,292**	**6,153,733**

The notes on pages 86 to 140 form an integral part of these consolidated financial statements.

		As at December 31,	
		2017	2016
	Note	€´000	
Equity			
Share capital	18	16,479	15,379
Share premium		753,226	670,038
Capital and other reserves		43,842	43,460
Retained earnings		2,005,755	1,472,128
Equity attributable to the owners of the Company		**2,819,302**	**2,201,005**
Equity attributable to Perpetual notes investors		665,871	667,393
Equity attributable to the owners of the Company and Perpetual notes investors		**3,485,173**	**2,868,398**
Non-controlling interests		364,489	196,666
Total Equity		**3,849,662**	**3,065,064**
Liabilities			
Loans and borrowings	20	918,669	896,577
Convertible bond	20	432,073	427,909
Straight Bonds	20	1,378,299	1,050,078
Derivative financial instruments	16	5,885	11,536
Other non-current liabilities	22	53,344	38,262
Deferred tax liabilities	10C	499,674	325,982
Non-current liabilities		**3,287,944**	**2,750,344**
Current portion of long-term loans	20	11,485	18,406
Loan and straight bond redemption	20	50,832	10,830
Trade and other payables	21	266,587	251,503
Tax payable		8,954	15,843
Provisions for other liabilities and charges	23	20,232	14,185
Liabilities held for sale	25	12,596	27,558
Current liabilities		**370,686**	**338,325**
Total liabilities		**3,658,630**	**3,088,669**
Total equity and liabilities		**7,508,292**	**6,153,733**

The Board of Directors of Grand City Properties S.A. authorized these consolidated financial statements to be issued on March 19, 2018

Refael Zamir
Director, CFO

Simone Runge-Brandner
Director

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	Translation reserves	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, 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**
Profit for the year	-	-	-	-	-	534,568	534,568	24,250	558,818	80,331	639,149
Other comprehensive income for the year	-	-	-	(511)	-	-	(511)	-	(511)	-	(511)
Total comprehensive income for the year	**-**	**-**	**-**	**(511)**	**-**	**534,568**	**534,057**	**24,250**	**558,307**	**80,331**	**638,638**
Issuance of new ordinary shares	1,100	195,656	-	-	-	-	196,756	-	196,756	-	196,756
Amount due to Perpetual notes investors	-	-	-	-	-	-	-	(25,772)	(25,772)	-	(25,772)
Equity settled share-based payment	-	-	-	-	893	-	893	-	893	-	893
Dividend distribution	-	(112,468)	-	-	-	-	(112,468)	-	(112,468)	-	(112,468)
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	-	-	(941)	(941)	-	(941)	87,492	86,551
Balance as at December 31, 2017	**16,479**	**753,226**	**20,284**	**(511)**	**24,069**	**2,005,755**	**2,819,302**	**665,871**	**3,485,173**	**364,489**	**3,849,662**

The notes on pages 86 to 140 form an integral part of these consolidated financial statements.

€'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
	Attributable to the owners of the Company									
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 due 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**

Consolidated statement of cash flows

	Note	For the year ended December 31, 2017	2016
		€'000	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		**639,149**	653,105
Adjustments for the profit:			
Depreciation and amortization		2,053	1,695
Capital gains, property revaluations and other income	6	(616,459)	(*) (598,280)
Share of profit from investments in equity-accounted investees	13	(6,491)	(541)
Net finance expenses	9	82,935	47,440
Tax and deferred tax expenses	10	146,398	122,317
Equity settled share-based payment	19	893	1,024
		248,478	**226,760**
Changes in:			
Inventories - trading property		(6,033)	2,421
Trade and other receivables		(39,135)	(5,908)
Trade and other payables		18,671	2,510
Provisions for other liabilities and charges		2,843	(5,549)
		224,824	**220,234**
Taxes paid		(22,518)	(18,941)
Net cash provided by operating activities		**202,306**	**201,293**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of equipment and intangible assets, net	14	(5,833)	(3,304)
Investments and acquisitions of investment property, capex and advances paid, net		(374,072)	(476,195)
Acquisition of investees and loans, net of cash acquired		(346,872)	(246,376)
Disposal of investees and loans, net of cash disposed		23,104	135,736
Proceeds from trade securities and other long-term financial assets, net		95,246	32,955
Net cash used in investing activities		**(608,427)**	**(557,184)**

(*) Reclassified.

The notes on pages 86 to 140 form an integral part of these consolidated financial statements.

Berlin

	Note	For the year ended December 31, 2017	2016
		€'000	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Amortizations of loans from financial institutions		(10,996)	(11,586)
Proceeds (repayments) from (of) loans from financial institutions, net		(72,397)	54,295
Proceeds from issuance of ordinary shares, net	18	196,756	-
Proceeds from Convertible bond, net	20	-	444,764
Proceeds from Straight bonds, net	20	680,356	-
Proceeds (Payments) from (to) Perpetual notes investors, net	18	(20,583)	170,999
Buyback of straight bonds	20	(344,365)	(2,476)
Transactions with non-controlling interests		(926)	(1,281)
Dividend distributed to the shareholders	18	(112,468)	(38,447)
Interest and other financial expenses, net		(46,858)	(45,871)
Net cash provided by financing activities		**268,519**	**570,397**
Net increase in cash and cash equivalents		**(137,602)**	**214,506**
Change in assets held for sale - cash	25	787	(1,634)
Cash and cash equivalents at January 1		448,873	236,001
Cash and cash equivalents at December 31		**312,058**	**448,873**

Notes to the consolidated financial statements

FOR THE YEAR ENDED DECEMBER 31, 2017

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 1, Avenue du Bois L-1251 Luxembourg.

The Company is a specialist in residential real estate, value-add opportunities in densely populated areas in Germany. The Company's strategy is to improve its properties through repositioning and intensive tenant management, and then create value by subsequently raising occupancy and rental levels.

These consolidated financial statements for the year ended December 31, 2017 comprise the Company and its investees ("the Group" or "GCP").

(B) LISTING ON THE FRANKFURT STOCK EXCHANGE

Since 2012, the Company's shares are listed on the Frankfurt Stock Exchange. On May 9, 2017 the Company's shares were up-listed to the Prime Standard of the Frankfurt Stock Exchange.

Since September 18, 2017 the Company's shares are included in the MDAX index of the Deutsche Börse.

As of the report date the issued share capital consists of 164,788,883 shares with a par value of euro 0.10 per share.

(C) CAPITAL AND BOND INCREASES

Since 2012, the Company undertook several capital market transactions which included the issuance of straight bonds, convertible bonds, perpetual notes and equity.

In July 2017, the Company established a Euro Medium Term Notes Programme ("the EMTN programme").

For more information see notes 18 and 20, respectively.


Solingen

(D) GROUP RATING

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

On December 21, 2016, S&P assigned the Company a short-term corporate credit rating of ‘A-2’.

Moody’s Investors Service (“Moody’s”) upgraded to ‘Baa1’ from ‘Baa2’ the long-term issuer rating of the Company. Concurrently, Moody’s upgraded to ‘Baa1’ from ‘Baa2’ the Company’s senior unsecured debt and to ‘Baa3’ from ‘Ba1’ the subordinated perpetual notes.

(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 (IFRS) as adopted by the European Union.

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, 2016 have been reclassified to enhance comparability with 2017 figures and are marked as "reclassified".

The consolidated financial statements were authorized for issue by the Company's board of directors on March 19, 2018.

(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 differ 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.

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 ASSETS

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 notes 15(b) and 26(v).

(D) FUNCTIONAL AND PRESENTATION CURRENCY

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in euro (EUR) using exchange rates prevailing at the end of the reporting period.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

The functional currency of certain foreign operations is the British Pound (GBP). The exchange rates which were used in the translation of these foreign operations were as follows:

	EUR/GBP
Exchange rate as at January 1, 2017	0.856
Exchange rate as at December 31, 2017	0.887
Average exchange rate during the year	0.877

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 in 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.

(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.


Cologne

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.

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.

Where a transaction or other event does not meet the definition of a business combination due to the acquiree not meeting the definition of a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed, and allocates the cost of the group of assets and liabilities to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

Such a transaction or event does not give rise to goodwill.

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.

(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.

Gelsenkirchen

Duisburg

(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 are incurred in the consolidated 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.

(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, unused 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. Similarly, unrecognized deferred taxes are reassessed at each reporting date and recognized to the extent that is has become probable that the future taxable profits will be available against which they can be used.

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.

3. Significant accounting policies

(CONTINUED)

Frankfurt am Main

(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	10-50

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.

(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 from 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.

3. Significant accounting policies

(CONTINUED)

(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.

(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.

4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted into share capital at the option of the holder, where 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 and subsequently at amortized cost.

8. PERPETUAL NOTES

Perpetual notes are presented as equity attributable to its holders, which is part of the total equity of the Group. The coupon is deferrable based on the Company's discretion until payment resolution of a dividend to the shareholders, and shall be recognized directly in the equity attributable to the Perpetual notes holders. The deferred amounts shall not bear interest.

Neu-Isenburg (Frankfurt am Main)

3. Significant accounting policies

(CONTINUED)

(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.

(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 one operating segment which refers to rental income from owned investment properties.
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.

(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

(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.

3. Significant accounting policies

(CONTINUED)

(Y) APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(I) AMENDMENTS TO IFRS THAT ARE ENDORSED BY THE EU AND ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.
The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

(II) NEW AND REVISED IFRS THAT ARE IN ISSUE AND ENDORSED BY THE EU BUT NOT YET EFFECTIVE FOR THE CURRENT YEAR

IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant for the Group:

- All recognized financial assets that are within the scope of IAS 39 are now required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognized in profit or loss. The Group's management estimates that the initial application of IFRS 9 will have no impact on the Group's classification and measurement categories of its financial assets.

- In respect of financial liabilities, all IAS 39 requirements have been carried forward to IFRS 9. The only change introduced by IFRS 9 in respect of financial liabilities is that for those designated at FVTPL, fair value changes attributable to own credit risk are presented in other comprehensive income (OCI), unless doing so would introduce an accounting mismatch. The Group's management estimates that the initial application of IFRS 9 will have no impact on the Group's classification and measurement of its financial liabilities.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

As of December 31, 2017 the Group's financial assets that are in scope for the Expected Credit Loss impairment model according to IFRS 9 are cash and cash equivalents, trade receivables and other current and non-current financial assets. The potential impact of estimated exposure for credit risk and expected credit loss for trade and other current and non-current receivables is expected to be not material (less than euro 5 million).

The cash and cash equivalents are held with various banks with high credit rating. Management considers that its cash and cash equivalents have low credit risk based on the external credit rating of the counterparties and the diversity of banks the Group works with and therefore the potential impact is expected to be not material.

- In respect of hedge accounting, the new requirements will align more closely with an entity's risk management policies, with generally more qualifying hedging instruments and hedged items. As at the reporting date, the Group does not apply hedge accounting.
- Additional disclosures including any significant judgement and estimation made will also be made with respect of these financial assets.

  The Group will apply IFRS 9 initially on January 1 2018, retrospectively with no restatement of comparative information. Any difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application will be included in opening retained earnings.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when revenue is recognized as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Rental and operating income

Lease contract are scoped out of IFRS 15, and are accounted for under IAS 17 (from 2019: IFRS 16), and therefore the application of the new standard does not have any impact in terms of amounts on the recognition of rental income.

Any other components of contract which are not lease components should be accounted for under IFRS 15, except for property tax and building insurance which will be accounted for under IFRS 16 from 2019.

As there are no changes regarding the period-based recognition of operating income, the application of IFRS 15 will not have any impact in terms of amount.

Sales of properties

For the sale of properties, revenue is currently recognized when the property is handed over to the buyer, which is taken to be the point in time at which the buyer accepts the property and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and the related cost can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the property.
Under IFRS 15, revenue will be recognized when a buyer obtains control of the property.

The Group's assessment indicates that the application of IFRS 15 will not change the timing and amounts in which revenue is currently recognized and therefore there is no impact expected on the retained earnings or any other items in the consolidated financial statements as at January 1, 2018, and therefore there is no need select a transitional approach.

IFRS 16 – Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on the future economic conditions, including the Group's borrowing rate at January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

As at December 31, 2017 the Group identified immaterial future minimum lease payments under non-cancellable operating leases related to operating lease of lands, for which new assets and liabilities would have been recognized.
In addition, the nature of expenses related to those leases will now changes as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expenses on lease liabilities.

No significant impact is expected for the Group's finance leases.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the revised maximum leverage threshold covenants described in note 20.9.

The Group plans to apply IFRS 16 initially on January 1 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1 2019, with no restatement of comparative information.

Amendments to IFRS 2 – Classifiacations and measurements 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 of subsidiaries

During the year, the Group obtained control over several investment properties through acquisitions of companies. The transactions did not meet the definition of business combination. The purchases of these companies were treated as acquisitions of a group of assets and liabilities. Therefore, the total purchase costs were allocated between the assets and liabilities based on their relative fair value at the purchase date, without the recognition of goodwill.

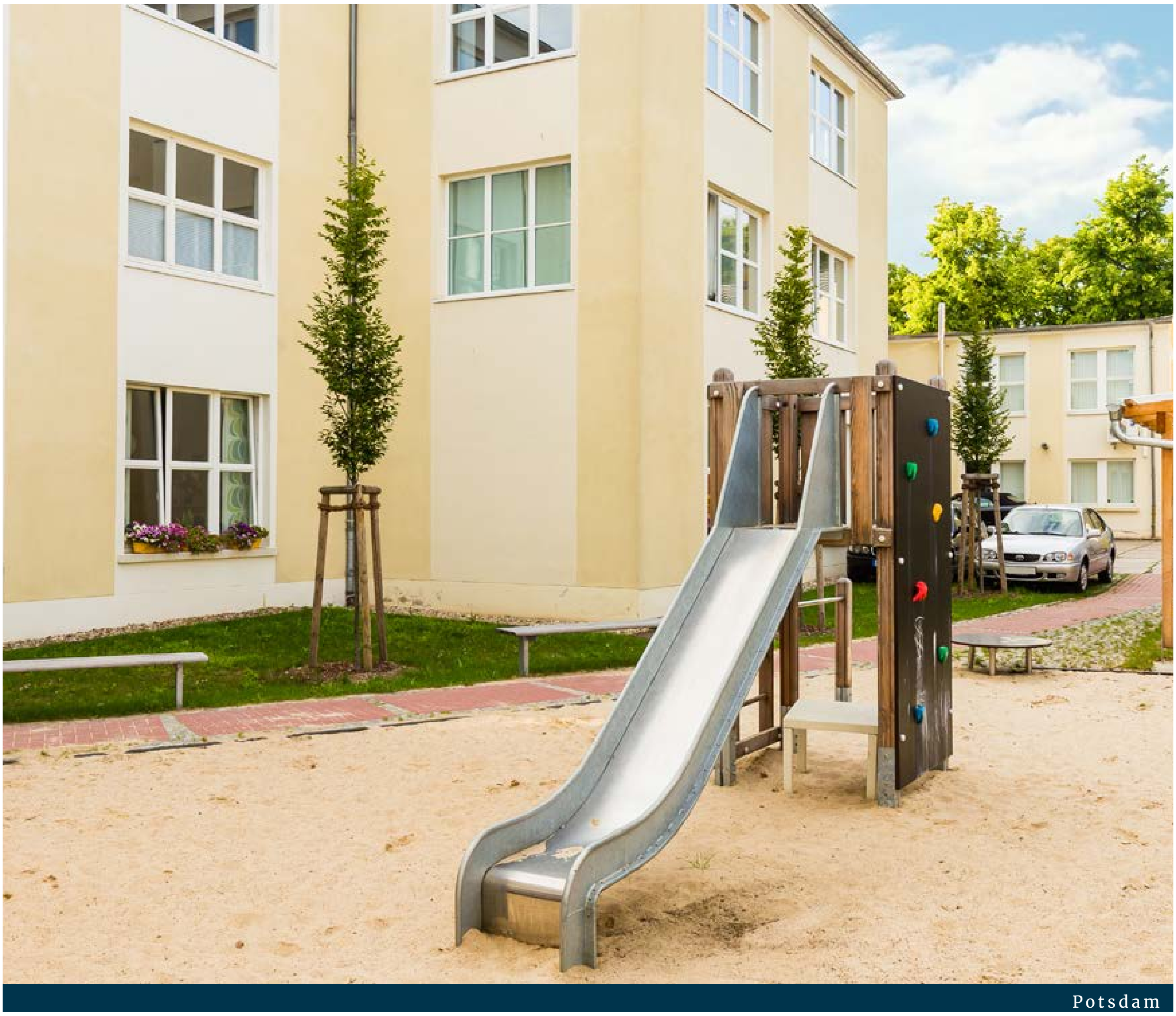
The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisitions.

	€'000
Investment property	662,393
Cash and cash equivalents	3,144
Total assets	**665,537**
Working capital, net	8,792
Bank loans	93,476
Other liabilities, net	88,304
Total Liabilities	**190,572**
Total identifiable net assets	**474,965**
Non-controlling interests arising from initial consolidation	58,576
Total consideration (*)	**416,389**

(*) including de-recognition of the carrying amount of investment in equity-accounted investees amounting to approximately euro 66 million.

Since the date whereby the Group obtained control over the above entities and until the end of the reporting period, the Group recorded aggregate revenues and results from operation in the amount of euro 16,051 thousands and euro 7,304 thousands, respectively.

Had all the above acquisitions been carried out at the beginning of the reporting period, the Group's revenues would have been increased by euro 11,950 thousands, and the Group's results from operation would have been increased by euro 5,994 thousands.



5. Revenue

	Year ended December 31,	
	2017	2016
	€'000	
Rental and operating income	494,889	435,668
Revenue from sales of buildings [(a)]	1,986	7,002
	496,875	**442,670**

(a) During the year the Company sold 6 units (2016: 17 units). The cost of the units sold amounted to euro 1.5 million (2016: euro 5 million).

6. Capital gains, property revaluations and other income

	Year ended December 31,	
	2017	2016
	€'000	
Change in fair value of investment property and profit from bargain purchases	615,359	(*) 595,173
Capital gains and other income	1,100	3,107
	616,459	**598,280**

(*) reclassified.

7. Property operating expenses

	Year ended December 31,	
	2017	2016
	€'000	
Purchased services	(168,732)	(149,357)
Maintenance and refurbishment	(32,905)	(27,004)
Personnel expenses	(21,969)	(18,380)
Depreciation and amortization	(1,610)	(1,351)
Other operating costs	(13,678)	(8,016)
	(238,894)	**(204,108)**

As of December 31, 2017, the Group had 872 employees (2016: 773 employees), of which 74 were apprentices. On an annual average, the Group had 838 employees.

8. Administrative and other expenses

	Year ended December 31,	
	2017	2016
	€'000	
Personnel expenses	(3,516)	(2,629)
Audit and accounting costs (*)	(2,116)	(1,849)
Legal and professional consultancy fees	(2,286)	(2,296)
Depreciation and amortization	(443)	(344)
Marketing and other expenses	(2,600)	(2,432)
	(10,961)	**(9,550)**

(*) Out of which euro 1,107 thousand (2016: euro 1,233 thousand) and euro 438 thousand (2016: euro 556 thousand) related to audit and audit-related fees provided by KPMG audit firms and other audit firms, respectively, and euro 267 thousand (2016: euro 40 thousand) and euro 31 thousand (2016: euro 20 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,	
	2017	2016
	€'000	
A. FINANCE EXPENSES		
Finance expenses from financial institutions and third parties, net	(17,406)	(14,947)
Finance expenses from straight and convertible bonds, net	(22,802)	(21,372)
	(40,208)	**(36,319)**
B. OTHER FINANCIAL RESULTS		
Changes in fair value of financial assets and liabilities, net (*)	(34,983)	(5,704)
Finance-related costs	(7,744)	(5,417)
	(42,727)	**(11,121)**

(*) including a redemption fee from the buyback of straight bond series D during 2017. (See also note 20.3).

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 27.08% (2016: 29.22%). The corporation tax rate will be decreased to 26.01% from 2018 onwards. The change in the corporation tax rate does not have a significant effect on current and deferred tax assets and liabilities of the Group.

The German property holding subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% as of December 31, 2017 (2016: 15.0%), 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% (2016: 12.5%).

Under certain conditions interest income of the Cypriot companies may be subject to defense contribution at the rate of 30% (2016: 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 rates of 17%.

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,	
	2017	2016
	€'000	
Corporation tax	(12,400)	(12,858)
Deferred tax, see also (c) below	(118,358)	(95,518)
Property tax	(15,640)	(13,941)
Charge for the year	(146,398)	(122,317)

C. MOVEMENT IN NET DEFERRED TAX ASSETS (LIABILITIES), DURING THE CURRENT AND PRIOR REPORTING PERIODS:

	Fair value gains on investment property, net	Derivative financial instruments, net	Loss carried forward	Other	Total
			€'000		
Balance as at December 31, 2015	**(235,693)**	**613**	**9,819**	**(*) (3,276)**	**(228,537)**
Credit (charge) to profit or loss for the year	(98,987)	1,442	2,256	(*) (229)	(95,518)
Deferred tax arising from initial consolidation	(21,584)	(6)	-	-	(21,590)
Deferred tax disposed from deconsolidation	31,655	-	-	-	31,655
Transfer to liabilities/assets held for sale	2,537	-	-	-	2,537
Transfer	-	-	405	(*) (405)	-
Balance as at December 31, 2016	**(322,072)**	**2,049**	**12,480**	**(*) (3,910)**	**(311,453)**
Credit (charge) to profit or loss for the year	(131,398)	(585)	5,946	7,679	(118,358)
Deferred tax arising from initial consolidation	(47,735)	5	2,165	1,501	(44,064)
Deferred tax disposed from deconsolidation	2,157	-	-	-	2,157
Transfer to liabilities/assets held for sale	(626)	-	414	-	(212)
Balance as at December 31, 2017	**(499,674)**	**1,469**	**21,005**	**5,270**	**(471,930)**

(*) reclassified.

As of December 31, 2017 the Group has deductible temporary differences for which no deferred tax assets have been recognized. These temporary differences are mainly derived from carried forward losses for which the amount of deferred tax assets which have not been recognized amounted to euro 15.9 million.

Hamburg

10. Taxation (CONTINUED)

Leipzig

D. RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended December 31,	
	2017	2016
	€'000	
Profit before tax	785,547	775,422
Statutory tax rate	27.08%	29.22%
Tax computed at the statutory tax rate	212,726	226,578
Decrease in taxes on income resulting from the following factors:		
Group share of earnings from companies accounted for at equity	(1,758)	(158)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(74,781)	(*) (112,662)
Others	10,211	8,559
Tax and deferred tax expenses	**146,398**	**122,317**

(*) reclassified.

Wuppertal

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, 2017 is based on the profit attributable to ordinary shareholders of euro 534,568 thousand (2016: euro 544,820 thousand), and a weighted average number of ordinary shares outstanding of 159,605 thousand (2016: 152,836 thousand), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)	Year ended December 31, 2017	2016
	€'000	
Profit for the year, attributable to the owners of the Company	534,568	544,820

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)	Year ended December 31, 2017	2016
	In thousands of shares	
Issued ordinary shares on January 1	153,789	140,971
Capital increase	5,816	-
Effect of exercise of convertible bond “Series C”	-	11,865
Weighted average number of ordinary shares as at December 31	**159,605**	**152,836**
Basic earnings per share (euro)	**3.35**	**3.56**

B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2017 is based on profit attributable to ordinary shareholders of euro 539,857 thousand (2016: euro 545,768 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 176,578 thousand (2016: 168,020 thousand), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)	Year ended December 31,	
	2017	2016
	In thousands of shares	
Profit for the year, attributable to the owners of the Company (basic)	534,568	544,820
Interest expense on convertible bond	5,289	948
Profit for the year, attributable to the owners of the Company (diluted)	**539,857**	**545,768**

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	Year ended December 31,	
	2017	2016
	In thousands of shares	
Issued ordinary shares on January 1	153,789	140,971
Capital increase	5,816	–
Effect of exercise of convertible bond “Series C”	–	12,839
Effect of exercise of convertible bond “Series F”	16,684	13,896
Effect of warrants	50	63
Effect of equity settle share-based payment	240	251
Weighted average number of ordinary shares as at December 31	**176,579**	**168,020**
Diluted earnings per share (euro)	**3.06**	**3.25**

12. Other non-current assets

	As at December 31,	
	2017	2016
	€'000	
Tenancy deposits (a)	31,428	26,463
Investment in other long-term assets	179,497	125,062
Finance lease asset	2,995	2,995
	213,920	**154,520**

(a) Tenancy deposits mainly include 1-3 months worth of 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 investees

The Group has interests in a number of individually immaterial associates.
The following table analyses, in aggregate, the carrying amount of the Group's interests in these associates (including loans extended to these associates) and the share of profit for the year from these associates.

	As at December 31,	
	2017	2016
	€'000	
Carrying amount of the interests in investees	**37,261**	117,785
Share of profit from investees for the year	**6,491**	541

14. Equipment and intangible assets

	Year ended December 31,		
	Furniture, fixtures and office equipment	Goodwill, softwares and other intangible assets	Total
	€'000		
Cost			
Balance as at January 1, 2016	6,309	6,135	12,444
Additions	2,937	367	3,304
Equipment and intangible assets arising from initial consolidation	65	5,137	5,202
Deconsolidation	(82)	(389)	(471)
Balance as at December 31, 2016	**9,229**	**11,250**	**20,479**
Additions, net	4,767	1,066	5,833
Equipment and intangible assets arising from initial consolidation, net	62	–	62
Deconsolidation	(14)	(12)	(26)
Balance as at December 31, 2017	**14,044**	**12,304**	**26,348**
Depreciation/Amortization			
Balance as at January 1, 2016	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**
Depreciation/Amortization for the year	1,610	443	2,053
Balance as at December 31, 2017	**5,032**	**1,667**	**6,699**
Carrying amounts			
Balance as at December 31, 2017	**9,012**	**10,637**	**19,649**
Balance as at December 31, 2016	**5,807**	**10,026**	**15,833**

15. Investment property

Dresden

A. COMPOSITION

	As at December 31,	
	2017	2016
	€'000	
Balance as of January 1	4,768,487	3,845,979
Acquisitions of investment property and investment in capex during the year, net	990,092	(*) 854,571
Disposal of investment property due to loss of control	–	(347,971)
Effect of foreign currency exchange differences	(1,726)	–
Transfer from (to) Assets held for sale	2,912	(146,078)
Fair value adjustment	616,459	561,986
Balance as of December 31	**6,376,224**	**4,768,487**

(*) reclassified.

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 valuators. The prime valuator, responsible for the major part of the portfolio, is Jones Lang LaSalle GmbH (JLL), considered as one of the market leading valuators 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 JLL's valuation reports. Therefore the valuation is based on internationally recognized standards.

As part of the engagement, the Company and the valuators confirm that there is no actual or potential conflict of interest that may have influenced the valuators status as external and independent valuator. The valuation fee is determined by 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 3%-7% (2016: 4.75%-7.5%).

All of the investment properties of the Group with a total fair value amount of euro 6,376,224 (2016: 4,768,487) thousand have been categorized at Level 3 in the fair value hierarchy based on the inputs used in the valuation methods.

(II) LEVEL 3 FAIR VALUE

The table in part A above shows the 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 weighted average market rental growth of 1.5% (2016: 1.4%);
- Average void period of 2-4 months after the end of each lease (2016: the same);
- Assumed future occupancy rate in the range of 93% to 100%. Occupancy rate as of December 2017 was 93% (2016: 92.1%);
- Weighted average of the risk-adjusted discount rate 5.5% (2016: 5.94%).

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:
- Expected market rental growth was higher (lower);
- Void periods were shorter (longer);
- The occupancy rates were higher (lower);
- The risk-adjusted discount rate was lower (higher).

16. Derivative financial instruments

	Year of maturity	As at December 31, 2017	2016
		€'000	
Liabilities			
Non-current position	2020 - 2035	5,885	11,536

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 loan maturities (see note 20A). 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.

17. Trade and other receivables

	As at December 31, 2017	2016
	€'000	
Operating costs prepayments	182,532	145,100
Rent and other receivables	70,501	54,941
Prepaid expenses	2,453	2,396
Other short term assets	4,288	17,231
	259,774	**219,668**

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

Berlin

18. Equity

A. SHARE CAPITAL

	Year ended December 31,			
	2017		2016	
	Number of shares	€'000	Number of shares	€'000
Authorized				
Ordinary shares of euro 0.10 each	400,000,000	40,000	400,000,000	40,000
Issued and fully paid				
Balance as of January 1	153,788,883	15,379	140,970,655	14,097
Issuance of new ordinary shares	11,000,000	1,100	-	-
Exercise of Series C convertible bond	–	–	12,818,228	1,282
Balance as of December 31	**164,788,883**	**16,479**	**153,788,883**	**15,379**

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 2016-2017

(1) 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.

(2) On June 21, 2017 the Company received gross proceeds of euro 198 million from a capital increase against a cash contribution. A total of 11 million new ordinary shares were placed at an issue price of euro 18 as part of a private placement to institutional investors.

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 2015 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 500 million.

(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) 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 ccoupons on the Perpetual notes are 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 21.5 million payable to the Perpetual notes holders has been reclassified and presented under Trade and other payables.

E. SHARE PREMIUM

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

F. CAPITAL RESERVES

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

G. RESOLUTION OF DIVIDEND DISTRIBUTION

As part of the annual general meetings of the shareholders in previous years, the following dividend distributions were resolved upon:

Year	Amount per share (in cents)	Gross amount (in thousands of euro)	Ex-date	Payment date
2015	20.00	24,344	June 25, 2015	July 3, 2015
2016	25.00	38,447	June 30, 2016	July 1, 2016
2017	68.25	112,468	June 29, 2017	July 3, 2017

19. Share-based payment agreements

A. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

On December 31, 2017 and 2016, the Group had the following share-based payment arrangements:

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 program for the directors, key management personnel and senior employees. The incentive plan has up to four years vesting period with fixed and specific milestones to enhance management's long-term commitment to GCP's strategic targets. Main strategic targets include long-term improvement in operational and financial targets such as like-for-like vacancy reduction and like-for-like rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share and EPS. Management is incentivized to keep conservative financial ratios, with the strategic target of further improving the Company's rating to A-.

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

Grant date	Number of instruments in thousands	Weighted vesting period	Contractual life of the incentive
October 1, 2014 – April 1, 2017	321.5-328.5	2.62 years	Up to 4 years

B. RECONCILIATION OF OUTSTANDING SHARE OPTIONS

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

	2017	2016
	Number of instruments	Number of instruments
	'000	
Outstanding on January 1	407	273
Granted (forfeited) during the year	(81.5)	134
Outstanding on December 31	**325.5**	**407**

During the reporting period, the total amount recognized as share-based payment was euro 893 thousand (2016: euro 1,024 thousand). It was presented under administrative and other expenses in the consolidated statement of comprehensive income and under share-based payment reserve in the consolidated statement of changes in equity.

20. Loans and Borrowings

20.1 COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31, 2017	2016
		€'000		
Non-current				
Bank loans (*)	2%	2019-2042	918,669	896,577
Total non-current bank loans			**918,669**	**896,577**
Straight and convertible Bonds				
Straight bond series D	2%	10/2021	174,312	482,379
Straight bond series E	1.5%	04/2025	522,571	519,252
Straight bond - CHF	4.75%	07/2018	-	48,447
Convertible bond Series F	0.25%	03/2022	432,073	427,909
Straight bond series G	1.375%	08/2026	577,511	-
Straight bond series H	2%	10/2032	103,905	-
Total non-current portion of Straight and Convertible bonds			**1,810,372**	**1,477,987**
Current				
Loan and straight bond redemption	2%-4.75%	2018	50,832	10,830
Current portion of long-term loans	2%	2018	11,485	18,406
Total current			**62,317**	**29,236**

(*) approx. euro 2.4 billion (2016: euro 2.1 billion) of investment properties are encumbered.

(a) All bank loans are non-recourse loans from banks with the related assets serving as their only security. As at December 31, 2017 under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks. For the security condition over the bonds see note 20.9.

(b) As of December 31, 2017 the weighted average interest rate on the outstanding loans, borrowings and bonds is 1.5%.

20. Loans and Borrowings (CONTINUED)

Berlin

20.2 CONVERTIBLE BOND SERIES C

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 series C (hereafter – "Convertible bond") in accordance with the terms and conditions of the Convertible bond. As of the resolution day, the principal amount of the Convertible bond which has been converted and/or redeemed was euro 151.8 million. As of February 1, 2016 the principal amount of the Convertible bond which has been converted into share capital of the Company was euro 274.8 million, which represents 99.93 per cent of the aggregate principal amount of the Convertible bond and resulted in a decrease of debt in the same amount. As a result, the equity of the company increased by euro 123 million. The outstanding Convertible bond in the amount of euro 0.2 million has been redeemed at its principal amount and accrued interest.

20.3 STRAIGHT BOND SERIES D

On October 29, 2014, the Company successfully completed the placement of euro 500 million (nominal value) in aggregate principal amount of new fixed-rate secured bonds, due 2021 with a coupon of 2% p.a., payable semi-annually in arrears at ("straight bond series D") a price of 95.564% of their principal amount. The offer was over-subscribed. Starting that day, the straight bond series D is traded on the regulated market of the Irish Stock Exchange.

On August 3, 2017, the Company bought back euro 320.6 million principal amount of the straight bond series D for a purchase price of 106.888 per cent of the principal amount excluding any accrued interest. For additional buyback of straight bond series D after the reporting period, see note 30b.

	Year ended December 31,	
	2017	2016
	€'000	
Balance at the beginning of the year	484,105	480,758
Expenses for the year	9,907	13,347
Financial expenses paid	(6,794)	(10,000)
Buyback of Straight bond series D	(312,282)	–
Carrying amount of liability at the end of the year	174,936	484,105
Non-current portion of straight bond series D	174,312	482,379
Accrued interest	624	1,726
Total straight bond series D	174,936	484,105

20. Loans and Borrowings (CONTINUED)

Braunschweig

20.4 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 at an issue price of 96.76% of the principal amount with a maturity of 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 a tap placement in 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,	
	2017	2016
	€'000	
Balance at the beginning of the year	520,948	518,213
Proceeds from issuance of bond series E (5,500 notes at euro 100,000 par value)	-	-
Issuance costs	-	(497)
Net proceeds during the year	-	(497)
Expenses for the year	11,569	11,482
Financial expenses paid	(8,250)	(8,250)
Carrying amount of liability at the end of the year	524,267	520,948
Non-current portion of straight bond series E	522,571	519,252
Accrued interest	1,696	1,696
Total straight bond series E	524,267	520,948

20.5 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,	
	2017	2016
	€'000	
Balance at the beginning of the year	49,566	51,029
Expenses (income) for the year, net	(1,655)	3,418
Financial expenses paid	(2,265)	(2,405)
Buyback of straight bond CHF	-	(2,476)
Carrying amount of liability at the end of the year	45,646	49,566
Non-current portion of straight bond CHF	-	48,447
Current portion of straight bond CHF	44,621	-
Accrued interest	1,025	1,119
Total straight bond CHF	45,646	49,566

20.6 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 bearing 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 in 6 years at par value. The initial conversion price was set at euro 26.9713.

On June 29, 2017 as a result of the resolved dividend distribution (see note 8C) and in accordance with the terms and conditions of the bond, the Company adjusted the conversion price for the Convertible bond series F to euro 26.1844 per share

For additional buyback of convertible bond series F after the reporting period, see note 30b.

	Year ended December 31,	
	2017	2016
	€'000	
Balance at the beginning of the year	428,283	-
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	5,289	4,366
Financial expenses paid	(1,125)	(563)
Carrying amount of liability at the end of the year	432,447	428,283
Non-current portion of Convertible bond series F	432,073	427,909
Accrued interest	374	374
Total convertible bond series F	432,447	428,283

20. Loans and Borrowings (CONTINUED)

20.7 THE EMTN PROGRAMME

In July 2017, the Company established a euro 1.5 billion Euro Medium Term Notes Programme (“the EMTN programme”). Notes issued under the EMTN programme are guaranteed by the Company. The base prospectus for the EMTN programme was dated July 2017.

In February 2018, the Board of Directors has resolved to increase the program to euro 10 billion.

20.7.1 STRAIGHT BOND SERIES G

On August 2, 2017 under its EMTN programme, the Company successfully completed the placement of euro 600 million (nominal value) in aggregate principal amount of new fixed-rate secured bonds, due 2026 with a coupon of 1.375% p.a., payable annually in arrears at a price of 96.82% of their principal amount. Starting that day, the series G bond is traded on the regulated market of the Irish Stock Exchange.

	Year ended December 31,	
	2017	2016
	€’000	
Proceeds from issuance of straight bond series G (6,000 notes at euro 100,000 par value)	580,920	-
Issuance costs	(4,394)	-
Net proceeds during the year	576,526	-
Expenses for the year	4,387	-
Carrying amount of liability at the end of the year	580,913	-
Non-current portion of straight bond series G	577,511	-
Accrued interest	3,402	-
Total straight bond series G	580,913	-

20.7.2 STRAIGHT BOND H

On October 25, 2017 under its EMTN programme, the Company successfully completed the placement of euro 110 million (nominal value) in aggregate principal amount of new fixed-rate secured bonds, due 2032 with a coupon of 2% p.a., payable annually in arrears at a price of 94.47% of their principal amount. Starting that day, the series H bond is traded on the regulated market of the Irish Stock Exchange.

	Year ended December 31,	
	2017	2016
	€'000	
Proceeds from issuance of straight bond series H (110 notes at euro 100,000 par value)	103,915	–
Issuance costs	(85)	–
Net proceeds during the year	103,830	–
Expenses for the year	479	–
Carrying amount of liability at the end of the year	104,309	–
Non-current portion of straight bond series H	103,905	–
Accrued interest	404	–
Total straight bond series H	104,309	–

20.8 RECLASSIFICATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

			Non-cash changes					
	1.1.2017	Financing cash flows (i)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held for sale	Other (ii)	Other changes (iii)	31.12.2017
Convertible bond	428,283	(1,125)	–	–	–	4,164	1,125	432,447
Straight bonds (iv)	1,054,619	318,682	–	(4,386)	–	7,397	53,759	1,430,071
Loans and borrowings	925,813	(101,965)	83,708	(871)	7,280	–	22,400	936,365
Derivative financial instruments	11,536	(2,037)	(201)	–	–	(3,413)	–	5,885

(i) Financing cash flows include interest payments and proceeds from (repayment of) financing, net.

(ii) Other non-cash changes include discount and issuance cost amortization for the bonds and unrealized revaluation gains net of derivative financial instruments.

(iii) Other changes include interest accruals and loss from buyback of straight bond series D.

(iv) Including bond redemption portion of straight bond CHF.

20. Loans and Borrowings (CONTINUED)

20.9 MAIN SECURITY, PLEDGE AND NEGATIVE PLEDGE AS DEFINED IN THE BONDS' TERMS AND CONDITIONS

(1) Security, negative pledge

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)

Under its outstanding bond series, the Company has covenanted, among other things, the following (capitalized terms have the meanings set forth in the relevant bond series):

1. 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 D Bonds, the Series E Bonds and any further secured bonds of any series and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series D Bonds and the Series E Bonds and any further secured bonds of any series 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);

2. The Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 2.0;

3. 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;

Under its EMTN Programme, the Company has entered into covenants, including among other things the following (capitalized terms having the meaning set forth in the EMTN Programme):

1. 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 (other than any Refinancing Indebtedness) if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence, the sum of:

   a. (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 value of all assets acquired or contracted for acquisition by the Group, as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Issuer in the latest Financial Statements as certified by the auditors of the Issuer, 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. (i) the Consolidated Secured Indebtedness (excluding the Secured Notes (if any) and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Secured Notes (if any) and less Cash and Cash Equivalents) incurred since the Last Reporting Date would 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 value of all assets acquired or contracted for acquisition by the Group, as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Issuer in the latest Financial Statements as certified by the auditors of the Issuer, 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).

2. The Issuer 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 per cent. 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.

3. Up to and including the Final Discharge Date, the Issuer undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 1.8.

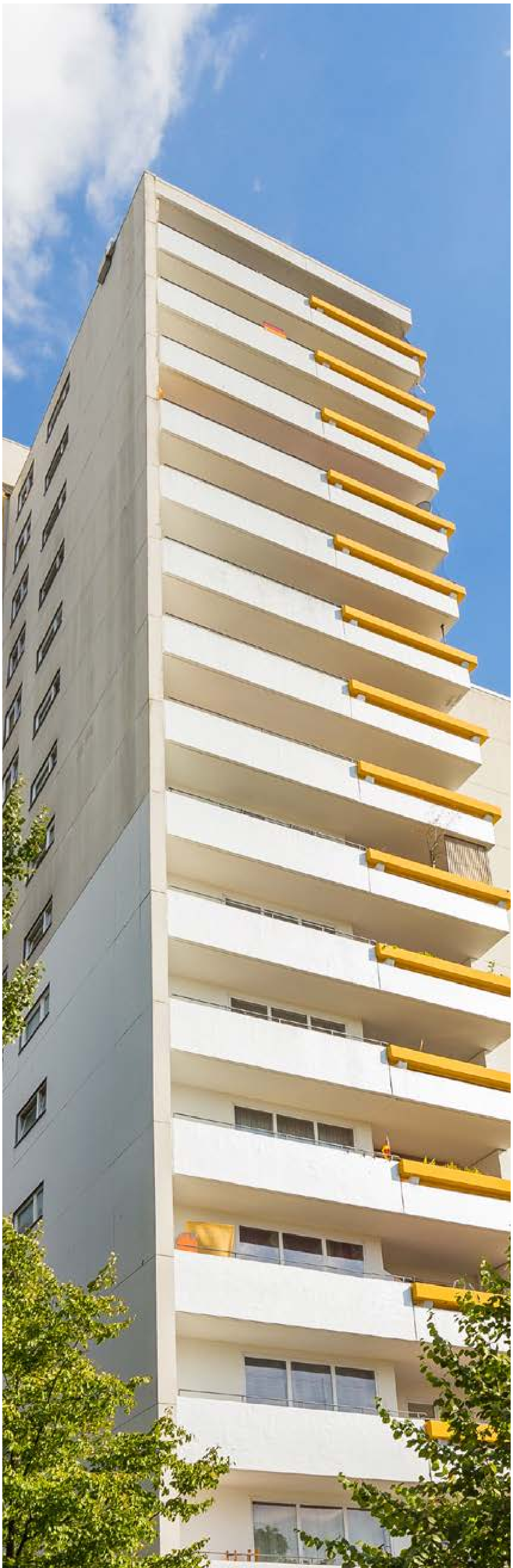
For Gutburg's CHF bond:

(a) 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;

(b) 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;

(c) The payment of dividends, repayment of capital or a similar benefit to shareholders and/or participants (hereafter – "Distribution") in total is not more than 50% of the profit for the year adjusted for market value changes of the investment properties, market value changes of interest rate swaps related to secured loans, deferred tax expenses as well as expenses for refurbishments and investments; and

(d) The adjusted equity ratio of the Gutburg Group must not fall below 22.5% because of a Distribution.



Bremen

21. Trade and other payables

	As at December 31,	
	2017	2016
	€'000	
Trade and other payables	58,212	85,027
Prepayments received from tenants	172,558	132,587
Deferred income	12,314	8,665
Other liabilities	23,503	25,224
	266,587	**251,503**

22. Other long-term liabilities

	As at December 31,	
	2017	2016
	€'000	
Tenancy deposits	36,155	28,937
Finance lease liability	3,001	2,982
Others	14,188	6,343
	53,344	**38,262**

23. Provisions for other liabilities and charges

	€'000
Balance as at January 1, 2016	18,894
Movement during the year	(4,709)
Balance as at December 31, 2016	14,185
Movement during the year	6,047
Balance as at December 31, 2017	20,232

24. Related party transactions

A. DIRECTORS AND EXECUTIVE MANAGEMENT REMUNERATION

There were no other transactions between the Group and its directors and executive management during the year, except as described in note 19.

B.OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the consolidated financial statements is stated below:

	For the year ended December 31,	
	2017	2016
	€'000	
Rental and operating income (i)	472	179
Interest income on loans to equity-accounted investees (ii)	944	28

(i) As of December 31, 2017 the Group received an advanced payment of euro 57 thousands.

(ii) As of December 31, 2017 the Group invested in loans to associates of euro 36.9 million.

Halle

25. Disposal group held for sale

The Group resolved an intention to sell several properties, some of them through the sale of subsidiaries. Accordingly, the assets and liabilities relating to these properties are presented as a disposal group held for sale.

Efforts to sell the disposal group have started and sales of individual properties are expected within twelve months. No impairment loss was recognized on the 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,	
	2017	2016
	€'000	
Assets classified as held for sale		
Investment property	117,246	146,078
Cash and cash equivalents	847	1,634
Other assets	4,937	2,782
Total assets classified as held for sale	**123,030**	**150,494**
Liabilities classified as held for sale		
Loans and borrowings	4,317	11,597
Other liabilities	8,279	15,961
Total liabilities classified as held for sale	**12,596**	**27,558**

DISPOSALS

During the reporting period, the Group lost control over several non-core properties through disposal of subsidiaries.

The following table summarizes the amounts of assets and liabilities disposed at the date in which the Group lost control over those subsidiaries.

	€'000
Investment property	25,920
Working capital, net	487
Cash and cash equivalents	193
Total assets	**26,600**
Bank loans	9,768
Other liabilities, net	2,264
Total liabilities	**12,032**
Total net assets disposed	**14,568**
Non-controlling interests disposed	2,449
Total consideration	12,119

26. 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 was 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 as of December 31, 2017 were 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 from counterparty failure in 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.

(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:

	as at December 31,	
	2017	2016
	€'000	
Rent and other receivables	70,501	54,941
Traded securities at fair value through profit and loss	89,426	181,397
	159,927	**236,338**

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

26. Financial instruments and risk management (CONTINUED)

I. IMPAIRMENT LOSSES

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

	As at December 31,	
	2017	2016
	€'000	
Neither past due and past due 1–30 days	12,608	9,128
Past due 31–90 days	8,646	7,999
Past due over 90 days	6,652	4,345
	27,906	**21,472**

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

As of December 31, 2017 the Group held cash and cash equivalents of euro 312,058 thousand (2016: euro 448,873 thousand), which represent its maximum credit exposure on these balances. There are no restrictions on the cash and cash equivalents of the Group.

(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 in place with the objective of minimizing potential 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 2016 of financial liabilities, including estimated interest payments and the impact of derivatives (excluding the impact of netting agreements):

AS AT DECEMBER 31, 2017

		Contractual cash flows including interest					
	Carrying amount	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-3 years**	**More than 3 years**
				€'000			
Non-derivative financial liabilities							
Bank loans (i)	940,682	844,030	1,883	34,254	54,065	236,899	516,929
Straight bonds (ii)	1,422,920	1,669,765	-	69,176	22,288	22,288	1,556,013
Convertible bond F	432,073	455,063	-	1,125	1,125	1,125	451,688
Trade and other payables	58,212	58,212	9,702	48,510	-	-	-
Total	**2,853,887**	**3,027,070**	**11,585**	**153,065**	**77,478**	**260,312**	**2,524,630**

AS AT DECEMBER 31, 2016

		Contractual cash flows including interest					
	Carrying amount	**Total**	**2 months or less**	**2-12 months**	**1-2 years**	**2-3 years**	**More than 3 years**
				€'000			
Non-derivative financial liabilities							
Bank loans (i)	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 and other 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**

(i) Including bank loans held for sale.

(ii) including straight bond redemption.

26. Financial instruments and risk management (CONTINUED)

(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:

	As at December 31,	
	2017	2016
	€'000	
Hedge instruments		
Swap	243,067	277,408
Cap, collar	389,304	368,183
Total hedge instruments	**632,371**	**645,591**
Fixed interest rate	2,166,073	1,754,433
Variable rate instruments		
Variable	36,384	68,272
Total interest-bearing financial instruments	**2,834,828**	**2,468,296**

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			
December 31, 2017				
Variable, cap, collar rate instruments	(2,829)	-	(2,829)	-
Cash flow sensitivity	(2,829)	-	(2,829)	-
December 31, 2016				
Variable, cap, collar rate instruments	(3,028)	-	(3,028)	-
Cash flow sensitivity	(3,028)	-	(3,028)	-

(IV) OPERATING RISK

Operating 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.

(V) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

FAIR VALUE HIERARCHY

The table below analyzes financial instruments carried at fair value by their 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 liability 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, 2017				
Traded securities at fair value through profit or loss	89,426	-	-	89,426
Total assets	**89,426**	**-**	**-**	**89,426**
Derivative financial instruments	-	5,885	-	5,885
Total liabilities	**-**	**5,885**	**-**	**5,885**
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**

(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.

26. Financial instruments and risk management (CONTINUED)

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

Except as detailed in the following table, the Group considers that the carrying amounts of the financial assets and liabilities recognized in the consolidated financial statements approximates their fair value.

	As at December 31, 2017		**As at December 31, 2016**	
	Carrying amount	Fair value	Carrying amount	Fair value
	€'000			
Convertible bond	432,073	451,080	427,909	455,895
Straight bonds	1,422,920	1,501,439	1,050,078	1,115,294

(IV) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic factors 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 result in 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 from 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 by striving to keep a low debt-to-equity ratio. The management closely monitors the 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 maintains a strong credit rating. The Group seeks to preserve its conservative capital structure with a target LTV below 45%. As at December 31, 2017 and 2016 the LTV ratio was 36% and 35%, 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 ratios 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.

27. Operating lease

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

	As at December 31,	
	2017	2016
	€'000	
Less than a year	38,491	40,487
Between one and five years	107,406	115,133
More than five years	96,054	101,034
	241,951	**256,654**

28. Commitments

During and after the reporting period, the Group signed several real estate transactions which as at December 31, 2017 were not yet completed and are subject to standard condition precedents.

29. Contingent assets and liabilities

The Group does not have significant contingent assets and liabilities as at December 31, 2017.

30. Events after the reporting period

a) On January 25, 2018, the Company successfully completed the placement of Hong Kong Dollars (HKD) 900 million (euro 93 million) due 2028 (straight bond series I) under the EMTN Programme. The Company hedged the currency risk of the principal amount and the interest. The effective euro coupon is 1% for the first 5 years and 6M Euribor + 1.1725% for the following 5 years.

b) On February 19, 2018, the Company finalized a tender offer to buy back a principal amount of euro 169.2 million of its Euro 450 million 0.25% convertible notes due 2022 ("Convertible bond F"). On February 26, 2018, the Company finalized a tender offer to buy back a principal amount of euro 40.6 million of its outstanding Euro 500 million 2% notes due 2021 ("Straight Bond D").

c) On February 19, 2018, the Company successfully completed the placement of euro 500 million 1.5% senior unsecured notes due 2027 (straight bond series J) under the EMTN Programme, at an issue price of 97.115% of the principal amount.

d) On February 21, 2018 the Company successfully completed the placement of Swiss Franc (CHF) 125 million (euro 108 million) 0.96% senior unsecured notes due 2026 (straight bond series K) under the EMTN Programme. The Company hedged the currency risk of the principal amount.

e) On February 28, 2018 the Company successfully completed the tap placement of additional euro 145 million (nominal value) of straight bond series H, for a consideration that reflected 93.369% of their principal amount. The total aggregated principal amount of the straight bond series H increased to euro 255 million (nominal value).

31. Group significant holdings

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

	Place of incorporation	Principal activities	December 31, 2017 Holding %	December 31, 2016 Holding %
Subsidiaries held directly by the Company				
Grandcity Property Ltd.	Cyprus	Holding of investments	94.8%	94.8%

	Place of incorporation	Principal activities	December 31, 2017 Holding %	December 31, 2016 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	94%	100%
Gutburg holdings Limited	Cyprus	Holding of investments	100%	100%
Chenisterial Limited	Cyprus	Holding of investments	100%	100%
Azasen Limited	Cyprus	Holding of investments	100%	-
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	100%
GCP Holdings GmbH	Germany	Holding of investments	100%	100%

Details of the most significant Group entities referring to investing in real estate properties in Germany and their parent companies.

The holding percentage in each entity is equal to the percentage of voting rights held.

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.

Essen

Berlin