# Grand City Properties S.A.

## Annual Accounts
## For the year ended December 31, 2017
(With the report of the Réviseur d'Entreprises agréé thereon)

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1, Avenue du Bois
L-1251 Luxembourg
R.C.S. Luxembourg: B 165.560
Share Capital: EUR 16,478,888

# Grand City Properties S.A.

## Annual Accounts
## For the year ended December 31, 2017
(With the report of the Réviseur d'Entreprises agréé thereon)

**BOARD OF DIRECTORS APPROVAL**

| MEMBER | SIGNATURE |
|---|---|
| Refael Zamir | |
| Daniel Malkin | |
| Simone Runge-Brandner | |

**Date:** May 9, 2018

# Grand City Properties S.A.

## MANAGEMENT REPORT

The management of Grand City Properties S.A. ("the Company" and "GCP") presents the Company's audited Annual Accounts for the year ended December 31, 2017.

FINANCIAL RISK MANAGEMENT
The Company is exposed to liquidity, operating and other risks. For more information see note 13.

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT
Due to the nature of its business, the Company does not engage in any research and development activities.

BRANCHES OF THE COMPANY
The Company did not operate any branches in 2017.

OWN SHARES
The Company did not acquire any of its own shares in 2017.

Luxembourg, May 9, 2018

## CORPORATE GOVERNANCE STATEMENT

ANNUAL GENERAL MEETING

The Annual General Meeting of Grand City Properties S.A. was held on June 28, 2017 in Luxembourg.

All of the items on the agenda were carried by a great majority, including the approval of the consolidated financial statements of the Group for the year ended December 31, 2016. The Annual General Meeting approved the distribution of a dividend in the amount of €0.6825 per share for the holders of record on June 29, 2017.

The next Annual General Meeting is expected on June 27, 2018.

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 had quarterly reporting standards and updates its corporation rate 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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions.

Section 161 of the German Stock Corporation Act (AktG) does not apply because the Company is a public limited liability company under the laws of the Grand Duchy of Luxembourg (société anonyme, S.A.) and not a German Stock Corporation (Aktiengesellschaft, AG).

The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange do not apply because the shares of the Company are not listed on a regulated market operated by the Luxembourg Stock Exchange.

### 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 conflict 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 |

### SENIOR MANAGEMENT

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.

## 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.

The current members of the Advisory Board are as follows:

| NAME | POSITION |
|---|---|
| Mr Yakir Gabay | Chairman of the Advisory Board |
| Mr Andrew Wallis | Vice chairman of the Advisory board |
| Mr Claudio Jarczyk | Member |

## 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 statutory and 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 statutory and 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 its 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 system 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 four main elements:

- Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses. Further, the committee assesses control deficiencies in the organization.
- 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 on a specific section on its website. The Company discloses its share ownership and additionally discloses any shareholder structure 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 next following business day. At the Annual General Meeting of the shareholders the Board of Directors presents, among others, the management report as well as the statutory and consolidated financial statements to the shareholders.

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

KPMG

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To the Shareholders of
Grand City Properties S.A.
1 Avenue du Bois
L-1251 Luxembourg

# REPORT OF THE REVISEUR D'ENTREPRISES AGREE

## *Report on the audit of the annual accounts*

### *Opinion*

We have audited the annual accounts of Grand City Properties S.A. (the "Company"), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

### *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 ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, 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 annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Valuation of financial assets (loans to affiliated undertakings and investments held as fixed assets)*

a. ***Why the matter was considered to be one of the most significant in our audit of the annual accounts of the current period***

Financial assets represent 97% of the total assets of the Company as at December 31, 2017.

The assessment of the valuation of financial assets requires significant judgement applied by the management in assessing the recovery value of the financial assets and the durable nature of the value adjustment. Further the financial assets are considered of most significance due to the significance of the amount.

We refer to the accounting policy at note 2 on page 20 and Note 6.1 *Loans to affiliated undertakings* and Note 6.2 *Investments held as fixed assets* to the annual accounts

b. ***How the matter was addressed in our audit***

Our procedures concerning the valuation of financial assets (loans to affiliated undertakings and investments held as fixed assets) included, but were not limited to, the following:

- We assessed the design and implementation of the key controls around the determination and monitoring of the assessment of value adjustment;
- We challenged management's assessment of the durable nature of the value adjustment, if any;
- We assessed the fair value of the underlying investments used for the assessment by management of the recoverability of the financial fixed assets;

*Other information*

The Board of Directors is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the annual accounts and our report of the "Réviseur d'Entreprises agréé" thereon.

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

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts 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 Director and Those Charged with Governance for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

*Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts*

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts 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 annual accounts.

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 annual accounts, 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 Company'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 the 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 Company'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 the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 annual accounts 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 28 June 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 years.

The management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the management report. 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 annual accounts 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 Company in conducting the audit.

*Other matter*

The Corporate Governance Statement includes, when applicable, 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, 9 May 2018

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Joseph de Souza

**Annual Accounts Helpdesk :**

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| RCSL Nr. : B165560 | Matricule : 2011 2227 262 |
|---|---|
| | eCDF entry date : |

## BALANCE SHEET

**Financial year from** 01 01/01/2017 **to** 02 31/12/2017 *(in* 03 EUR )

Grand City Properties S.A.

24, Avenue Victor Hugo
L-1750 Luxembourg

## ASSETS

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| **A. Subscribed capital unpaid** | 1101 | | 101 | | 102 | |
| I. Subscribed capital not called | 1103 | | 103 | | 104 | |
| II. Subscribed capital called but unpaid | 1105 | | 105 | | 106 | |
| **B. Formation expenses** | 1107 | 4. | 107 | 3.248,00 | 108 | 4.634,00 |
| **C. Fixed assets** | 1109 | | 109 | 3.565.111,00 | 110 | 2.690.774,00 |
| I. Intangible assets | 1111 | | 111 | | 112 | |
| 1. Costs of development | 1113 | | 113 | | 114 | |
| 2. Concessions, patents, licences, trade marks and similar rights and assets, if they were | 1115 | | 115 | | 116 | |
| a) acquired for valuable consideration and need not be shown under C.I.3 | 1117 | | 117 | | 118 | |
| b) created by the undertaking itself | 1119 | | 119 | | 120 | |
| 3. Goodwill, to the extent that it was acquired for valuable consideration | 1121 | | 121 | | 122 | |
| 4. Payments on account and intangible assets under development | 1123 | | 123 | | 124 | |
| II. Tangible assets | 1125 | | 125 | 42,00 | 126 | 0,00 |
| 1. Land and buildings | 1127 | | 127 | | 128 | |
| 2. Plant and machinery | 1129 | | 129 | | 130 | |

| RCSL Nr. : B165560 | Matricule : 2011 2227 262 |
|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| 3. Other fixtures and fittings, tools and equipment | 1131 | | 131 | 42,00 | 132 | 0,00 |
| 4. Payments on account and tangible assets in the course of construction | 1133 | | 133 | | 134 | |
| III. Financial assets | 1135 | | 135 | 3.565.069,00 | 136 | 2.690.774,00 |
| 1. Shares in affiliated undertakings | 1137 | 5. | 137 | 2,00 | 138 | 2,00 |
| 2. Loans to affiliated undertakings | 1139 | 6.1 | 139 | 3.220.702,00 | 140 | 2.690.772,00 |
| 3. Participating interests | 1141 | | 141 | | 142 | |
| 4. Loans to undertakings with which the undertaking is linked by virtue of participating interests | 1143 | | 143 | | 144 | |
| 5. Investments held as fixed assets | 1145 | 6.2 | 145 | 344.365,00 | 146 | 0,00 |
| 6. Other loans | 1147 | | 147 | | 148 | |
| **D. Current assets** | 1151 | | 151 | 11.723,00 | 152 | 112.982,00 |
| I. Stocks | 1153 | | 153 | | 154 | |
| 1. Raw materials and consumables | 1155 | | 155 | | 156 | |
| 2. Work in progress | 1157 | | 157 | | 158 | |
| 3. Finished goods and goods for resale | 1159 | | 159 | | 160 | |
| 4. Payments on account | 1161 | | 161 | | 162 | |
| II. Debtors | 1163 | | 163 | 3.478,00 | 164 | 30.007,00 |
| 1. Trade debtors | 1165 | | 165 | | 166 | |
| a) becoming due and payable within one year | 1167 | | 167 | | 168 | |
| b) becoming due and payable after more than one year | 1169 | | 169 | | 170 | |
| 2. Amounts owed by affiliated undertakings | 1171 | | 171 | 3.162,00 | 172 | 29.959,00 |
| a) becoming due and payable within one year | 1173 | 6.1 | 173 | 3.162,00 | 174 | 29.959,00 |
| b) becoming due and payable after more than one year | 1175 | | 175 | | 176 | |
| 3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests | 1177 | | 177 | | 178 | |
| a) becoming due and payable within one year | 1179 | | 179 | | 180 | |
| b) becoming due and payable after more than one year | 1181 | | 181 | | 182 | |
| 4. Other debtors | 1183 | | 183 | 316,00 | 184 | 48,00 |
| a) becoming due and payable within one year | 1185 | | 185 | 316,00 | 186 | 48,00 |
| b) becoming due and payable after more than one year | 1187 | | 187 | | 188 | |

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|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| III. Investments | 1189 | | 189 | | 190 | |
| 1. Shares in affiliated undertakings | 1191 | | 191 | | 192 | |
| 2. Own shares | 1209 | | 209 | | 210 | |
| 3. Other investments | 1195 | | 195 | | 196 | |
| IV. Cash at bank and in hand | 1197 | | 197 | 8.245,00 | 198 | 82.975,00 |
| **E. Prepayments** | 1199 | 7. | 199 | 97.911,00 | 200 | 82.311,00 |
| **TOTAL (ASSETS)** | | | 201 | 3.677.993,00 | 202 | 2.890.701,00 |

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|---|---|

## CAPITAL, RESERVES AND LIABILITIES

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| **A. Capital and reserves** | 1301 | | 301 | 728.216,00 | 302 | 658.929,00 |
| I. Subscribed capital | 1303 | 8. | 303 | 16.479,00 | 304 | 15.379,00 |
| II. Share premium account | 1305 | | 305 | 768.175,00 | 306 | 683.743,00 |
| III. Revaluation reserve | 1307 | | 307 | | 308 | |
| IV. Reserves | 1309 | | 309 | | 310 | |
| 1. Legal reserve | 1311 | | 311 | | 312 | |
| 2. Reserve for own shares | 1313 | | 313 | | 314 | |
| 3. Reserves provided for by the articles of association | 1315 | | 315 | | 316 | |
| 4. Other reserves, including the fair value reserve | 1429 | | 429 | | 430 | |
| a) other available reserves | 1431 | | 431 | | 432 | |
| b) other non available reserves | 1433 | | 433 | | 434 | |
| V. Profit or loss brought forward | 1319 | | 319 | -40.193,00 | 320 | -35.069,00 |
| VI. Profit or loss for the financial year | 1321 | | 321 | -16.245,00 | 322 | -5.124,00 |
| VII. Interim dividends | 1323 | | 323 | | 324 | |
| VIII. Capital investment subsidies | 1325 | | 325 | | 326 | |
| **B. Provisions** | 1331 | | 331 | 2.944,00 | 332 | 2.066,00 |
| 1. Provisions for pensions and similar obligations | 1333 | | 333 | | 334 | |
| 2. Provisions for taxation | 1335 | | 335 | | 336 | |
| 3. Other provisions | 1337 | | 337 | 2.944,00 | 338 | 2.066,00 |
| **C. Creditors** | 1435 | | 435 | 2.939.816,00 | 436 | 2.222.689,00 |
| 1. Debenture loans | 1437 | | 437 | 2.939.273,00 | 438 | 2.221.843,00 |
| a) Convertible loans | 1439 | 10.2.1 | 439 | 450.373,00 | 440 | 450.373,00 |
| i) becoming due and payable within one year | 1441 | | 441 | 373,00 | 442 | 373,00 |
| ii) becoming due and payable after more than one year | 1443 | | 443 | 450.000,00 | 444 | 450.000,00 |
| b) Non convertible loans | 1445 | 10.1-10.2 | 445 | 2.488.900,00 | 446 | 1.771.470,00 |
| i) becoming due and payable within one year | 1447 | | 447 | 28.900,00 | 448 | 21.470,00 |
| ii) becoming due and payable after more than one year | 1449 | | 449 | 2.460.000,00 | 450 | 1.750.000,00 |
| 2. Amounts owed to credit institutions | 1355 | | 355 | | 356 | |
| a) becoming due and payable within one year | 1357 | | 357 | | 358 | |
| b) becoming due and payable after more than one year | 1359 | | 359 | | 360 | |

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|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| 3. Payments received on account of orders in so far as they are shown separately as deductions from stocks | 1361 | | 361 | | 362 | |
| a) becoming due and payable within one year | 1363 | | 363 | | 364 | |
| b) becoming due and payable after more than one year | 1365 | | 365 | | 366 | |
| 4. Trade creditors | 1367 | | 367 | 458,00 | 368 | 0,00 |
| a) becoming due and payable within one year | 1369 | | 369 | 458,00 | 370 | 0,00 |
| b) becoming due and payable after more than one year | 1371 | | 371 | | 372 | |
| 5. Bills of exchange payable | 1373 | | 373 | | 374 | |
| a) becoming due and payable within one year | 1375 | | 375 | | 376 | |
| b) becoming due and payable after more than one year | 1377 | | 377 | | 378 | |
| 6. Amounts owed to affiliated undertakings | 1379 | | 379 | | 380 | |
| a) becoming due and payable within one year | 1381 | | 381 | | 382 | |
| b) becoming due and payable after more than one year | 1383 | | 383 | | 384 | |
| 7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests | 1385 | | 385 | | 386 | |
| a) becoming due and payable within one year | 1387 | | 387 | | 388 | |
| b) becoming due and payable after more than one year | 1389 | | 389 | | 390 | |
| 8. Other creditors | 1451 | | 451 | 85,00 | 452 | 846,00 |
| a) Tax authorities | 1393 | | 393 | 78,00 | 394 | 413,00 |
| b) Social security authorities | 1395 | | 395 | 7,00 | 396 | 0,00 |
| c) Other creditors | 1397 | | 397 | 0,00 | 398 | 433,00 |
| i) becoming due and payable within one year | 1399 | | 399 | 0,00 | 400 | 433,00 |
| ii) becoming due and payable after more than one year | 1401 | | 401 | | 402 | |
| **D. Deferred income** | 1403 | 10.3. | 403 | 7.017,00 | 404 | 7.017,00 |
| **TOTAL (CAPITAL, RESERVES AND LIABILITIES)** | | | 405 | 3.677.993,00 | 406 | 2.890.701,00 |

**Annual Accounts Helpdesk :**

**Tel.** **: (+352) 247 88 494**
**Email** **: centralebilans@statec.etat.lu**

RCSL Nr. : B165560 | Matricule : 2011 2227 262

eCDF entry date :

## PROFIT AND LOSS ACCOUNT

**Financial year from** 01 01/01/2017 **to** 02 31/12/2017 *(in* 03 EUR *)*

Grand City Properties S.A.

24, Avenue Victor Hugo
L-1750 Luxembourg

## PROFIT AND LOSS ACCOUNT

| | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|
| **1. Net turnover** | 1701 | 12. | 701 | 700,00 | 702 | 700,00 |
| **2. Variation in stocks of finished goods and in work in progress** | 1703 | | 703 | | 704 | |
| **3. Work performed by the undertaking for its own purposes and capitalised** | 1705 | | 705 | | 706 | |
| **4. Other operating income** | 1713 | | 713 | 13,00 | 714 | 0,00 |
| **5. Raw materials and consumables and other external expenses** | 1671 | | 671 | -3,00 | 672 | 0,00 |
| a) Raw materials and consumables | 1601 | | 601 | -3,00 | 602 | 0,00 |
| b) Other external expenses | 1603 | | 603 | | 604 | |
| **6. Staff costs** | 1605 | | 605 | -1.053,00 | 606 | -1.141,00 |
| a) Wages and salaries | 1607 | | 607 | -1.035,00 | 608 | -1.134,00 |
| b) Social security costs | 1609 | | 609 | -18,00 | 610 | -7,00 |
| i) relating to pensions | 1653 | | 653 | -11,00 | 654 | -7,00 |
| ii) other social security costs | 1655 | | 655 | -7,00 | 656 | 0,00 |
| c) Other staff costs | 1613 | | 613 | | 614 | |
| **7. Value adjustments** | 1657 | | 657 | -2.630,00 | 658 | -2.662,00 |
| a) in respect of formation expenses and of tangible and intangible fixed assets | 1659 | 4. | 659 | -2.630,00 | 660 | -2.662,00 |
| b) in respect of current assets | 1661 | | 661 | | 662 | |
| **8. Other operating expenses** | 1621 | 11. | 621 | -3.556,00 | 622 | -3.289,00 |

| RCSL Nr. : B165560 | Matricule : 2011 2227 262 |
|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| **9. Income from participating interests** | 1715 | | 715 | | 716 | |
| a) derived from affiliated undertakings | 1717 | | 717 | | 718 | |
| b) other income from participating interests | 1719 | | 719 | | 720 | |
| **10. Income from other investments and loans forming part of the fixed assets** | 1721 | | 721 | 52.903,00 | 722 | 46.581,00 |
| a) derived from affiliated undertakings | 1723 | 6.1 | 723 | 52.903,00 | 724 | 46.581,00 |
| b) other income not included under a) | 1725 | | 725 | | 726 | |
| **11. Other interest receivable and similar income** | 1727 | | 727 | 4.504,00 | 728 | 12.176,00 |
| a) derived from affiliated undertakings | 1729 | 6.3 | 729 | 4.504,00 | 730 | 2.708,00 |
| b) other interest and similar income | 1731 | | 731 | 0,00 | 732 | 9.468,00 |
| **12. Share of profit or loss of undertakings accounted for under the equity method** | 1663 | | 663 | | 664 | |
| **13. Value adjustments in respect of financial assets and of investments held as current assets** | 1665 | | 665 | | 666 | |
| **14. Interest payable and similar expenses** | 1627 | 10.6 | 627 | -67.035,00 | 628 | -57.431,00 |
| a) concerning affiliated undertakings | 1629 | | 629 | -7.305,00 | 630 | -5.375,00 |
| b) other interest and similar expenses | 1631 | | 631 | -59.730,00 | 632 | -52.056,00 |
| **15. Tax on profit or loss** | 1635 | | 635 | -88,00 | 636 | -8,00 |
| **16. Profit or loss after taxation** | 1667 | | 667 | -16.245,00 | 668 | -5.074,00 |
| **17. Other taxes not shown under items 1 to 16** | 1637 | | 637 | 0,00 | 638 | -50,00 |
| **18. Profit or loss for the financial year** | 1669 | | 669 | -16.245,00 | 670 | -5.124,00 |

## Note 1. General

Grand City Properties S.A. (the "Company") was incorporated under the laws of the Grand Duchy of Luxembourg on December 16, 2011 as a "Société Anonyme" for an unlimited period. Its registered office is at 1, Avenue du Bois, L-1251 Luxembourg and the Company is registered with the Registre de Commerce et des Sociétés du Grand Duché de Luxembourg (the "Luxembourg R.C.S.") under number B 165.560.

The Company`s financial year starts on January 1st and ends on December 31st of each year.

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

It may further acquire through contributions, firm purchases or options, patents, service marks, trademarks licenses, know-how and other industrial, commercial or intellectual property rights and generally hold, license the right to use it, sublicense, sell or dispose of the same, into whole or in part, for such consideration as the Company may think fit, and to subcontract the management and development of those rights, trademarks and licenses and to obtain and make any registration required in this respect.

The Company can also take whatever action necessary to protect rights derived from patents, trademarks, service marks, licenses, know-how and other industrial, commercial or intellectual property rights, licenses, sublicenses and similar rights against infringement by third party.

The Company can furthermore provide or cause to provide know how, development consulting advice and operating services, promotion, representation and all operations of such nature.

The Company may make any transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, the management, the control and the development of such participating interests.

It may participate in the creation, development, management and control of any company or enterprise. The Company may borrow in any form whatever.

The Company may grant to the companies of the group or to its shareholders, any support, loans, advances or guarantees, within the limits of the Law.

Within the limits of its activity, the Company can grant mortgage, contract loans, with or without guarantee, and stand security for other persons or companies, within the limits of the concerning legal dispositions.

The Company may take any measure to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purposes and which are liable to promote its development or extension.

The Company also prepares consolidated financial statements, which are subject to publication as foreseen by the law. Copies of the consolidated financial statements are available at the Company's registered office or website (www.grandcityproperties.com).

**Note 2. Summary of Significant Accounting Policies**

***2.1 Basis of Presentation***

The annual accounts of the Company are presented in thousands of Euro (KEUR), rounded to the nearest thousand Euro unless otherwise stated and prepared in accordance with current legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

The annual accounts have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

***2.2 Foreign Currency Translation***

Tangible fixed assets expressed in another currency than EUR are translated into EUR using historical exchange rate.

All other assets and liabilities expressed in another currency other than EUR are translated into EUR at the exchange rate effective at the balance sheet date.

Income and expenses expressed in currencies other than EUR are translated at the exchange rate applicable at the date of transactions.

Realized foreign currency exchange gains and losses and unrealized foreign exchange losses are recognized in the profit and loss account.

***2.3 Formation expenses***

Formation expenses consist of share capital increase costs and are amortized on a straight line basis over a period of 5 years.

***2.4 Prepayments***

Prepayment and accrued income consist of bond issuance costs and of discount from placement of bonds. These financing costs are amortized on a straight line basis over the lifetime of the related financial facility. If the bonds are repaid/converted on an earlier date, the related remaining balances of unamortized financing costs are directly fully expensed in the Profit and Loss Account in the current financial year.

***2.5 Financial fixed assets***

Financial fixed assets are recorded at cost. A value adjustment is recorded if the expected realization value is permanently lower than the carrying amount in the opinion of the Board of Directors. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

***2.6 Debtors***

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. Value adjustments are recorded at the end of the financial year if the net realizable value is lower than the book value.

**Note 2. Summary of Significant Accounting Policies *(continued)***

***2.7 Provisions***

Provisions are intended to cover losses or debts, the nature of which is clearly defined and, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

***2.8 Other creditors***

Other creditors are recorded at their nominal value.

***2.9 Income and charges***

Income and charges are recorded on the accrual basis of accounting and as services are provided for fees invoiced.

***2.10 Share-based payment transactions***

The grant-date fair value of equity-settled share-based payment awards granted to directors and senior management is generally recognized as an expense, with a corresponding increase in provision, 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.

**Note 3. Organization**

On April 6, 2012, the Company acquired 94.80% of the shares of Grandcity Property Ltd ("GCP LTD") (Formerly: ADMINOND TRADING & INVESTMENT LTD) from its shareholders. Since 2012 the Company's shares are listed on the Frankfurt Stock Exchange. From May 9, 2017 the Company is listed in the Prime Standard.

The Company listed its different bonds series (see notes 10.1 and 10.2) for trading in Frankfurt and in the Irish stock exchanges.

**Note 4. Formation Expenses**

Formation expenses consist of capital increase fees as disclosed below:

| | **2017** | **2016** |
|---|---|---|
| | KEUR | |
| **Gross book value - opening balance** | **12,649** | **12.325** |
| Additions for the year | 1,244 | 324 |
| **Gross book value - closing balance** | **13,893** | **12,649** |
| **Amortisation - opening balance** | **(8,015)** | **(5,353)** |
| Amortisation for the year | (2,630) | (2,662) |
| **Amortisation - closing balance** | **(10,645)** | **(8,015)** |
| **Net book value - opening balance** | **4,634** | **6,972** |
| **Net book value - closing balance** | **3,248** | **4,634** |

**Note 5. Shares in affiliated undertakings**

On April 6, 2012, the Company entered into an agreement with its parent companies, Edolaxia Group Limited and Interactive Worldwide Limited for the acquisition of 94.80% of the shares of GCP LTD, reflecting 948 shares for the amount of EUR 1,620.

The Company beneficially owns the following shares in affiliated undertakings:

| Affiliate | Country | Percentage Holding | Acquisition Cost | Equity as at December 31, 2017 (**) | Profit for the year ended December 31, 2017 (**) |
|---|---|---|---|---|---|
| | | | KEUR | | |
| Grandcity Property Ltd (With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6027 Larnaca, Cyprus) | Cyprus | 94.8 | 2 | 296,174 | 49,741 |
| Tespomo Limited (With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6027 Larnaca, Cyprus) | Cyprus | 100 | (*) - | (2) | (*) - |

(*) Less than one thousand.
(**) Based on unaudited individual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 annual accounts as of December 31, 2017.

In the opinion of the Board of Directors, no value adjustments were required in respect of shares in affiliated undertakings as of December 31, 2017.

**Note 6.1 Loans to affiliated undertakings**

As at December 31, 2017, loans to affiliated undertakings amount to:

| Borrower | Country | Maturity | Interest | As at December 31, 2017 | As at December 31, 2016 |
|---|---|---|---|---|---|
| | | | | KEUR | |
| Grandcity Property Ltd | Cyprus | 03/2022 | 0.43% | 446,625 | 446,625 |
| Grandcity Property Ltd | Cyprus | 10/2021 | 2.25% | 162,938 | 454,118 |
| Grandcity Property Ltd | Cyprus | 02/2022 | 4.5%-4.9% | 468,215 | 468,215 |
| Grandcity Property Ltd | Cyprus | 01/2023 | 3.78% | 125,000 | 95,000 |
| Grandcity Property Ltd | Cyprus | 04/2025 | 2.1%-3.06% | 518,628 | 518,628 |
| Grandcity Property Ltd | Cyprus | 2072-2077 | 0% | 825,700 | 708,186 |
| Grandcity Property Ltd | Cyprus | 08/2026 | 2.05% | 578,596 | - |
| Grandcity Property Ltd | Cyprus | 10/2032 | 2.64% | 95,000 | - |
| **Total** | | | | **3,220,702** | **2,690,772** |

**Note 6.1. Loans to affiliated undertakings *(continued)***

The movements for the year are as follow:

| | 2017 | 2016 |
|---|---|---|
| | KEUR | |
| Balance as at January 1 | 2,690,772 | 2,056,947 |
| New loans granted | 900,652 | 673,825 |
| Repayments of loan | (370,722) | (40,000) |
| Balance as at December 31 | 3,220,702 | 2,690,772 |

In the opinion of the Board of Directors, no value adjustments were required in respect of loans to affiliated undertakings as at December 31, 2017.

The Company recorded interest income of KEUR 52,903 related to these loans for the year ended December 31, 2017 (2016: KEUR 46,581).

As of December 31, 2017 the accrued interest not yet received is KEUR 3,162 (2016: KEUR 29,959).

**Note 6.2 Investments held as fixed assets**

On August 3, 2017, the Company bought back EUR 320.6 million principal amount of Straight bond series D for a purchase price of 106.888 per cent of the principal amount excluding any accrued interest.

As the bonds purchased are still traded on the Irish stock exchange, the Company presents the purchase as an Investment held as fixed asset and the liability as Non-convertible loan in gross amounts.

The movement for the year is as follow:

| | **For the year ended December 31,** | |
|---|---|---|
| | **2017** | **2016** |
| | **KEUR** | |
| Book value – opening balance | - | - |
| Additions | 344,365 | - |
| Disposals | - | - |
| Book value – closing balance | **344,365** | **-** |

In the opinion of the Board of Directors, no value adjustments were required in respect of Investments held as fixed assets as at December 31, 2017.

For additional information on buy back of Straight bond series D and Convertible bond F after the reporting period see note 17(b).

**Note 6.3 Debtors**

The Company is engaged with GCP LTD with two agreements:

- Consultancy Services Agreement, according to which the Company is entitled to receive from GCP LTD an annual payment of KEUR 700 (2016: KEUR 700) for the provided consultancy services.

- Finance Services Fee Agreement, according to which the Company is entitled to receive from GCP LTD a one-time fee equals to 0.5% (2016: 0.5%) of any loan amount exceeding KEUR 500 that the Company will grant or has granted in the past to GCP LTD.

**Note 7. Prepayments**

Prepayments mainly consist of bond issuance costs for all the bonds series and of discount on bonds that were raised as disclosed below:

| | 2017 | 2016 |
|---|---|---|
| | KEUR | |
| **Gross book value - opening balance** | **117,790** | **99,133** |
| Additions for the year | 29,807 | 18,657 |
| **Gross book value - closing balance** | **147,597** | **117,790** |
| | | |
| **Amortisation - opening balance** | **(35,479)** | **(23,538)** |
| Amortisation for the year | (14,207) | (11,941) |
| **Amortisation - closing balance** | **(49,686)** | **(35,479)** |
| | | |
| **Net book value - opening balance** | **82,311** | **75,595** |
| **Net book value - closing balance** | **97,911** | **82,311** |

## Note 8. Capital and Reserves

### Share capital

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Number of shares** | **KEUR** | **Number of shares** | **KEUR** |
| **Authorized** | | | | |
| Ordinary shares of EUR 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 |
| Exercise of convertible bond series C | - | - | 12,818,228 | 1,282 |
| Issuance of shares on June 21, 2017 | 11,000,000 | 1,100 | - | - |
| **Balance on December 31, 2017** | **164,788,883** | **16,479** | **153,788,883** | **15,379** |

**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 EUR 20,000,000 to EUR 40,000,000.

**Issued capital during 2016-2017**

During 2016, a total amount of 123 million bonds were converted into shares. According to the convertible bond's terms, a total of 12.8 million shares were issued.

On June 21, 2017 the Company received gross proceeds of EUR 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 EUR 18 as part of a private placement to institutional investors.

As at December 31, 2017, the subscribed and fully paid-up share capital amounts to KEUR 16,479 represented by 164,788,883 ordinary shares with par value of EUR 0.10 per share. The Company did not acquire its own shares.

### Share premium

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

As a result of the capital increase in June 2017, the share premium increased by EUR 196.9 million.

### Resolution of dividend distribution

| Year | Amount per share (in cents) | Gross amount (€'000) | 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 |

The dividend distributions are paid out of the share premium.

**Note 8. Capital and Reserves *(continued)***

**Legal reserve**

Luxembourg companies are required by law to allocate at least 5% of their annual net profits to a legal reserve, until such time as the legal reserve reaches 10% of the issued share capital. This reserve is not available for distribution. No allocation has been made to the legal reserve as the Company has losses brought forward.

**Note 8.1. Share-based payment agreements**

**A. Description of share-based payment arrangements**

As of December 31, 2017, the Company 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 plan for the board of directors, key management 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 are 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 for keeping conservative financial ratios, with the strategic target to further improve the Group's rating to A-.

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

| Grant date | Number of instruments in thousands | Weighted vesting period | Contractual life of the incentive |
|---|---|---|---|
| On 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 share options under the share incentive program and replacement awards were as follows:

| | 2017 | 2016 |
|---|---|---|
| | Number of shares | Number of shares |
| | In thousands of shares | |
| Outstanding on January 1 | 407 | 273 |
| Granted 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 EUR 893 thousand (2016: EUR 1,024 thousand). It was presented with "Staff costs" in the profit and loss account and as "Other provisions" in the balance sheet.

**Note 9. Related parties**

During the year the Company had brokerage transaction with GCP LTD in the amount of KEUR 7,305 (2016: KEUR 5,375).
There were no other transactions between the Company and its key management or related parties during the year (except those described in note 6.1, 6.3 and 8.1 above).

**Note 10.1. Subordinated debts**

**Note 10.1.1. Non-convertible loans**

Perpetual Notes
On February 13, 2015, the Company successfully placed EUR 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.

On March 3, 2015, the Company placed a tap issue of EUR 250 million in aggregate principal amounts of the Perpetual Notes. These notes were issued at a price of 97.04% of the principal amount.

On July 29 2015, the Company placed a tap issue of EUR 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 EUR 500 million.

On September 22, 2016, the Company successfully placed EUR 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 only 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.

For additional information on a third series of perpetual notes see note 17(f).

The Perpetual Notes' coupon is deferrable until resolution of a dividend to the shareholders. The deferred amounts shall not bear interest. Due to the dividend distribution in July 2017, an amount of EUR 21.7 million (2016: EUR 18 million) is payable to the Perpetual Notes' holders.

| | **As at December 31,** | |
|---|---|---|
| | **2017** | **2016** |
| | **KEUR** | |
| Perpetual Notes (Coupon rate 3.75%) | 500,000 | 500,000 |
| Perpetual Notes (Coupon rate 2.75%) | 200,000 | 200,000 |
| Accrued Coupon of Perpetual Notes (payable in less than one year) | 21,673 | 18,048 |
| | **721,673** | **718,048** |

**Note 10.2. Non-subordinated debts**

**Note 10.2.1. Convertible loans**

Convertible bond series F

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

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

Below is a table describing the movement in the Convertible bond series F.

| | As at December 31, | |
|---|---|---|
| | **2017** | **2016** |
| | **KEUR** | |
| Convertible bond series F (payable in more than one year, interest rate 0.25%) | 450,000 | 450,000 |
| Accrued interest of Bond series F (payable in less than one year) | 373 | 373 |
| | **450,373** | **450,373** |

**Note 10.2.2. Non-convertible loans**

Straight bond series D
On October 29, 2014, the Company successfully placed EUR 500 million straight bond series D, due 2021 with a coupon of 2% p.a., payable semi-annually in arrears, at a price of 95.564% of its principal amount. Starting that day, the bond is traded on the Irish stock exchange, on its regulated market.

On August 3, 2017, the Company bought back EUR 320.6 million principal amount of Straight bond series D for a purchase price of 106.888 per cent of the principal amount excluding any accrued interest. As the bonds purchased are still traded on the Irish stock exchange, the Company presents the purchase as an Investment held as fixed asset and the liability as Non-convertible loan in gross amounts.

For additional buy back of straight bond series D after the reporting period see note 17 (b).

Straight bond series E
On April 17, 2015, the Company successfully placed EUR 400 million straight bond series E, due 2025 with a coupon of 1.5% p.a., payable semi-annually in arrears, at a price of 96.76% of its principal amount.

On September 18, 2015, the Company successfully completed with the tap up placement of additional EUR 150 million of straight bond series E, at a price of 89.21% of its principal amount. The total aggregated principal amount of the straight bond series E increased to EUR 550 million (principal amount).

The EMTN programme

On July 2017, the Company established of a EUR 1.5 billion EMTN programme. Notes issued under the EMTN programme will be 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 EUR 10 billion.

**Note 10.2.2. Non-convertible loans *(continued)***

Straight bond series G
On August 2, 2017 under its EMTN programme, the Company successfully completed the placement of EUR 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 Irish Stock Exchange, on its regulated market

Straight bond series H
On October 25, 2017 under its EMTN programme, the Company successfully completed the placement of EUR 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 Irish Stock Exchange, on its regulated market.

For additional information on issuance of straight bonds after the reporting period see note 17.

| | As at December 31, | |
|---|---|---|
| | **2017** | **2016** |
| | **KEUR** | |
| Bond series D (payable in more than one year, Interest rate 2%) | 500,000 | 500,000 |
| Accrued interest of Bond series D (payable in less than one year) | 1,726 | 1,726 |
| Bond series E (payable in more than one year, Interest rate 1. 5%) | 550,000 | 550,000 |
| Accrued interest of Bond series E (payable in less than one year) | 1,696 | 1,696 |
| Bond series G (payable in more than one year, Interest rate 1.375%) | 600,000 | - |
| Accrued interest of Bond series G (payable in less than one year) | 3,401 | |
| Bond series H (payable in more than one year, Interest rate 2%) | 110,000 | - |
| Accrued interest of Bond series H (payable in less than one year) | 404 | - |
| | **1,767,227** | **1,053,421** |

**Note 10.3. Deferred income**

On September 29, 2015 the Company received gross proceeds of KEUR 7,017 million from a placement of a financial instrument – a 1.1 million Call options convertible to the Company’s shares (in ratio of 1:1) for an additional price of EUR 17.17 per option and exercisable in the period between March 2016 to August 2021. The premium has been recorded as deferred income until such time as the option is either exercised or expired.

**Note 10.4. Security, negative pledge**

The Company undertakes to secure and pledge the following items to the bondholders as agreed in the Terms and Conditions of its Bonds:

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in GCP LTD;
- a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by GCP LTD; and
- first-ranking charges, governed by Cypriot law, over each bank account held by GCP LTD.

### Note 10.5. Covenants in accordance with the bonds' terms and conditions

The Company undertakes to comply with several covenants as defined in the Terms and Conditions of Bond series D, E, G, H and Convertible bond series F. During the year ended at December 31, 2017, there were no breaches of any of the covenants applicable to the Company.

### Note 10.6. Interest and other financial charges

Interest payable and other financial charges consist of the following:

| | For the year ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | KEUR | |
| Straight and convertible bonds | 19,975 | 19,186 |
| Perpetual Notes | 24,250 | 20,272 |
| Other finance costs | 14,696 | 11,941 |
| Brokerage fees (see note 9) | 7,305 | 5,375 |
| Bank fees and other charges | 809 | 657 |
| **Total** | **67,035** | **57,431** |

### Note 11. Other operating expenses

| | For the year ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | KEUR | |
| Insurance, telephone and other administrative expenses | 523 | 1,618 |
| Legal and professional fees (*) | 2,487 | 1,344 |
| Advertising and marketing | 379 | 230 |
| Legal annual audit fees | 167 | 97 |
| **Total** | **3,556** | **3,289** |

(*) of which KEUR 91 are related to fees for tax services, KEUR 70 are related to other assurance services and KEUR 589 are related to directors compensation.

### Note 12. Turnover

The net turnover concerns consultancy services (see note 6.3).

### Note 13. Financial risk management

Financial risk factors

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

- Liquidity risk
- Operating risk
- Other risks

The Company is not exposed to currency risk as all its investments and financing arrangements are in EUR.

**Note 13. Financial risk management *(continued)***

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities.

*(i) 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 Company has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

*(ii) Operating Risk*

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

*(iii) Other risks*

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

**Note 14. Staff**

The company employed an average of 3 persons (2016: 2) during the financial year.

**Note 15. Taxation**

The company is subject in Luxembourg to the general tax regulations applicable to all companies.

**Note 16. Commitment and contingencies**

The Company has no commitments as at December 31, 2017 and 2016.

**Note 17. Subsequent events**

a) On January 25, 2018, the Company successfully completed the placement of Hong Kong Dollars (HKD) 900 million (EUR 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 next 5 years.

b) On February 19, 2018, the Company finalized a tender offer to buy back a principal amount of EUR 169.2 million of its EUR 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 EUR 40.6 million of its outstanding EUR 500 million 2% notes due 2021 (“Straight Bond D”).

c) On February 19, 2018, the Company successfully completed the placement of EUR 500 million 1.5% senior unsecured notes due 2027 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 (EUR 108 million) 0.96% coupon 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 with the tap up placement of additional EUR 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 EUR 255 million (nominal value).

f) On April 17, 2018 the Company successfully completed the placement of EUR 350 million in aggregate principal amount of undated subordinated notes with a coupon of 2.5% and a first call date in October 2023, at an issue price of 98.125% of the principal amount.