



2014

CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2014

GRAND CITY

Properties S.A.



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

IMPRINT

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KEY FINANCIALS



EBITDA (€'000)

DEC 2013	CHANGE	DEC 2014
306,175	12%	343,228

REVENUE (€'000)

DEC 2013	CHANGE	DEC 2014
169,630	36%	231,512

ADJUSTED EBITDA (€'000)

DEC 2013	CHANGE	DEC 2014
54,243	106%	112,009

RENTAL AND OPERATING INCOME (€'000)

DEC 2013	CHANGE	DEC 2014
99,580	118%	216,837

NET PROFIT (€'000)

DEC 2013	CHANGE	DEC 2014
266,052	-8%	243,834

FFO I (€'000)

DEC 2013	CHANGE	DEC 2014
38,143	100%	76,106

EPRA NAV (€'000)

DEC 2012	DEC 2013	DEC 2014
341,181	861,926	1,439,386

FFO I PER SHARE (€)

DEC 2013	CHANGE	DEC 2014
0.50	32%	0.66

LOAN-TO-VALUE

DEC 2012	DEC 2013	DEC 2014	DEC 2014 *)
44%	36%	45%	34%

FFO II (€'000)

DEC 2013	CHANGE	DEC 2014
53,229	143%	129,212

EQUITY RATIO

DEC 2012	DEC 2013	DEC 2014	DEC 2014 *)
37%	47%	40%	49%

CASH FLOW FROM OPERATIONS (€'000)

DEC 2013	CHANGE	DEC 2014
61,401	85%	113,884

PORTFOLIO DEVELOPMENT IN UNITS

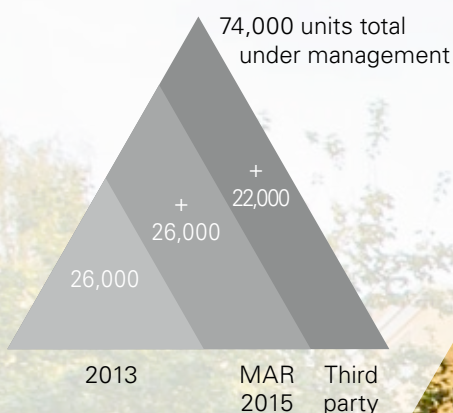
DEC 2013	DEC 2014	MAR 2015	MAR 2015 UNDER MANAGEMENT
26,000	43,000	52,000	74,000

ACHIEVEMENTS

GROWTH THROUGH ACQUISITION – SUCCESS THROUGH TURNAROUND

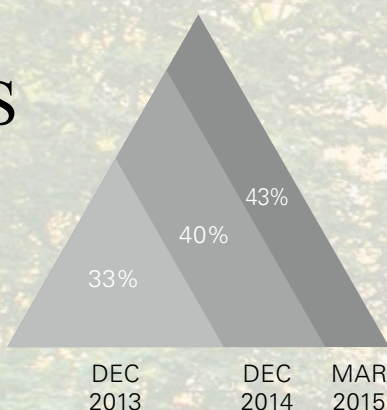
PORTFOLIO GROWTH

Portfolio growth accelerated adding to the 26,000 units in 2013 another 26,000 units by March 2015. In addition to the 52,000 units GCP manages a portfolio of 22,000 units owned by third parties. Total of 74,000 units are under management.



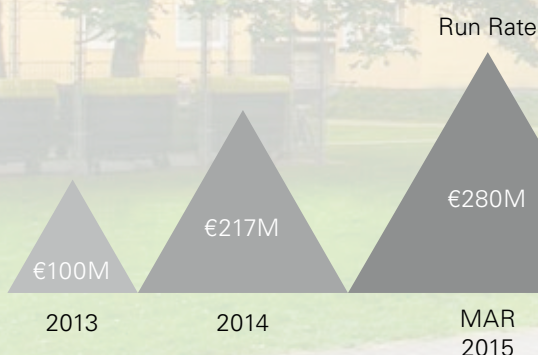
SUCCESSFUL TURNAROUNDS

Successful turnarounds led to an increase in stabilized units from 33% of the portfolio as of December 2013 to 40% as of December 2014 and to 43% as of March 2015.



RENTAL AND OPERATING INCOME

Rental and operating income rose by 118% to €217 million over the year. March 2015 Run Rate of rental and operating income (monthly annualized) increased to approx. €280 million.



OPERATIONS

INCREASED PORTFOLIO DISTRIBUTION

Increased portfolio distribution through advancement into further location with strong fundamentals such as Dresden, Leipzig, Halle, Mannheim, Frankfurt, Bremen, Hamburg

FFO

€76M₂₀₁₄



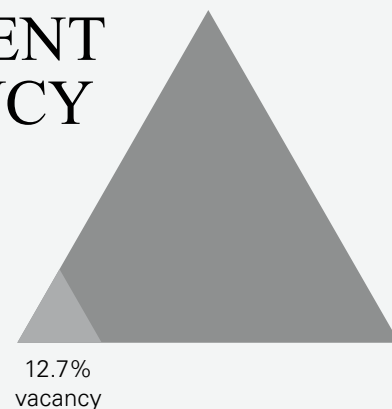
FFO RUN RATE

€ 102 M_{MAR/2015}



IN-PLACE RENT
AND VACANCY

€ 5.2/m²_{MAR/2015}



ACHIEVEMENTS

SIGNIFICANT INCREASE IN UNENCUMBERED ASSETS

Significant increase in unencumbered assets from 32% in December 2013 to 57% of the portfolio in March 2015, providing flexibility and comfort for further growth.

57% MAR/2015



32% DEC/2013

DEBT-COVERAGE RATIOS

Debt-coverage ratios further strengthened during 2014 with ICR rising from 4.8 in 2013 to 5.1 in 2014 and DSCR increasing from 3.3 to 4.0 over the same period.

5.1 2014



4.8 2013

4.0 2014



3.3 2013

ICR

DSCR

DEBT STRUCTURE



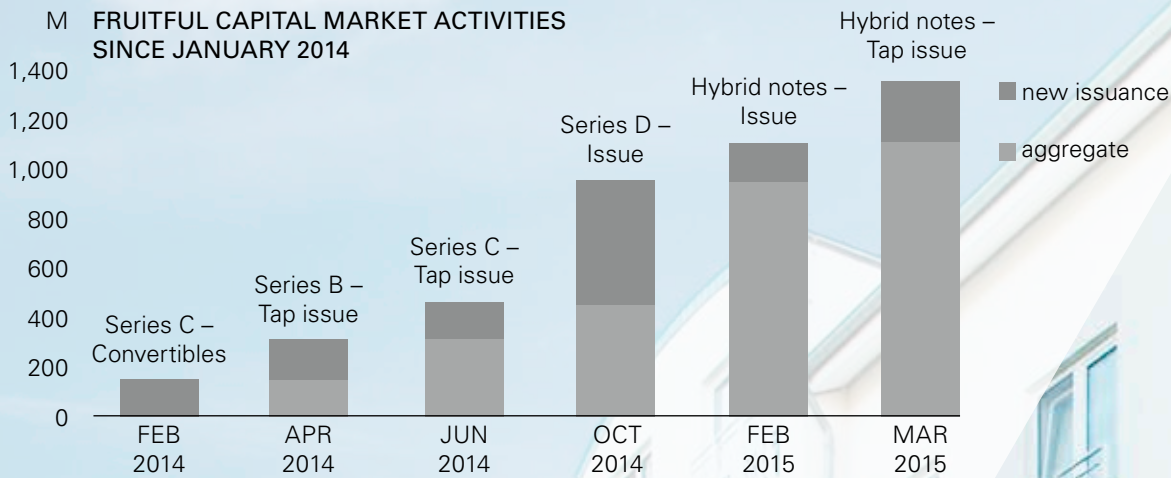
SUSTAINING A CONSERVATIVE DEBT STRUCTURE

Sustaining a conservative debt structure with an LTV of 45% as of December 2014 and 34% assuming conversion of convertibles which have been in the money since August 2014 and are being converted since December 2014. Equity ratio of 40% as of December 2014, 49% assuming conversion.

ACHIEVEMENTS

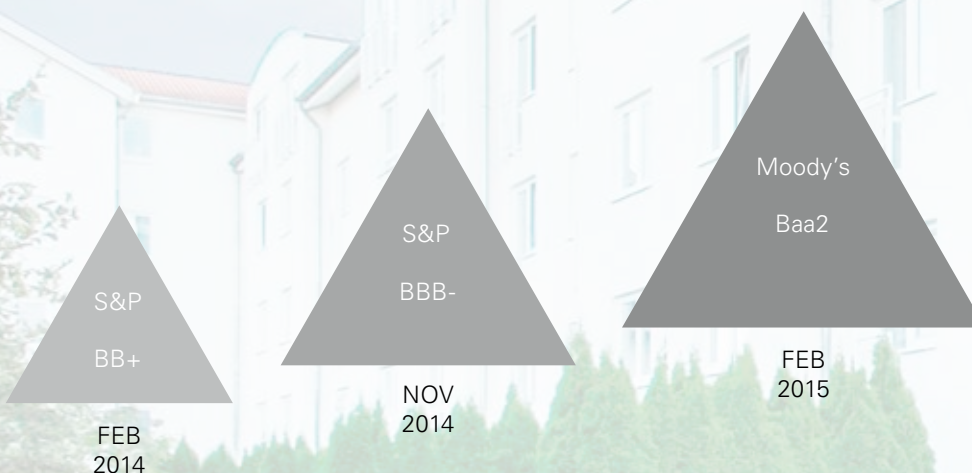
ISSUANCES

GCP completed a private placement of €400 million in aggregate principal amount of perpetual hybrid notes, with a coupon of 3.75% in two issuances in February and March 2015.



RATING

In February 2015, GCP was assigned a first-time long-term issuer rating of Baa2 with a stable outlook by Moody's. S&P upgraded GCP's rating twice in 2014 from 'BB' to investment grade rating 'BBB-' with a stable outlook on its long-term corporate credit rating as well as on the Company's convertible and straight bonds.



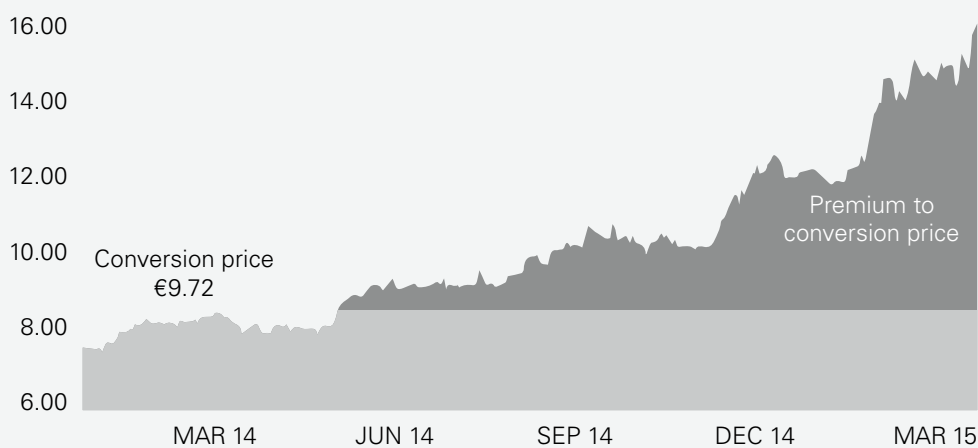
CAPITAL MARKETS ACTIVITIES

DIVIDEND POLICY

Dividend policy to distribute 30% of FFO I to shareholders has been resolved.

CONVERTIBLE BONDS

Convertible bonds, Series C, issued in February 2014 and tapped up in June 2014 to an aggregate amount of €290 million. The bonds are being converted since December 2014 as they are deep in the money with over 60% above conversion price as of March 2015.



LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We are proud to present to you GCP's financial report for 2014 marking another successful year in which GCP has further improved both its operational and financial position. The portfolio has continued its outstanding growth reaching 43,000 units in Dec 2014 doubling in size to 52,000 units in March 2015, in comparison to 26,000 units at the end of 2013. The growth is a product of numerous accretive deals, carefully considered, made throughout the period. Simultaneously to our growth we further optimized the portfolio's diversification, quality and stability and strengthened our already excellent corporate financial position. The growth further contributed to our geographical diversification across favorable areas, in line with our strategic focus on major German cities and metropolitans, thereby strengthening GCP's presence in key locations and tapping into the benefits of economies of scale.

As part of the Company's strategic positioning activities, targeting a setup to sustain growth and operational improvements in the years to come, the Company has acquired a management company in the beginning of 2014, which currently provides property and facility management services to 22,000 units owned by third parties. The acquisition target was chosen due to its similar geographical spread and business focus on managing turnaround assets. The implementation of the new teams has resulted in direct synergies, partially realized in 2014, including service center, IT systems and support, financial reporting, human resources and more. We view this development as a significant milestone in laying the foundation for our future growth, enabling the Company to integrate additional assets into its portfolio, at marginal cost. Since integration, the portfolio under management increased by 22% from 18,000 to currently 22,000 units.

The business development and extraordinary growth presented is the achievement of our capable, efficient and dedicated employees, in all departments and management levels. GCP has increased its employee count to over 500 as of March 2015, to cater for its growing portfolio and diversified services offering. The success of 2014 is also reflected in the strong operational performance of the Company. The adjusted EBITDA amounted to €112 million and the Funds from Operations I ("FFO I") to €76 million, up year-over-year by 106% and 100% respectively. The amount of stabilized properties, with vacancies below 5%, has increased to 40% as of December 2014 (43% as of March 2015), up from 33% in December 2013. The rental and operating income run rate, annualizing the March 2015 portfolio income, excluding any future improvement, reached €280 million, resulting in a FFO rate of €102 million.

Throughout the Company's growth we maintain our competitive advantages in managing turnaround opportunities. We view the key to achieving a successful turnaround process in creating tenant satisfaction, by working with the tenants, understanding their needs and addressing them, exploiting our corporate scale efficiency and capabilities. We strive to create an environment of trust and cooperation, replacing the previous mismanagement situation. The main focus is on increasing the quality of the properties, a result of a pleased, wide and strong tenant base and improving the conditions of the properties. GCP seeks to serve its tenants with a higher standard and has begun in 2014 to increase the accessibility of the properties to the disabled and to the elderly. Upon request, the Company invests and installs in buildings chair lifts and ramps, rails and converts bathrooms to an easier and safer environment. In

2014, the Company continued the project of replacing old windows and installing highly insulating and ventilating windows, fitting to the new appearance of the newly managed building. In parallel, the Company continues investing in energy efficient systems, replacing heating systems with cleaner and more efficient gas systems, reducing the recoverable cost for our tenants significantly.

Part of improving our service quality, we have expanded our services given by the service center and the maintenance team for our tenants, and added an additional hotline for maintenance problems. Our Service center and if necessary professional advice assist our tenants in improving and maintaining their living conditions in their apartments. Open communication has proven very successful to us in many aspects of our operations.

GCP believes in creating a sense of community and a supportive neighborhood environment. The Company organizes various summer and Christmas events for its tenants. In addition we are supporting local initiatives in our properties such as a bicycle-workshop, a youth-café, schooling and homework aid for children, and after school supervision of young children.

The main indicator for a successful turnaround is vacancy reduction. The Company benefits significantly from vacancy reduction, as a major income driver on the one hand, while decreasing non-recoverable costs on the other. Therefore GCP holds the role of the marketing department in high regard. In 2014 the marketing department has nearly tripled in size, along with establishing new procedures and standards aimed at giving our teams on the ground the best conditions and tools to achieve their goals. We created a new team structure and standardized relevant cross organizational procedures such as marketing tools, e-commerce, IT systems, and contracts. The sales departments set high operational goals to further increase both the amount and the rate of filling of the vacancies, as the Company grows and accelerates the turnaround process.

The rent increase department plays a significant role in the turnaround process. The rent team is working in close cooperation with the acquisition team, by utilizing its in-house developed rent supervision system to calculate the rent increase potential as part of the due diligence process and supporting the pricing and decision making. Another role of the rent increase team is to closely monitor any regulatory changes in the rent market and to analyze the impacts of expected developments. Concerning the latest legislation introducing a cap above the rent index ("Mietspiegel"), we believe this development will have an immaterial effect on our rent increase potential as the vast majority of our properties are currently below market rent, most of them with a significant gap between actual rent and the local index.

GCP's proprietary IT system is key to its operations and led to immense operational efficiency gains over the year. The two main focus points in 2014 were automation and communication. Rent increase optimization and automation as well as integration of automated push feeds into third party letting websites are only two examples of the IT system having a direct and measurable impact on the bottom line through faster response times, lower staff costs and fewer missed opportunities. Communication tools and processes were improved both internally as well as for correspondence with customers. Apart from efficiency gains GCP's tenants benefit from an improved service level and access to apps increasing convenience.

Alongside our achievements in directing the portfolio's development and growth, we have made considerable and success-



ful efforts over the past year to further solidify our financial stand, and we now view the Company's financial position as unparalleled among its peers. We have industriously worked over the past year to utilize our continuously improving stand in the capital markets and design our debt structure and financing sources profile to meet the Board of Directors' strategic targets of a low LTV, high ratio of unencumbered assets and high headroom in interest and debt coverage ratios. As of March 2015 57% of our total portfolio is unencumbered, our DSCR for the full year 2014 remained high at 4.0x and our ICR was 5.1x. Our adherence to the Board's financial policies and our operational achievements have also been recognized by the rating agencies, leading in February 2015 to an assignment by Moody's of a first-time long-term issuer rating of Baa2 to the Company. In their report, Moody's state that the Company's rating is based on moderate leverage, financial strength metrics stronger than those of similarly rated peers and a good liquidity profile. Moody's initial rating score is a comparable one notch higher than S&P's rating score of BBB-, granted in November 2014. The Board has decided to strategically aim for a further rating improvement and will continue to implement measures to achieve this target.

In addition, the Company has continued to demonstrate its excellent access to public capital and investors' confidence – the 1.5% coupon convertible bond Series C was issued in February 2014 and tapped-up in June 2014, with gross proceeds of €290 million. The convertible bond is already "deep in the money" and started to be converted into equity in Dec 2014. In Q4 2014 the €350 million, 6.25% coupon Series B bond was fully redeemed, alongside placement of a new fixed-rate Series D bond at a principal amount of €500 million, due 2021 with a coupon of 2% and a price of 95.6% of the principal amount.

GCP completed a private placement of €400 million in aggregate principal amount of perpetual hybrid notes, with a coupon of 3.75% in two issuances in February and March 2015. The proceeds of these issuances will be used to fund additional acquisitions of turnaround properties. Our capital market activities are supported by leading market players, among others, Morgan Stanley, J.P. Morgan, Deutsche Bank, Berenberg,

Kempen and others serving as our lead managers and bookrunners. This support together with GCP's rising market presence has led to increasing demand from internationally leading institutional investors and oversubscription of all of its recent issuances. As of March 2015, GCP is added to major FTSE EPRA/NAREIT indices including FTSE EPRA/NAREIT Global, Developed and Developed Europe.

2014 also saw more interaction and involvement with investors. Given the rapid growth of the Company and international diversification of its investors, GCP engaged through targeted and manifold investor relations activities over the year, attending more than 30 investor conferences and approx. 20 roadshows, including in Germany, France, Benelux, Scandinavia, Switzerland, UK and USA. These events create transparency and present a platform for open dialogue. We are proud of the trust that our investors place in us and seek through the increased communication an optimized alignment of the management's policies and shareholders' interests.

The Board of Directors has announced in January 2015 the Company's first dividend policy, according to which 30% of the Company's FFO I shall be distributed as dividend to the shareholders. The dividend policy balances on the one hand several shareholders' feedback and intent to realize the Company's gains and on the other to continue and create surplus returns to our shareholders by reinvesting the gains.

We look back at a year of tremendous success and ahead at a strong pipeline and a platform that will support the Company's growth ambitions in the next few years. Our confidence looking forward stems on the one hand in our current portfolio which not only exhibits strong defensive characterizes but also great potential. With around 90% of GCP's portfolio rented below market rates and huge upside potential of occupancy increases the Company's current portfolio offers a potential improvement of rental income of 30%. On the other hand our team's ability to source attractive properties fills us with confidence in making additions to our portfolio for years to come.

We are very excited about the coming year 2015 and are confident that GCP will carry the momentum from 2014 forward and continue its unique success story.

Christian Windfuhr
CEO

Simone Runge-Brandner
Director

Refael Zamir
Director, CFO

Daniel Malkin
Director

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	2014 €'000	2013 €'000
Revenue	231,512	169,630
Rental and operating income	216,837	99,580
EBITDA	343,228	306,175
Adjusted EBITDA	112,009	54,243
Profit for the year	243,834	266,052
FFO I	76,106	38,143
FFO I per share in €	0.66	0.50
FFO II	129,212	53,229

FINANCIAL POSITION HIGHLIGHTS

	AS OF	Dec 2014 €'000	Dec 2013 €'000
Cash and liquid assets		272,296	166,800
Total Assets		2,629,058	1,651,087
Investment Property ¹⁾		2,185,457	1,375,450
Total Equity		1,041,650	767,925
EPRA NAV		1,439,386	861,926
Loans and borrowings		543,009	472,316
Straight bonds		476,381	194,676
Convertible bond Series C ²⁾		240,451	-
Loan To Value		45%	36%
Loan To Value assuming conversion ²⁾		34%	36%
Interest Cover Ratio		5.1	4.8
Equity Ratio		40%	47%
Equity Ratio assuming conversion ²⁾		49%	47%

¹⁾ including advanced payment

²⁾ the convertible bond Series C is in the money since August 2014 and being converted since December 2014

KEY LOCATIONS



THE COMPANY

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors hereby submit the annual report for the year ended December 31, 2014.

The figures presented in this Board of Directors' Report are based on the consolidated financial statements as of December 31, 2014, unless stated otherwise.

Grand City Properties S.A. is a specialist real estate company focused on investing in and managing turn-around opportunities in the German real estate market. The Group's total portfolio as of March 2015 consists of 52,000 units (hereinafter "GCP portfolio") located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin, Germany's capital, and other densely populated areas. Further, the Company manages an additional portfolio of 22,000 units owned by third parties bringing the total number of units under GCP's management to 74,000.

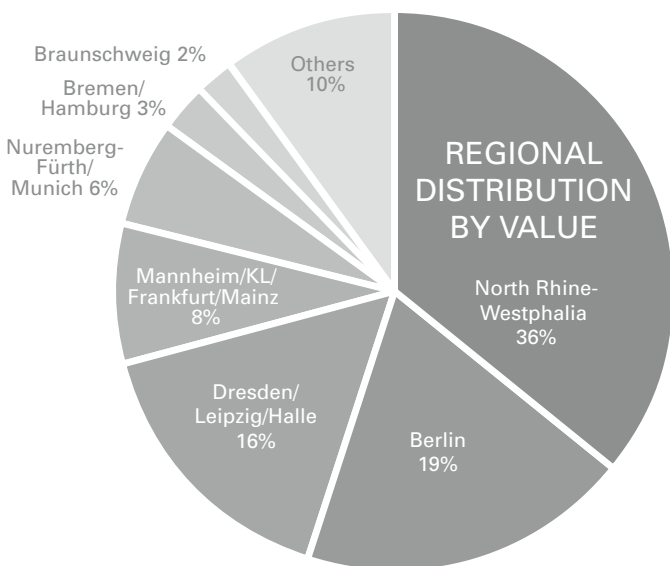
GCP is active in all relevant asset and property management activities along the real estate value chain. The Group's business model is focused on buying real estate properties with strong underlying fundamentals which are not optimally managed or positioned, and turning them around through intense property and tenant management as well as through targeted modernizations. This enables the Company to create significant value in its portfolio.



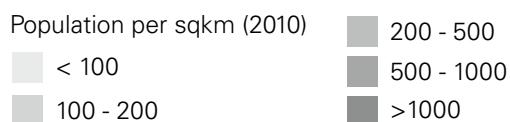
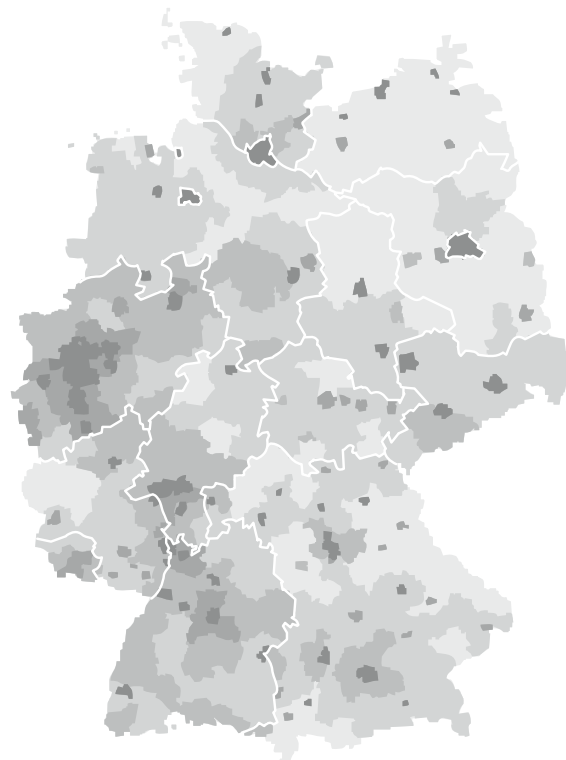
KEY STRENGTHS

ATTRACTIVE PORTFOLIO WITH SIGNIFICANT REPOSITIONING POTENTIAL AND DEFENSIVE CHARACTERISTICS

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



POPULATION DENSITY



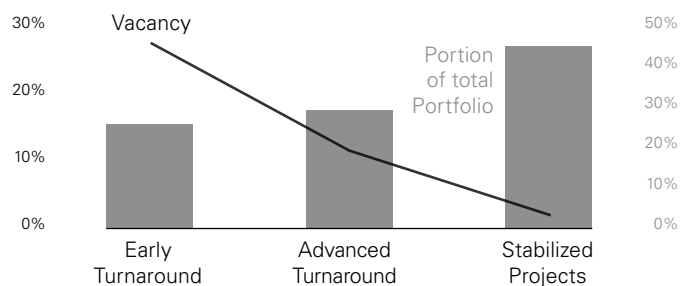


The Group's portfolio growth was accompanied by further diversification, allowing it to increase benefits from economies of scale while reducing geographical clustering and thereby supporting the risk-averse and well allocated portfolio targets set by the Board. GCP's focus on densely populated areas is mirrored by 36% of its portfolio being held in NRW, 19% in Berlin and significant holdings in other major urban markets with strong fundamentals such as Dresden, Leipzig, Halle, Nuremberg, Munich, Mannheim, Frankfurt, Bremen, Hamburg, and Braunschweig.

GCP has grouped the investment property of its real estate portfolio into three categories according to turnaround stage allowing the effective management and constant monitoring of the turnaround progress and repositioning activities: stabilized properties which have lower vacancy rates than 5%; advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties with vacancy rates higher than 15%.

Of the 52,000 units in GCP's portfolio in March 2015 approx. 43% are in the stabilized stage, approx. 30% are in the advanced turnaround stage and approx. 27% are in the early turnaround stage. The portion of stabilized units has increased significantly in comparison to 2013 where only 33% of the portfolio was stabilized, validating the successful execution of the business plan and further enhancing the management track record. The current distribution of the Group's portfolio provides stable high cash flows while embedding further growth and value creation potential.

PORTFOLIO STAGES



The portfolio's monthly in-place rent as of March 2015 is €5.2 per square meter and the vacancy rate of rentable area is 12.7%. GCP is buying properties with high vacancies as part of its business strategy and uses its skills and know-how to turn those assets around. GCP's vacancy level is therefore an integral part of its unique business model and represents a major growth driver for the future.



KEY STRENGTHS

FULLY INTEGRATED AND SCALABLE PLATFORM THAT IS TAILORED FOR ACQUISITIONS, TURNAROUND AND FAST GROWTH

Through its purpose-built platform GCP provides efficient in-house management to its existing real estate portfolio as well as support for the execution of its expansion plans. Given its rapid growth the Group has grown to more than 500 experienced staff members working from its central and regional offices. Specialized teams cover the entire range of the real estate value chain from acquisition to construction and refurbishment, sales and marketing, and key support functions such as finance, accounting, legal and IT. GCP puts strong emphasis on growing relevant skills in-house to improve responsiveness and generate innovation across processes and departments. In particular, its advanced proprietary IT system enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. A rigorous focus on cost extends across the entire operations of GCP, including those that are chargeable to its tenants.

Through the acquisition and implementation of a property management company in 2014 GCP strategically positioned itself for a quick and rapid takeover of the current pipeline and further property acquisitions. Given the efficiency measures taken the portfolio today has the capacity to further grow at a marginal cost to the platform, and further create economies of scale. The integrated nature of its platform also means that GCP is well positioned to make important decisions swiftly and efficiently when required, for instance with acquisitions.

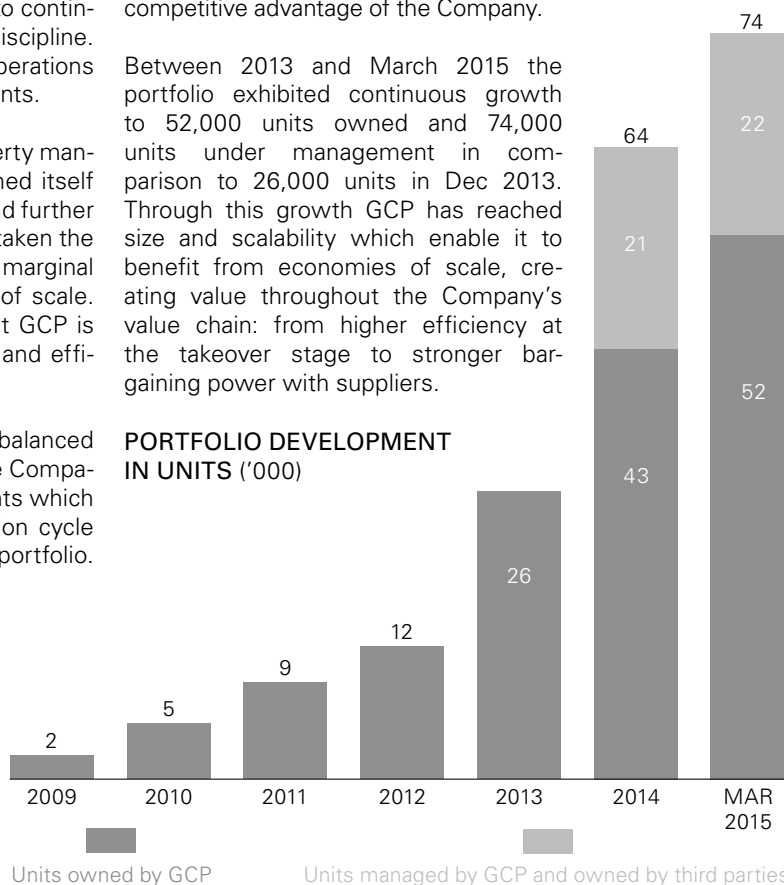
The Group is directed by an experienced and well-balanced management team, led by the Board of Directors. The Company operates through over a dozen different departments which all form an important component in the value creation cycle from acquisition through turnaround to fully stabilized portfolio.

PROVEN SOURCING CAPABILITIES AND SUCCESSFUL PORTFOLIO GROWTH

The Company's track record and established reputation provides access to numerous investment opportunities often before they are widely promoted or publicized, reflecting GCP's preferential counterparty status, both on a local and national level. This advantage is also reflected in improved access to financing and helped establish strong relationships with debt providers. GCP operates in an attractive market niche where the average deal size discourages most market players, as the typical properties it acquires are either too large for private individuals or too small and difficult for institutional investors. GCP's focus on and know-how in taking over mismanaged properties with vacancy and turning them around to stabilized and well managed properties is unique in the German real estate market and a sustainable competitive advantage of the Company.

Between 2013 and March 2015 the portfolio exhibited continuous growth to 52,000 units owned and 74,000 units under management in comparison to 26,000 units in Dec 2013. Through this growth GCP has reached size and scalability which enable it to benefit from economies of scale, creating value throughout the Company's value chain: from higher efficiency at the takeover stage to stronger bargaining power with suppliers.

PORTFOLIO DEVELOPMENT IN UNITS ('000)

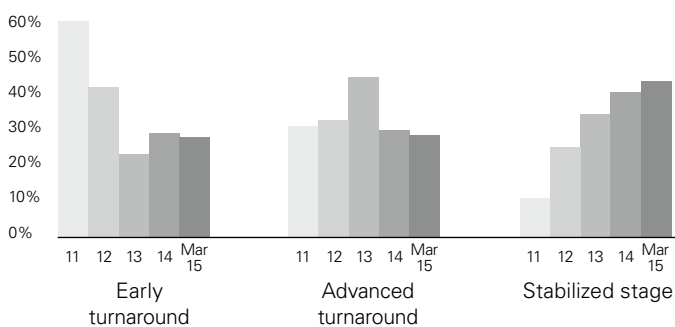




STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING OF ASSETS

Apart from GCP's unique skills in identifying properties with significant upside potential it is its ability to create and execute tailor made strategies for each asset to optimally improve its operating performance, which is reflected in the significant value appreciation in its portfolio. GCP's continuous asset management efforts result not only in improved yields on its portfolio, but also in tangible value creation that is captured instantly as well as over the long run in the Group's financial performance. The group's experience and in-house operational skills allow it to continuously maximize returns after successful repositioning of the assets.

PORTFOLIO STAGES



The successful execution of the business model and competency of the management is mirrored by a continuous growth in the stabilized portfolio ratio and the simultaneous vacancy rate decrease. GCP's stabilized portfolio has grown significantly, from 33% as of December 2013 to 43% in March 2015. Such transition results in higher cash flows, lower costs and higher profit margins while the stabilized assets still provide a substantial upside potential for rent increases. Over the same period, the portion of properties in the early turnaround stage has increased from 23% to 27%, through large scale acquisition of new properties, offset by the successful turnaround process of previously acquired properties. This replenishment of early turnaround assets mirrors GCP's confidence in its business model and strategy to balance the portfolio with properties embedding significant upside potential from vacancy reduction and rent increases.

UNIQUE BUSINESS STRATEGY CREATES PORTFOLIO WITH DEFENSIVE CHARACTERISTICS AND UPSIDE POTENTIAL

Given GCP's unique business strategy to acquire assets in an early turnaround stage with high vacancies and to realize their full potential through operational improvements, the overall portfolio's vacancy rate and undervalued assets contain a high upside potential in rent and provide a substantial additional revenue driver while the assets progress through the turnaround cycle. The portion of stabilized units has steadily increased over time, providing a balanced mix of stability and further growth potential. The majority of GCP's portfolio is rented below market rates. Combined with the upside potential of occupancy increases at market rent the Company's current portfolio embeds a potential improvement of rental income of approx. 30%.



KEY STRENGTHS

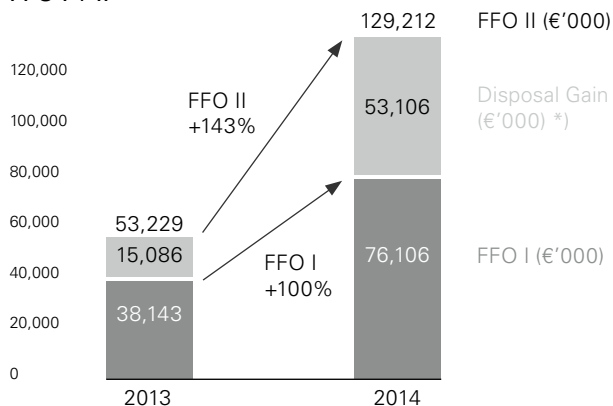
STRONG AND GROWING CASH FLOWS WITH HIGH RETURN POTENTIAL

GCP's current portfolio generates strongly growing cash flows, demonstrated by an 85% increase in cash flows from operations. GCP's turnaround management focuses on increasing initial cash flows through raising rental income, decreasing vacancy levels as well as maintaining strict cost discipline through active management. The Group exhibits strong growth from the operational optimization of its existing portfolio as well as expansion through the acquisition of additional properties with great value adding potential.

CASH FLOW FROM OPERATIONS

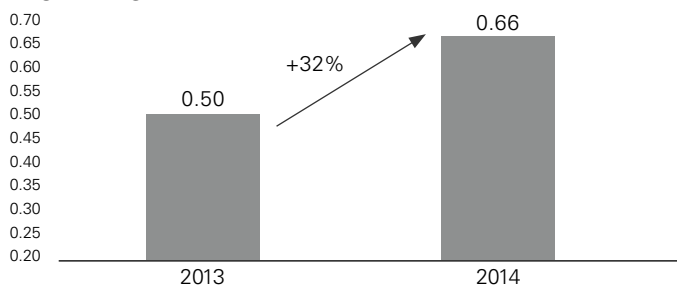


FFO I + II



*) the excess amount of the sale price to the cost price

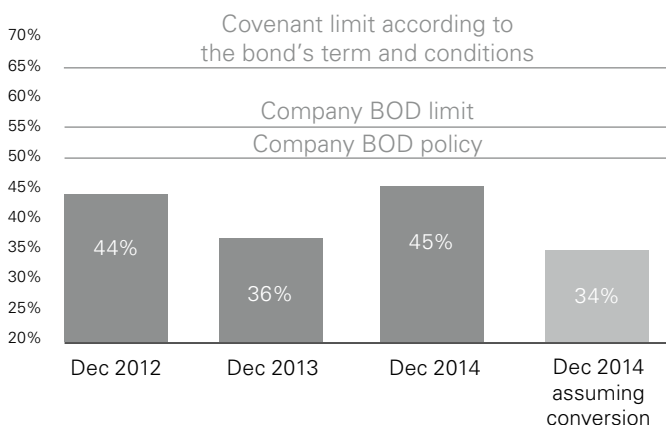
FFO I PER SHARE



CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

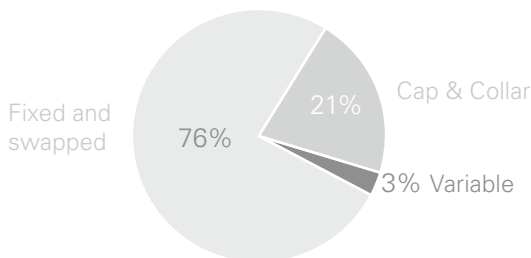
With €272 million in liquid assets as of December 31, 2014, supported by the issuance of €400 million perpetual hybrid notes and €1.45 billion of unencumbered assets, GCP has a high amount of financial flexibility, which on the one hand enables it to pursue attractive deals, and on the other provides significant head room and comfort to its debt holders. GCP's conservative capital structure is characterized by long term maturities, low debt amortization rates, hedged interest rates, excellent financial cover ratios and a low LTV reflects its disciplined approach. The LTV as of December 31, 2014 was conservative at 45% (LTV was 34% assuming conversion of Series C bond, which is deep in the money since August 2014 and as of March 2015 over 60% above conversion price). The Company's internal target is to maintain an LTV of 50% and set itself a management policy limit at 55%. GCP strategically maintains its strong financial profile. The Board of Directors has decided to implement policies, management and financial strategies to achieve a further improvement of the credit rating.

LOAN-TO-VALUE

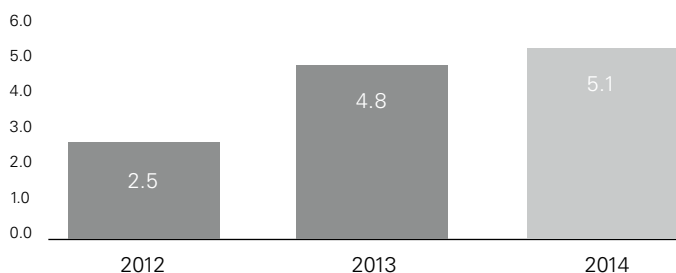


GCP's bank loans are spread across more than 20 separate loans from 15 different financial institutions that are non-recourse and have no cross collateral or cross default provisions. No material maturities are due till the end of 2020 apart from convertible bonds, maturing in 2019, which have been deep in the money since August 2014 and have started to be converted already in 2014.

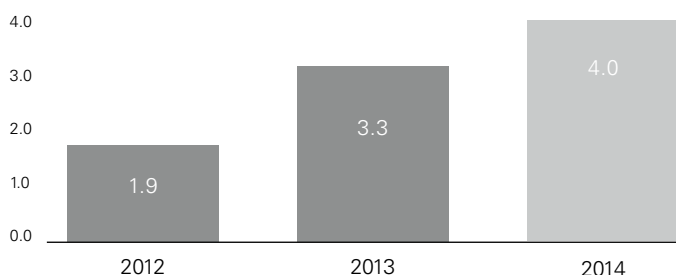
Fitting to the Company's conservative capital structure 97% of its debt is hedged.



INTEREST COVERAGE RATIO (ADJ. EBITDA/INTEREST)



DEBT SERVICE COVERAGE RATIO (DSCR)*

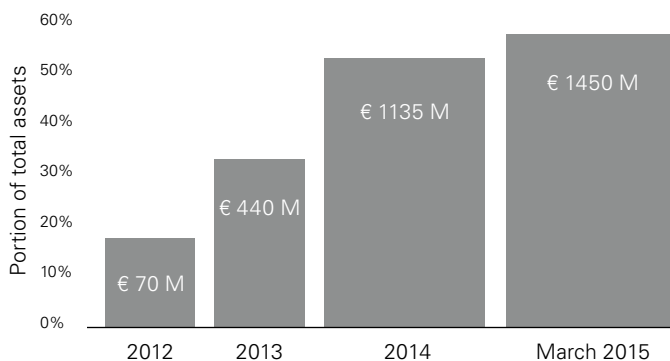


*) [adj. EBITDA / (interest+loan amortization)]

GCP's financial flexibility significantly enhanced since December 2013 both due to improved fundamentals affecting coverage ratios and improving profitability. On the one hand adjusted EBITDA rose noticeably while proportional debt service payments decreased. This led to a shift in its DSCR from 3.3 to 4.0. An increasing portion of assets are free of lien. As of March 2015, over 57% of the held assets are unencumbered, amounting to €1.45bn investment properties, in comparison to 32% or €0.44bn in December 2013.

The fact that there are no material debt maturities until the end of 2020 enables GCP to fully complete the turnaround cycle of its assets. These combined affects enable the Company to focus on its core business without the pressure to refinance and ensure a large extent of financial flexibility in the future.

UNENCUMBERED ASSETS



CONTINUOUS ACCESS TO CAPITAL MARKETS

In addition to bank loans GCP has successfully accessed the capital markets in the recent years. Since listing, the Company tapped capital markets in a vast amount of separate issuances, raising successfully €1.9 billion equity and bonds. Particularly strong activity took place over the past 5 months, between October 2014 and March 2015, where a total of €900 million were raised in oversubscribed issuances (€500 million in 7 year bonds and €400 million in perpetual hybrid notes). Recent capital additions showed both increasing diversification in financing vehicles and global access, with investments coming from international institutional investors including few of the world largest global investment and sovereign funds.



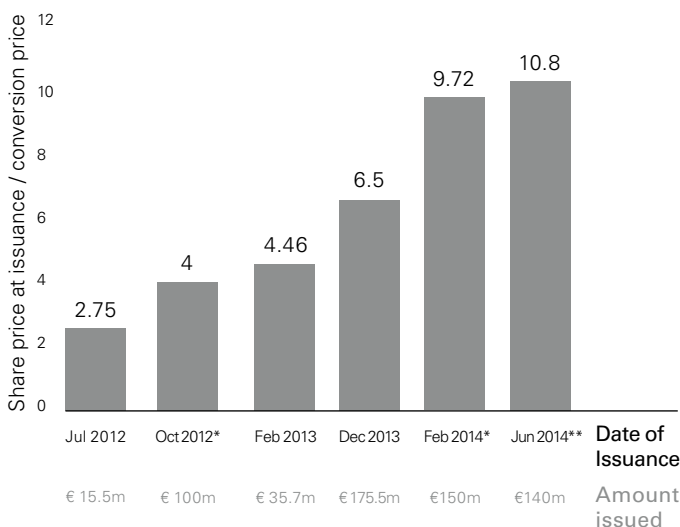
KEY STRENGTHS

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



KEY STRENGTHS

The following illustration shows the value creation to the shareholder in each issuance.



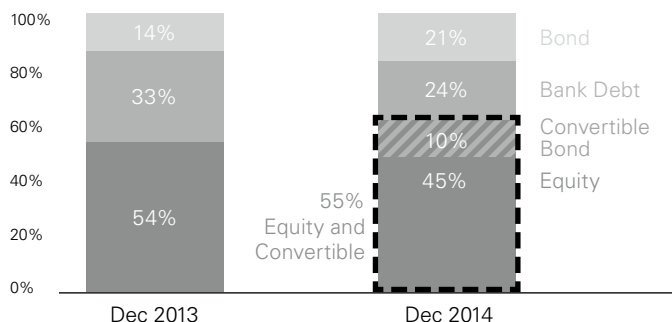
*refers to the conversion price of the convertible bond issuance
**effective conversion price is 10.8 (9.72 conversion at 111.25% of par)

The stronger capital structure was also recognized by Standard & Poor's Ratings Services that upgraded GCP's rating twice in 2014 from 'BB' to investment grade rating 'BBB-' with a stable outlook on its long-term corporate credit rating and on the Company's convertible and straight bonds.

The rating upgrade is the result of S&P's revised assessment of GCP's business profile that acknowledged the Company's increased portfolio size, rise in stabilized properties and greater geographical spread across favorable regions. Additionally, in February 2015, GCP was assigned a first-time long-term issuer rating of Baa2 with a stable outlook by Moody's Investor Service. The rating agency recognized in its decision the Company's stronger financial metrics in relation to similarly rated peers. GCP regards this positive development as a stepping stone towards further rating improvements.

The Group will seek to maintain adequate liquidity to finance on-going investments without limiting its ability to react quickly to attractive market opportunities.

FINANCING SOURCE MIX



COMPANY STRATEGY

FOCUS ON TURNAROUND OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN REAL ESTATE MARKET, WHILE KEEPING A CONSERVATIVE FINANCIAL POLICY AND AN INVESTMENT GRADE RATING.

GCP's investment focus is on the German real estate 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 and other major cities. The Company believes its platform has the right abilities and systems to continue to perform strongly and to further expand successfully in the German market. The Group also believes that there are acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

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

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

TARGETED CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME, INVESTMENT AND STRICT COST DISCIPLINE

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

MAXIMIZE TENANT SATISFACTION TO REDUCE RE-LETTING RISK AND TENANT CHURN

Part of GCP's strategy to minimize tenant churn across its portfolio is to provide a high quality service to its tenants. The Company methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. GCP also 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. In various locations GCP is improving neighborhoods and helps communities to build community spirit. The Company is providing rent free units for institutions which help school children with their homework or offer recreational activities to teenagers. In a different location GCP has rebuilt a vacant unit into an art space. In other locations GCP organizes summer and Christmas events, more than two dozen in 2014 alone, for its tenants, children and friends, focusing on family oriented activities. Reflecting the special needs of the elderly and tenants with physical disabilities, GCP continues to make structural changes to facilitate their requirements.

OPERATIONS SUPPORTED BY ADVANCED AND CENTRALIZED IT SYSTEM

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

CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

GCP intends to expand its portfolio via acquisitions which meet its strict investment criteria. The Group constantly evaluates opportunities to identify strong value creation targets for its portfolio and management platform.

BUSINESS MODEL



MAINTAIN A CONSERVATIVE CAPITAL STRUCTURE

GCP seeks to preserve its conservative capital structure with a LTV to remain at a target of 50% and a company limit of 55%, excellent financial cover ratios and the majority of assets unencumbered, low cost of debt that is mostly hedged, diversified financing sources and long maturities. A key feature of the Group's financing objectives is to maintain ample investment flexibility, in order to take advantage of investment opportunities when they arise.

INVESTOR RELATIONS ACTIVITIES

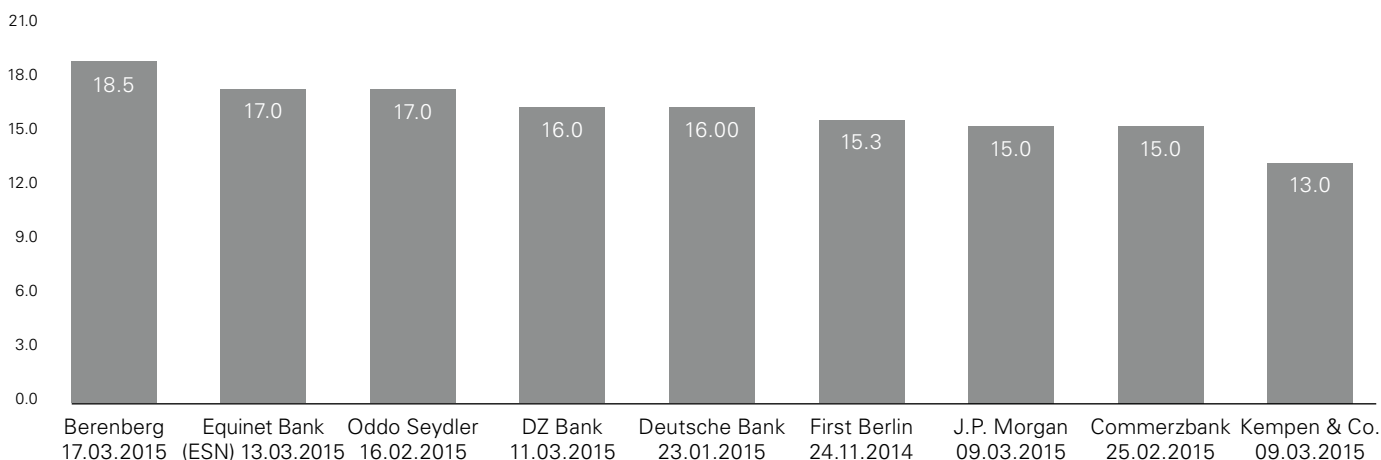
GCP is proactively presenting its business strategy and thus enhancing perception as well as awareness of the Company among the different players of the capital markets through targeted and manifold investor relations activities over the year. In 2014 the Group attended more than 30 investor conferences as well as went on approx. 20 national and international roadshows including in Germany, France, Benelux, Scandinavia, UK, USA and Switzerland. Further, GCP attended several fairs and has hosted many visits at GCP's offices and property tours.

GCP seizes these opportunities to create transparency and present a platform for open dialogue. The improved perception leads to a better understanding of GCP's business model, its competitive advantage and hence to a higher demand among

the capital market players for participation in its success. Currently GCP is being covered on an ongoing basis by 9 different equity analysts, who publish their reports regularly. From March 23rd 2015, GCP will be included in major FTSE EPRA/NAREIT indices, including FTSE EPRA/NAREIT Global, Developed and Developed Europe.

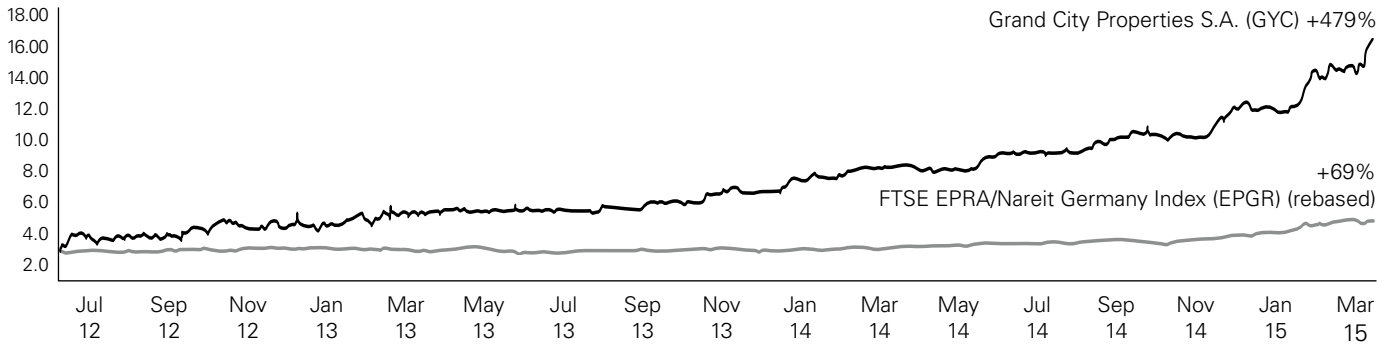
Placement	Frankfurt Stock Exchange
First listing	Q2 2012
Number of shares (as of 31 December 2014)	118,541,449 ordinary shares with a par value of EUR 0.10 per share
Current Capital (as of 31 December 2014)	11,854,145 Euro
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market CAP (as of 31 December 2014)	1,442,649,000 Euro

ANALYST RECOMMENDATIONS

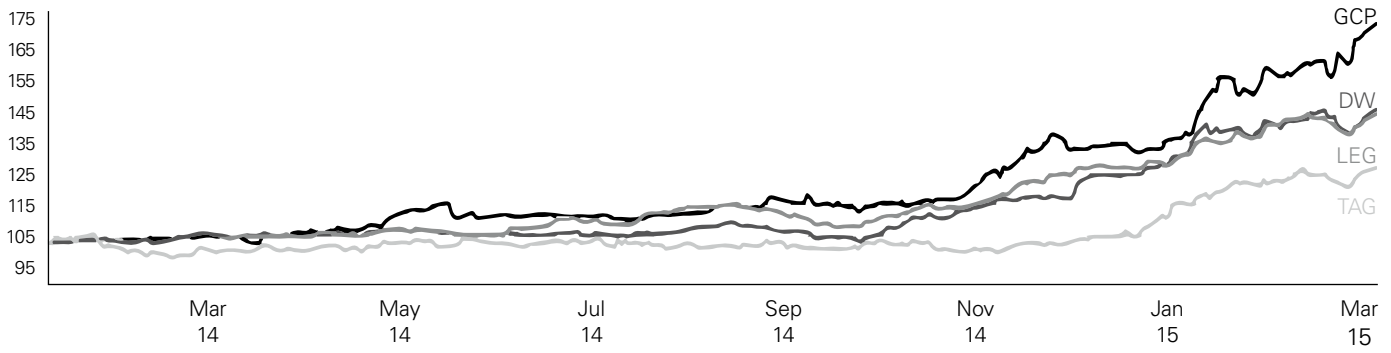


GCP SHARES, BONDS & NOTES PERFORMANCE

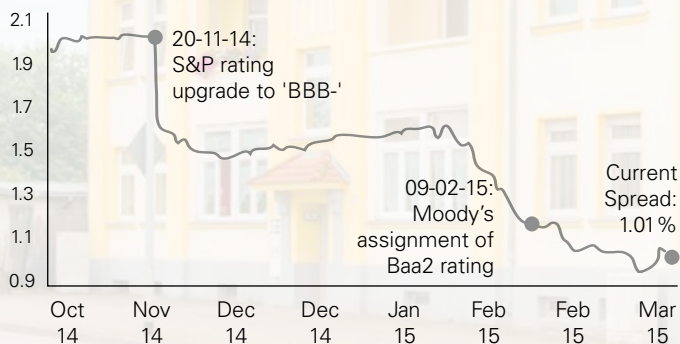
SHARE PRICE PERFORMANCE COMPARISON



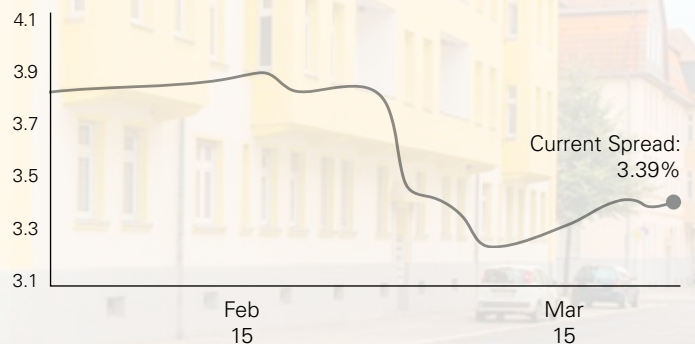
CONVERTIBLE BOND PRICE PERFORMANCE



SERIES D – SPREAD OVER MID-€-SWAP



PERPETUAL HYBRID NOTE SPREAD OVER MID-€-SWAP



CORPORATE GOVERNANCE



ANNUAL GENERAL MEETING

The Annual General Meeting of Grand City Properties S.A. was held in Luxembourg on June 25, 2014.

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 31 December 2013. The agenda has been confirmed by 100% of the capital represented.

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 and the senior management. The incentive plan has 4 years vesting period with specific milestones to enhance management long term commitment to GCP's strategic targets. Main strategic goals are long term improvement in operational and financial targets such as LFL vacancy reduction and rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share and EPS. Management will be incentivized to achieve further upgrades in the corporate and bond ratings.

Furthermore, the Annual General Meeting resolved the renewal of the mandate for the Board of Directors up until the date of the Annual General Meeting to be held in 2016. This enables the Company to provide continuity and expresses shareholders' satisfaction of the activities and confidence in its future work.

CORPORATE GOVERNANCE

GCP puts a high emphasis on corporate governance with high transparency, executed responsibly by the Board of Directors, advisory and the management teams. The Company directs its efforts in maintaining the high trust it received from its shareholders to balance interests. GCP is proud of the high confidence of its investors, which is reflected in the impressive placement of funds by global major investment banks. GCP shares and bonds were placed in recent issuances into many international leading institutional investors and the major global investment and sovereign funds.

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, since the Company is a joint stock corporation under the laws of the Grand Duchy of Luxembourg (société anonyme, S.A.) and not a German Stock Corporation. The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange do not apply, since the shares of the Company are not admitted to trading on a regulated market operated by the Luxembourg Stock Exchange. Finally, nor the UK Corporate Governance Code nor the Irish Corporate Governance Annex apply to the Company.

The Company strives to put a high emphasis on high standards of corporate governance and transparency. This is particularly the case with the implementation of the Advisory Board, the Risk Committee and the Audit Committee. Furthermore, the Company ensures that its board of directors and its senior management is comprised of senior executives with vast experience and skills in the areas relevant to the business of the group. The Company has adopted quarterly reporting standards and updates its corporate presentation and most updated run-rate figures on a monthly basis.



CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Company is administered and managed by a Board of Directors that is vested with the broadest powers to perform all acts of administration and management in the Company's interest. All powers not expressly reserved by the Luxembourg law or by the articles of incorporation to the general meeting of the shareholders fall within the competence of the Board of Directors.

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

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

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position
Ms Simone Runge-Brandner	Chairperson
Mr Daniel Malkin	Member
Mr Refael Zamir	Member

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 Issuer, 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, capital markets activities, corporate rating and in fostering contact with the business community, governmental authorities, financial institutions, analysts, and investors. The current members of the Advisory Board are as follows:

MEMBERS OF THE ADVISORY BOARD

Name	Position
Mr Yakir Gabay	Chairman of the Advisory Board
Mr Claudio Jarczyk	Vice-Chairman of the Advisory Board
Mr Markus J. Leininger	Member

AUDIT COMMITTEE

The Board of Directors established an Audit Committee. The members of the Audit Committee are Mr Markus J. Leininger, Mr Reshef Ish-Gur as well as Mr Christian G. Windfuhr. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the 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 financial statements of the Company and, in particular, shall monitor the independence of the approved independent auditor, the additional services rendered by such auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor.

RISK COMMITTEE

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

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Company closely monitors and manages any potential risk and sets appropriate measures in order to mitigate the occurrence of any possible failure 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.

CORPORATE GOVERNANCE

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 and executes issues raised by internal audit impacting the risk management framework.
- 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.

EXTERNAL RISK MITIGATION

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

Grand City Properties S.A. sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default. A more detailed overview is found in note 26 "Financial Instruments and Risk Management".

SHAREHOLDERS' RIGHTS

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

The shareholders of Grand City Properties S.A. exercise their voting rights at the Annual General Meeting of the shareholders, whereby each share is granted one vote. The Annual General Meeting of the shareholders takes place on the last Wednesday of the month of June at 11:00 a.m. at the registered office of the Company, or at such other place as may be specified in the notice of the meeting. If such day is a legal holiday, the Annual General Meeting of the shareholders shall be held on the next following business day. At the Annual General Meeting of the shareholders the Board of Directors presents, among others, the management report as well as the statutory and consolidated financial statements to the shareholders.

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



NOTES ON BUSINESS PERFORMANCE

SELECTED CONSOLIDATED INCOME STATEMENT DATA

	2014	2013
For the year ended December 31,	€'000	
Revenue	231,512	169,630
Rental and operating income	216,837	99,580
Capital gains, property revaluations and other income	230,969	236,846
Property operating expenses	(100,175)	(42,711)
Cost of buildings sold	(14,425)	(54,914)
Administrative & other expenses	(5,650)	(3,339)
EBITDA	343,228	306,175
Operating profit	342,325	305,982
Adjusted EBITDA	112,009	54,243
Finance expenses	(22,040)	(11,320)
Other financial results	(32,664)	7,778
Current Taxes	(13,863)	(4,780)
Deferred Taxes	(29,924)	(31,608)
Profit for the year	243,834	266,052

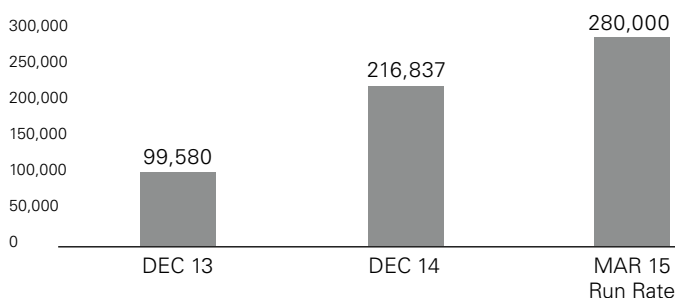
REVENUE

	2014	2013
For the year ended December 31,	€'000	
Rental and operating income	216,837	99,580
Revenue from sales of buildings	14,675	70,000
Other	-	50
Revenue	231,512	169,630

Revenue in 2014 increased by 36% to €231.5 million from the previous year (€169.6 million) due to a substantial increase in rental and operating income offset by lower revenues from sales of non-core properties.

The 118% increase in rental and operating income over the 12 months results from occupancy and rent increases and from the additional income of newly acquired properties. The increase is also a lagged result of properties purchased in 2013 that could not contribute their full year effect when acquired during the year. The same effect applies to properties acquired by the Group during 2014 which are not fully reflected in the full year figures and will only unfold in the following periods.

The full effect of portfolio held in the end of 2014, presented by the monthly annualized rental and operating income run rate is €245 million. The run rate reflects the standing point of the portfolio at a certain month, looking forward 12 months ahead, and does not include any operational improvement or additional acquisitions. GCP's current portfolio, as of March 2015, generates rental and operating income at a run rate of €280 million, benefiting from further acquisitions and operational improvements done to date.



In 2014 the Group sold buildings from inventories for gross proceeds of €14.7 million, compared to €70 million in 2013.



CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

	2014	2013
	€'000	
For the year ended December 31,		
Change in fair value in investment property	191,871	189,191
Profit arising from business combinations (bargain purchase)	35,472	47,332
Capital gains and other income	3,626	323
Capital gains, property revaluations and other income	230,969	236,846

Property revaluations are based on changes in the fair value of properties, which are determined based on external valuation reports performed by independent professionally qualified valuers.

At the end of 2014 the Company recognized capital gains, property revaluation and other income of €231 million of which €192 million refer to increased value of investment property, compared to €189 million in 2013. Increasing its value of investment property reflects the ability of the Company to increase rents and occupancy, resulting in higher recurring cash flows which accordingly lead to significant value creation of its properties. The current portfolio does not reflect material yield compression and also carries significant value increase potential as valuations on GCP's portfolio are carried out conservatively.

In 2014 GCP recorded profit from business combination (bargain purchase) of €35.5 million, 25% less in comparison to December 2013 which occurs in a business acquisition where the fair value of the total identifiable net assets exceeds the purchase price. The Company generally seeks for properties which are undermanaged and embed upside potential. The profit from business combination is determined and dependent per specific type of deal and acquisition, i.e. share or asset deal. The continuous profit arising from business combination validates the Company's ability to acquire deals at attractive prices, supported by the strong deal sources network. Further details can be found in note 4 to the financial statements.

Capital gains correspond to gains from the sale of assets above their book value. In 2014 the Company sold non-core properties through share deals and has recognized a capital gain of €3.6 million. These capital gains are a direct reflection of GCP's conservative valuation approach. The realized disposal gains deducting the purchase costs from the sale price amounts to €52.9 million.

PROPERTY OPERATING EXPENSES

	2014	2013
	€'000	
For the year ended December 31,		
Purchased services	(73,838)	(33,665)
Maintenance and refurbishment	(14,761)	(5,463)
Personnel expenses	(7,376)	(1,990)
Other operating costs	(4,200)	(1,593)
Property operating expenses	(100,175)	(42,711)

Total property operating expenses increased by 135%, from €42.7 million in 2013 to €100.2 million in 2014 reflecting the growth of the portfolio.

Purchased services, making up the largest portion of the operating expenses, are costs mainly related to rental operating income, items such as heating costs and water that are ancillary costs recovered by the tenants. The increase in purchased services is correlated with the Group's increased growth and thus grew proportionally with the increase in rental and operating income. The same applies to maintenance expenses which are addressed separately in the section below.

Personnel expenses rose due to the strong growth of the Company and with it its amount of employees. The recently increased amount of employees not just supports the significant growth in 2014 but also lays strong foundations for internal and external growth. The expenses related for maintaining the Company's high service quality such as increased amount of local offices as GCP's advances in new locations are reflected in the other operating expenses.

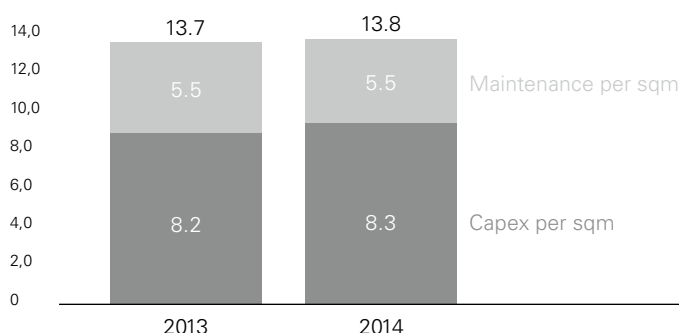
NOTES ON BUSINESS PERFORMANCE

MAINTENANCE AND CAPITAL EXPENDITURES

GCP maintains high standards for its assets' quality through refurbishment investments and continuous maintenance to decrease its churn rate as well as reduce vacancy. A detailed analysis of capex measures for each property is conducted and calculated into the business plan prior to acquisition. The Company's operation platform includes in-house maintenance services and a service center, which is available 24/7, enabling time and cost efficiency. Through advanced planning and integrated operational facilities the Group is able to control costs and results, ensuring that only value adding activities are conducted and costs minimized.

The Company invested €13.8 per average sqm in 2014, split between maintenance (€5.5/sqm) and capital expenditure (€8.3/sqm). The high portion of capital expenditure reflects the Company's intensive efforts to increase the assets' quality and thereby decreasing maintenance costs in the long run.

The overall increase in maintenance and refurbishment expenses is the result of the continuous portfolio growth. While capex investments increased overall, capex/sqm has remained stable at an adequate level.



ADMINISTRATIVE & OTHER EXPENSES

	2014	2013
For the year ended December 31,	€'000	
Personnel expenses	(1,772)	(933)
Audit and accounting costs	(1,230)	(1,163)
Legal and professional consultancy fees	(1,121)	(428)
Depreciation and amortization	(331)	(193)
Marketing and other expenses	(1,196)	(622)
Administrative & Other expenses	(5,650)	(3,339)

Administrative and other expenses rose from €3.3 million in 2013 to €5.7 million in 2014. The 69% increase is directly related to the Group's extensive growth over the period is only marginal in comparison to its revenue increase, which rose, excluding sales of buildings, by 118% over the same period. The proportionally low increase in cost to rental and operating income illustrates the efficiency gains and benefits from economies of scale GCP has been able to establish on its administrative level. The increase in personnel, marketing and other expenses relates solely to the growth of the Company. The audit and accounting costs remained stable, as they are effected only marginally from the growth of the Company after reaching its critical mass. Legal and professional fees increased by 162% which is due to the frequent activities of the Company in the capital markets.

NET FINANCE EXPENSES

	2014	2013
For the year ended December 31,	€'000	
Finance expenses	(22,040)	(11,320)
Other financial results	(32,664)	7,778
Net finance expenses	(54,704)	(3,542)

Between 2013 and 2014 the net finance expenses rose from €3.5 million to €54.7 million. The increase was primarily caused by one-offs accounted for in the other financial results.

Finance expenses increased between 2013 and 2014 by 95% from €11.3 million to €22 million due to increase in total net debt of the Company, which increased by 97% over the same period. The marginally lower increase in interest payments is a direct result of the improved risk profile of the Company, the favorable rates it is able to achieve on the markets and the improved conditions given by lending banks.

Other financial results were impacted by changes in fair value of financial assets and liabilities. Value changes of derivative financial instruments and the effect of the early redemption fees of Series B bond impacted the other financial results significantly. Additionally, the other financial results were impacted by finance related costs, mainly consisting of finance related professional fees.



NOTES ON BUSINESS PERFORMANCE

TAXATION

	2014	2013
For the year ended December 31,	€'000	
Deferred Taxes	(29,924)	(31,608)
Current Taxes	(13,863)	(4,780)
Tax and deferred tax expenses	(43,787)	(36,388)

The Company's tax and deferred tax expenses increased to €44 million, primarily composed of €30 million in deferred tax provisions on the revaluation of investment property as well as €14 million in corporate and property taxes. The rise in current tax expenses for the period is mainly caused by an increase in property taxes due its portfolio growth and in corporate taxes due to increased profit from rental operations of the Company. Deferred tax expenses decreased in comparison to 2013 as the profit from revaluations has decreased.

NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

	2014	2013
For the year ended December 31,	€'000	
Profit for the year	243,834	266,052
Basic earnings per share	1.78	2.97
Diluted earnings per share	1.53	2.97
Total weighted average basic shares	115,577	76,124
Total weighted average diluted shares	135,400	76,124

2014 profit decreased by 8% in comparison to 2013 to €243.8 million due to a decrease of non-operational results, such as revenue generated through the sale of buildings, property revaluations and other financial results mainly due to negative impact of value changes of derivative financial instruments and the one-time negative effect of the early redemption of Series B bond. The negative one-time effect was offset significantly by strong operational performance which is reflected in the doubling of the FFO I in 2014.

The EPS decreased between 2013 and 2014 from €2.97 to €1.78 mainly due to the dilutive effect of an increase in weighted average shares of 52% through one capital increase at the end of 2013 and the conversion of bonds.

CASH FLOW

	2014	2013
For the year ended December 31,	€'000	
Net cash provided by operating activities	113,884	61,401
Net cash used in investing activities	(327,903)	(410,863)
Net cash provided by financing activities	351,608	401,016
Asset held for sale - cash	-	11
Net increase in cash and cash equivalents	137,589	51,565

The 85% increase in net cash provided by operating activities reflects the successful turnaround within GCP's portfolio, in terms of growth, rents and vacancy, which results in a strong increase in rental and operating income. The growth of the net cash provided by operating activities was offset by cash from the sale of inventories, which was significantly higher in 2013. In line with the Company's growth strategy, net cash used in investing activities remained high. The cash used in investing activities was offset by disposal of non-core properties. The net cash provided by financing activities of €352 million is primarily the result of the multiple bond issuances and tap ups over the year, offset in part by the redemption of Series B bonds and repayments of bank loans.

ASSETS

	Dec 14	Dec 13
As of	€'000	
Non-current assets	2,227,243	1,402,495
Current assets	401,815	248,592
Assets	2,629,058	1,651,087

GCP's strong growth in 2014 led to an increase in total assets from €1,651 million in 2013 to €2,629 million in 2014. The 59% growth was primarily the result of a €812 million rise in investment properties and mirrors the Group's successful expansion over the year.

The Group's sourcing strategy is based upon the ability to quickly react to favorable opportunities in the market. Having increased its liquid assets from €167 million in 2013 to €272 million in 2014 GCP will be able to opportunistically buy properties and continue its growth in the future.



NOTES ON BUSINESS PERFORMANCE

LIABILITIES

As of	Dec 14	Dec 13
	€'000	
Loans and borrowings	537,217	461,753
Straight bonds	476,381	194,676
Convertible bond Series C *)	240,451	-
Other long term liabilities	39,090	35,287
Deferred tax liabilities	141,003	80,169
Current liabilities	153,266	111,277
Liabilities	1,587,408	883,162

*) the convertible bond Series C is in the money since August 2014 and has started to be converted

GCP maintains a conservative capital structure to comply with its internal targets, keep financing costs low and sustain a high degree of flexibility for its continuous growth and turnaround projects. This conservative approach is portrayed in its high amount (57%) of unencumbered assets as well as strong credit metrics such as a low LTV and a high DSCR. As a result the Company benefits from an investment grade rating and low cost of debt, which further reduced between 2013 and 2014.

In 2014 the Company financed the strong portfolio growth on the one hand with operational profits during the year and on the other hand through the successful access to capital markets and through bank financing. During the 12 months the Group placed a nominal amount of €925 million bonds, offset by a €350 million redemption of its Series B bonds.

As of December 2014, over €30 million of the convertible bond was converted, within less than one year from the initial issuance. As of March 2015, the convertible bond is deep in the money, over 60% from the conversion price.

GCP's conservative stance is also embodied in its deferred taxes approach, for which it assumes the sale of properties through asset deals with a full German real estate tax effect (15.825%). The Company holds additional liquid assets at the amount of €272 million resulting in a net debt of €747 million, excluding the convertible bond.

As of	Dec 14	Dec 13
	€'000	
Total bank debt and straight bonds	1,019,390	666,992
Cash and liquid assets	272,296	166,800
Total net debt without convertible bond	747,094	500,192
Convertible bond Series C *)	240,451	-
Total net debt with convertible bond	987,545	500,192

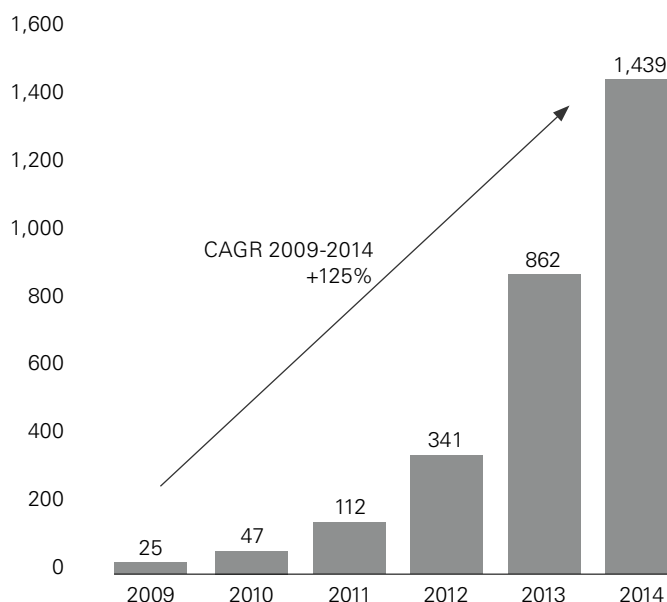
*) the convertible bonds are in the money since August 2014 and are being converted since December 2014

EPRA NAV

As of	Dec 14	Dec 13
	€'000	
Total Equity	1,041,650	767,925
Fair Value measurements of derivative financial instruments	9,282	13,832
Deferred Tax Liabilities	141,003	80,169
Convertible bond Series C *)	247,451	-
EPRA NAV	1,439,386	861,926

*) the convertible bond Series C is in the money since August 2014. The amount includes deferred income and accrued interest.

In 2014 the EPRA NAV of the Company equaled to €1.44 billion compared to €862 million in 2013. This 67% increase is primarily attributable to the €244 million profit generated over the period and the inclusion of the convertible bond.

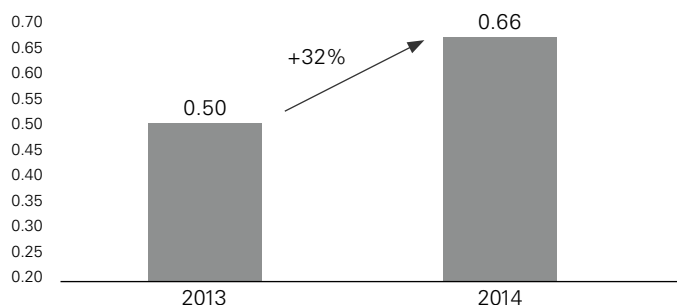


NOTES ON BUSINESS PERFORMANCE

FFO (FUNDS FROM OPERATION) AND ADJUSTED EBITDA

	2014	2013
	€'000	
For the year ended December 31,		
EBITDA	343,228	306,175
Capital gains, property revaluations and other income	(230,969)	(236,846)
Result on disposal of Inventories - trading properties	(250)	(15,086)
Adjusted EBITDA	112,009	54,243
Finance Expense	(22,040)	(11,320)
Tax	(13,863)	(4,780)
FFO I	76,106	38,143
FFO I per share	0.66	0.50

FFO I PER SHARE

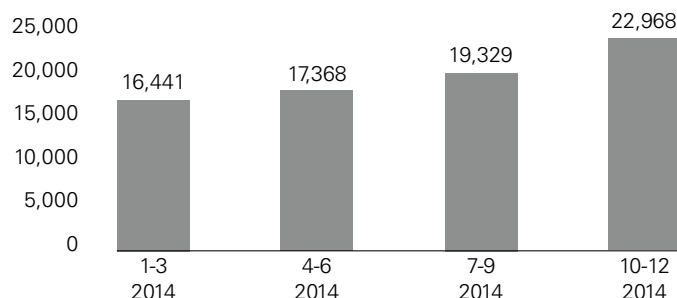


Funds From Operation I (FFO I) indicates the materialized profit from operation and is calculated deducting tax and interest expenses from the adjusted EBITDA, not taking into account the effect of capital gains and revaluations.

FFO I rose by 100% from €38.1 million in 2013 to €76.1 million in 2014. The increase is primarily due to the sharp rise in rental and operating income as well as a proportional decrease in operating and financing expenses, resulting in high operational profitability. The FFO I result does not reflect the full impact of the year end portfolio as the effect of properties acquired during the year could not impact on a full year basis.

The effect of the internal and external growth of the portfolio and the increase in the operational profitability throughout the year, is reflected in the significant quarterly growth in 2014. In the fourth quarter of 2014 alone, GCP has generated a FFO I of €23 million, reflecting a quarterly annualized amount of €92 million.

FFO I QUARTERLY DEVELOPMENT IN 2014



The FFO I run rate (monthly annualized) as of March 2015 is €102 million, presenting the full impact to the March portfolio.

FFO II, which includes results from the disposal of investment property and inventories, rose from €53.3 million in 2013 to €129.2 million in 2014. Main driver were sales of properties in the last 3 months of 2014 which led to disposal gains of €50 million and underline the Company's ability to source properties with good potential below market rates.

	2014	2013
	€'000	
For the year ended December 31,		
FFO I	76,106	38,143
Result from disposal gain *)	53,106	15,086
FFO II	129,212	53,229

*) the excess amount of the sale price to the cost price

LOAN-TO-VALUE


The loan-to-value ("LTV") as of December 31, 2014 of 45% is in line with GCP's conservative leverage approach and reflects the favorable financing conditions. Assuming conversion of the outstanding convertible bond, which is in the money since August 2014 and being converted since December 2014, the LTV is 34%. The LTV is well below the Board of Directors' target of 50% and significantly below the internal limit of 55%. This provides headroom to raise further debt in the future for portfolio expansion as well as provides comfort to debt holders.

LTV is calculated as the sum of the bonds and loans and borrowings, offset by cash & cash equivalents and trade securities, divided by the sum of investment properties, advanced payments, investments in equity accounted investees and inventories (trading properties).

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 18, 2015


Simone Runge-Brandner
Director


Refael Zamir
Director, CFO


Daniel Malkin
Director

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

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Grand City Properties S.A., which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

RESPONSIBILITY OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the

judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION


In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Grand City Properties S.A. as of December 31, 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

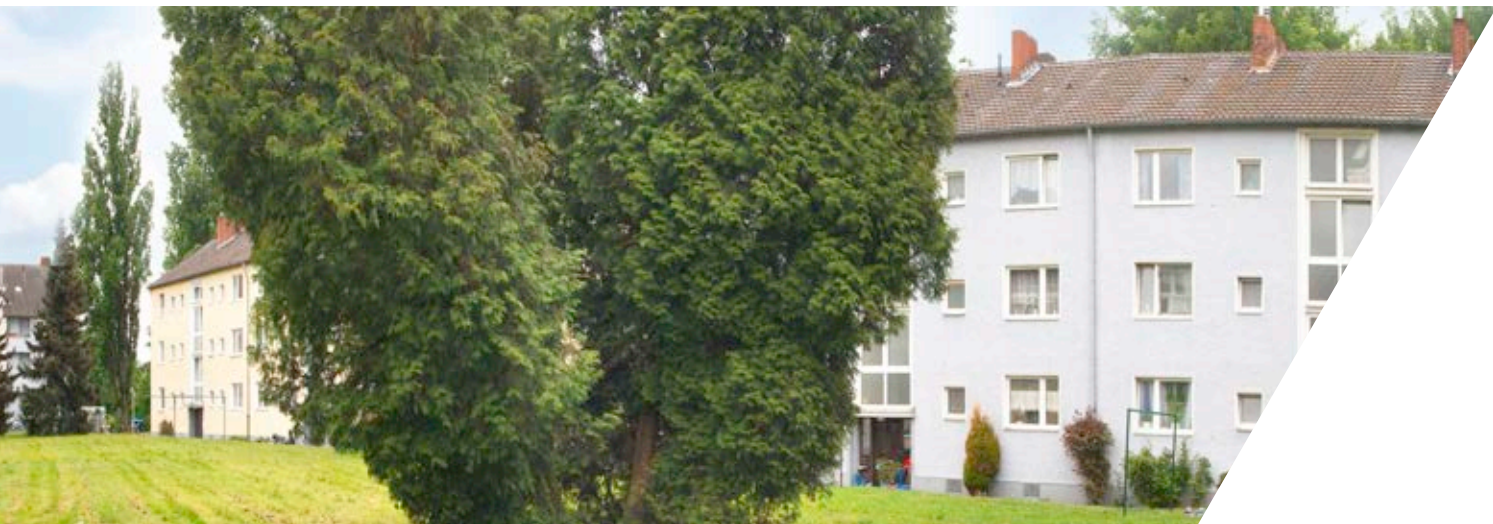
The Board of Directors report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, March 18, 2015

KPMG Luxembourg Société Coopérative
Cabinet de révision agréé


J. de Souza



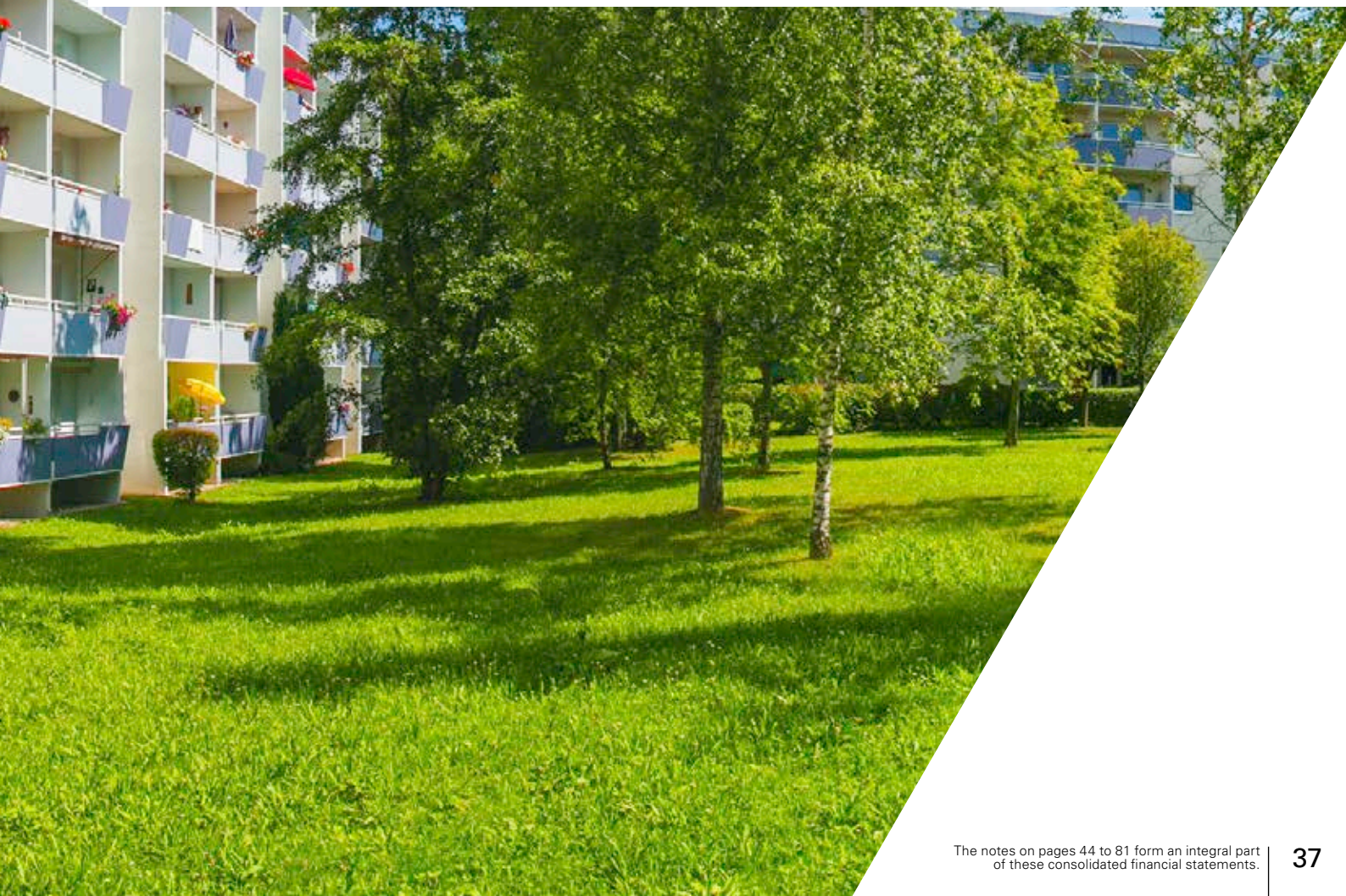


CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended December 31,	
		2014	2013
		€'000	
Revenue	5	231,512	169,630
Capital gains, property revaluations and other income	6	230,969	236,846
Share of profit from investments in equity accounted investees	15	94	470
Property operating expenses	7	(100,175)	(42,711)
Cost of buildings sold	5	(14,425)	(54,914)
Administrative & other expenses	8	(5,650)	(3,339)
Operating profit		342,325	305,982
Finance expenses	9a	(22,040)	(11,320)
Other financial results	9b	(32,664)	7,778
Net finance expenses		(54,704)	(3,542)
Profit before tax		287,621	302,440
Tax and deferred tax expenses	10	(43,787)	(36,388)
Profit for the year		243,834	266,052
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		243,834	266,052

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	For the year ended December 31,	
		2014	2013
		€'000	
Profit attributable to:			
Owners of the Company		205,575	226,275
Non-controlling interests		38,259	39,777
Profit for the year		243,834	266,052
Net earnings per share attributable to the owners of the Company (in euro)			
Basic earnings per share	11	1.78	2.97
Diluted earnings per share	11	1.53	2.97



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
		2014	2013
		€'000	
ASSETS	Note		
Equipment and intangible assets	13	7,516	4,383
Investment property	14	2,179,982	1,368,281
Advanced payments for investment property		5,475	7,169
Equity accounted investees	15	-	7,354
Other long term assets	12	23,077	12,817
Deferred tax assets	10C	11,193	2,491
Non-current assets		2,227,243	1,402,495
Cash and cash equivalents		270,131	132,542
Traded securities at fair value through profit and loss		2,165	34,258
Inventories - trading property	18	5,814	19,949
Trade and other receivables	17	123,705	61,843
Current assets		401,815	248,592
Total assets		2,629,058	1,651,087

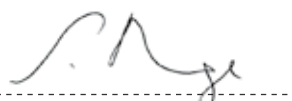


CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at December 31,	
		2014	2013
		€'000	
EQUITY	Note		
Share capital	19	11,854	11,543
Share premium		335,171	305,029
Other reserves		22,223	14,211
Retained earnings		581,666	374,141
Equity attributable to the owners of the Company		950,914	704,924
Non-controlling interests		90,736	63,001
Total equity		1,041,650	767,925
LIABILITIES			
Loans and borrowings	21	537,217	461,753
Convertible bond	21	240,451	-
Straight Bonds	21	476,381	194,676
Derivative financial instruments	16	9,282	13,832
Other long term liabilities	23	29,808	21,455
Deferred tax liabilities	10C	141,003	80,169
Non-current liabilities		1,434,142	771,885
Current portion of long term loans	21	5,792	6,986
Other bank loan	21	-	3,577
Trade and other payables	22	128,837	92,357
Tax and real estate tax payable		5,670	3,298
Provisions for other liabilities and charges	24	12,967	(*) 5,059
Current liabilities		153,266	111,277
Total liabilities		1,587,408	883,162
Total equity and liabilities		2,629,058	1,651,087

(*) Reclassified

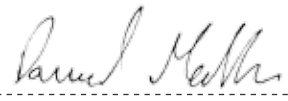
The Board of Directors of Grand City Properties S.A. authorized these consolidated financial statements to be issued on March 18, 2015.



Simone Runge-Brandner
Director



Refael Zamir
Director, CFO



Daniel Malkin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total			
	€'000								
Balance as at December 31, 2012	5,550	13,391	134	14,211	150,972	184,258	18,685	202,943	
Profit for the year	-	-	-	-	226,275	226,275	39,777	266,052	
Other comprehensive income for the year	-	-	-	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	226,275	226,275	39,777	266,052	
Issuance of ordinary share capital	3,500 (*)	198,046	-	-	-	201,546	-	201,546	
Equity portion of convertible bond	-	-	(134)	-	-	(134)	-	(134)	
Issuance of shares related to conversion of convertible bond	2,493	93,592	-	-	-	96,085	-	96,085	
Transactions with non-controlling interests	-	-	-	-	(3,106)	(3,106)	(12,717)	(15,823)	
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	17,256	17,256	
Balance as at December 31, 2013	11,543	305,029	-	14,211	374,141	704,924	63,001	767,925	
Profit for the year	-	-	-	-	205,575	205,575	38,259	243,834	
Other comprehensive income for the year	-	-	-	-	-	-	-	-	
Total comprehensive income for the year	-	-	-	-	205,575	205,575	38,259	243,834	
Equity portion of convertible bond	-	-	7,841	-	-	7,841	-	7,841	
Issuance of shares related to conversion of convertible bond	311	30,142	-	-	-	30,453	-	30,453	
Equity settled share based payment	-	-	-	171	-	171	-	171	
Transactions with non-controlling interests	-	-	-	-	1,950	1,950	(13,600)	(11,650)	
Change in non-controlling interests due to acquisitions and disposals of subsidiaries	-	-	-	-	-	-	3,076	3,076	
Balance as at December 31, 2014	11,854	335,171	7,841	14,382	581,666	950,914	90,736	1,041,650	

(*) Net from issuance expenses in amount of euro 9,554 thousand.





CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended December 31,	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	Note	€'000	
Profit for the year		243,834	266,052
Adjustments for the profit:			
Depreciation and amortization		903	193
Share of profit from investments in equity accounted investees	15	(94)	(470)
Profit from business combinations, capital gains and other income	6	(39,097)	(47,655)
Changes in fair value of investment property	14	(191,871)	(189,191)
Net finance expenses	9	54,704	3,542
Tax and deferred tax expenses	10	43,787	36,388
Equity settled share based payment	20	171	-
		112,337	68,859
Changes in:			
Inventories – trading property		14,134	-
Trade and other receivables		(39,030)	(*) (14,169)
Trade and other payables		31,359	7,463
Provisions for other liabilities and charges		5,875	4,028
		124,675	66,181
Taxes paid		(10,791)	(4,780)
Net cash provided by operating activities		113,884	61,401
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and intangible assets, net		(1,847)	(975)
Capex, investments and acquisitions of investment property	14	(349,944)	(309,468)
Acquisition and disposals of subsidiaries, net of cash acquired or disposed		(38,561)	(72,350)
Proceeds from / (purchase of) investments in trade securities and other financial assets		62,449	(28,070)
Net cash used in investing activities		(327,903)	(410,863)

(*) Reclassified.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31,

	Note	For the year ended December 31,	
		2014	2013
		€'000	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares, net	19	-	201,546
Amortizations of loans from financial institutions		(6,209)	(5,202)
(Repayment) / proceeds of loans from financial institutions, net		(132,994)	30,795
Expenses related to redeemed convertible bonds		-	(4,273)
Proceeds from straight Bonds, net	21	247,674	194,324
Proceeds from Convertible Bond, net	21	284,672	-
Transactions with non-controlling interests		(11,648)	(3,300)
Net financial expenses paid		(29,887)	(12,874)
Net cash provided by financing activities		351,608	401,016
Assets held for sale – cash		-	11
Net increase in cash and cash equivalents		137,589	51,565
Cash and cash equivalents at January 1		132,542	80,977
Cash and cash equivalents at December 31		270,131	132,542



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (FOR THE YEAR ENDED DECEMBER 31, 2013)

1. GENERAL

(A) INCORPORATION AND PRINCIPAL ACTIVITIES

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

The consolidated financial statements for the year ended December 31, 2014 consist of the financial statements of the Company and its subsidiaries ("the Group" or "GCP").

The Group's vision is buying, redeveloping, turning around and optimizing real estate properties in Germany.

(B) LISTING ON THE FRANKFURT STOCK EXCHANGE

On May 28, 2012 the Company was listed on the Frankfurt Stock Exchange in the Entry Standard market segment. Currently the issued share capital consists 118,541,449 shares with a par value of euro 0.10 per share.

(C) CAPITAL AND BONDS INCREASES

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

(D) GROUP RATING

On February 9, 2015, Moody's Investors Services ("Moody's") has assigned a first-time long-term issuer rating of "Baa2" to the Group, with a stable outlook.

Moody's state that the Group's rating is based on moderate leverage, financial strength metrics stronger than those of similarly rated peers and good liquidity profile. The rating is supported by the Group's prudent financial policies and the healthy debt maturity profile.

In November 2014, Standard & Poor's Rating Services upgraded the company's rating as an issuer, its "Series B" straight bonds, "Series C" convertible bonds and "Series D" straight bonds, to "BBB-" investment grade rating, with a stable outlook. The stable outlook reflects the current liquidity position of the Group and the estimation of cash production capacity from its current operations, among other factors.

S&P has maintained the stable outlook based on the steady tenant demand in GCP's locations which effect rental income growth.

(E) DEFINITIONS

In these financial statements:

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



2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

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

Certain balance sheet, profit and loss and cash flow items related to the year ended December 31, 2013 have been reclassified to enhance comparability with 2014 figures and to better present the Company's results, and are shown with the comment "reclassified".

The consolidated financial statements were authorized to be issued by the Board of Directors on March 18, 2015.

(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;
- Assets and liabilities classified as held for sale;
- Investments in equity accounted investees;
- Derivative financial instruments.

(C) USE OF ESTIMATES AND JUDGMENTS

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

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognized in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

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

■ FAIR VALUE OF INVESTMENT PROPERTY

The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in 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 ASSET

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



2. BASIS OF PREPARATION (CONTINUED)

■ IMPAIRMENT OF GOODWILL

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

■ LEGAL CLAIMS

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

■ PROVISIONS

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

■ FAIR VALUE HIERARCHY

Please see note 14(b) and 26(v).

D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro, rounded to the nearest thousand (euro '000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION

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

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

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The car-

rying 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) BUSINESS COMBINATIONS

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) INVESTMENTS IN ASSOCIATES AND EQUITY-ACCOUNTED INVESTEEES

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 BUILDINGS

Revenue from the sale of buildings 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 buildings can be reliably estimated.

■ OTHER

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

(E) NET FINANCE EXPENSES

■ 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.

■ 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.

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

(F) DEFERRED TAX, INCOME TAX AND PROPERTY TAXES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) 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.

(H) DEFERRED TAX

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

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

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

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

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

(I) 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 $\frac{\%}{10-50}$

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 income statement.

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.

(J) DEFERRED INCOME

Deferred income represents income which relates to future periods.

i. PREPAYMENTS

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

ii. TENANCY DEPOSITS

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

(K) 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 profit or loss 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)

(L) 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.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. COMPOUND FINANCIAL INSTRUMENTS

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

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

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

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

6. BORROWINGS

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

7. TRADE PAYABLES

Trade payables are initially measured at fair value.

(M) 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

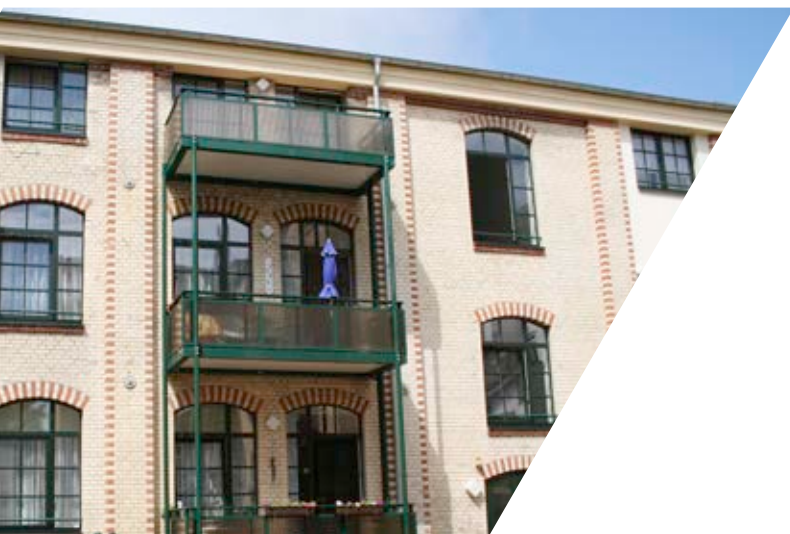
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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.

(N) 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).

(O) 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.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) 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.

(Q) OPERATING SEGMENTS

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

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

(R) COMPARATIVES

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

(S) 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.

(T) 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.

(U) LEASED ASSETS

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Determining whether an arrangement contains a lease at inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

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

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



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) 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 balance sheet 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.

(W) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

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

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

(II) IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, with early adoption permitted.

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 AND NON-CONTROLLING INTERESTS

(A) ACQUISITIONS

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

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

1. KÖLN PORTFOLIO 1

At the beginning of January 2014, the Group obtained control of a company, which holds real estate properties in Germany by acquiring 94 percent of the shares, voting interests and shareholders loan by GCP Ltd for the amount of euro 3,597 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 2,610 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 276 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 1,549 thousand and euro 719 thousand, respectively.

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

	€'000
Investment property	15,200
Working capital, net	25
Cash and Cash equivalents	131
	15,356
Bank loans	(7,925)
Other liabilities, net	(948)
	(8,873)
Total identifiable net assets	6,483
Non-controlling interests arising from initial consolidation	(276)
Consideration paid regarding acquisition	(3,597)
Profit arising from business combination (bargain purchase)	2,610

2. MANAGEMENT COMPANIES

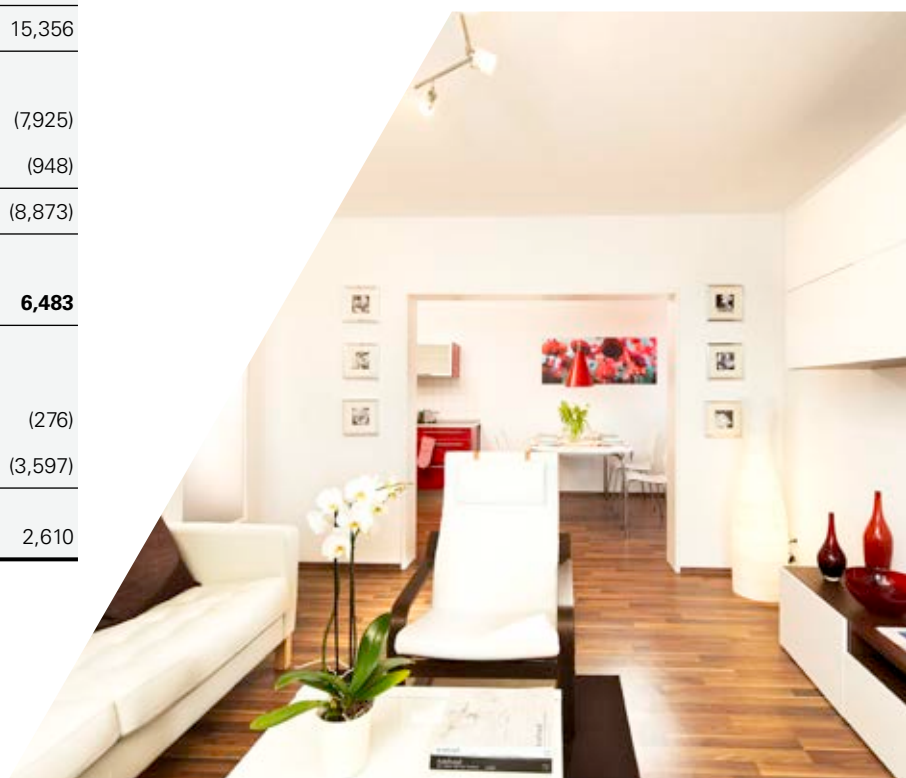
At the beginning of January 2014, the Group obtained control of a company which holds several management companies of real estate properties providing asset and property management to 18,000 units (at the date of the acquisition) in Germany, by acquiring 100 percent of the shares and voting interests for the amount of euro 2,518 thousand. As a result of the purchase price allocation, the Company allocated an amount of euro 339 thousand as equipment and software and euro 1,904 thousand as Goodwill.

The goodwill is attributable mainly to the synergy effect expected to be achieved from integrating the acquired companies operation into the Group's existing business processes.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 10,978 thousand and euro 113 thousand, respectively.

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

	€'000
Cash and Cash equivalents	258
Identifiable assets	1,505
Identifiable Liabilities	(1,149)
Total identifiable net assets	614
Consideration paid regarding acquisition	(2,518)
Equipment and intangible assets - Goodwill	1,904



4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

3. BERLIN PORTFOLIO 1

At the end of March 2014, the Group obtained control of a company, which holds real estate properties in Germany by acquiring 94.4 percent of the shares, voting interests and shareholders loan for the amount of euro 5,537 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 4,039 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 289 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 1,917 thousand and euro 1,850 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	19,530
Working capital, net	23
Cash and Cash equivalents	693
	20,246
Bank loans	(9,273)
Other liabilities, net	(1,108)
	(10,381)
Total identifiable net assets	9,865
Non-controlling interests arising from initial consolidation	(289)
Consideration paid regarding acquisition	(5,537)
Profit arising from business combination (bargain purchase)	4,039

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 616 thousand, and the Group's net profit would have increased by euro 26 thousand.

4. NRW PORTFOLIO

At the beginning of April 2014, the Group obtained control of additional 44% of the shares and voting interests of three companies for the amount of euro 880 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 2,080 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 404 thousand.

As at December 31, 2014, the Group owns 94% of the share capital of the acquired companies.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and loss in amount of euro 3,907 thousand and euro 1,063 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	41,462
Investment in equity-accounted investees	(3,364)
Working capital, net	145
Cash and Cash equivalents	133
	38,376
Bank loans	(25,408)
Other liabilities, net	(9,604)
	(35,012)
Total identifiable net assets	3,364
Non-controlling interests arising from initial consolidation	(404)
Consideration paid regarding acquisition	(880)
Profit arising from business combination (bargain purchase)	2,080

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 1,209 thousand, and the Group's net profit would have increased by euro 94 thousand.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

5. KÖLN PORTFOLIO 2

At the end of June 2014, the Group obtained control of company, which holds real estate properties in Germany by acquiring 94 percent of the shares and voting interests for the amount of euro 12,263 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 165 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 793 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 2,717 thousand and euro 2,636 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	40,600
Cash and Cash equivalents	104
	40,704
Bank loans	(19,518)
Working capital, net	(787)
Other liabilities, net	(7,178)
	(27,483)
Total identifiable net assets	13,221
Non-controlling interests arising from initial consolidation	(793)
Consideration paid regarding acquisition	(12,263)
Profit arising from business combination (bargain purchase)	165

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 2,574 thousand, and the Group's net profit would have increased by euro 518 thousand.

6. BERLIN PORTFOLIO 2

At the end of June 2014, the Group obtained control of two companies which hold real estate properties in Germany by acquiring 94% percent of the shares and voting interests for the amount of euro 3,615 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 339 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 252 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 673 thousand and euro 770 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	12,890
Working capital, net	455
Cash and Cash equivalents	51
	13,396
Bank loans	(7,318)
Other liabilities, net	(1,872)
	(9,190)
Total identifiable net assets	4,206
Non-controlling interests arising from initial consolidation	(252)
Consideration paid regarding acquisition	(3,615)
Profit arising from business combination (bargain purchase)	339

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 534 thousand, and the Group's net profit would have increased by euro 291 thousand.



4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

7. CENTRAL PORTFOLIO

At the beginning of October 2014, the Group obtained control of two companies which hold real estate properties in Germany, by acquiring 94.8 percent of the shares and for the amount of euro 40,007 thousand. The Group recognized non-controlling interest at the amount of euro 2,183 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 3,648 thousand and euro 401 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	80,891
Working capital, net	1,100
Cash and Cash equivalents	999
	82,990
Bank loans	(27,869)
Other liabilities, net	(13,138)
	(41,007)
Total identifiable net assets	41,983
Non-controlling interests arising from initial consolidation	(2,183)
Consideration paid regarding acquisition	(40,007)
Overpayment which depreciated in the consolidated statement	(207)

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 7,264 thousand, and the Group's net profit would have decreased by euro 336 thousand.

8. LEIPZIG PORTFOLIO

At the beginning of October 2014, the Group obtained control of two companies which hold real estate properties in Germany, by acquiring 94.8 percent of the shares and for the amount of euro 45,408 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 1,875 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 2,594 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and loss in amount of euro 1,716 thousand and euro 268 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	91,130
Working capital, net	1,386
Other assets, net	15,453
Cash and Cash equivalents	715
	108,684
Bank loans	(58,807)
	(58,807)
Total identifiable net assets	49,877
Non-controlling interests arising from initial consolidation	(2,594)
Consideration paid regarding acquisition	(45,408)
Profit arising from business combination (bargain purchase)	1,875

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 10,152 thousand, and the Group's net profit would have increased by euro 4,590 thousand.



4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

9. DRESDEN PORTFOLIO

At the beginning of October 2014, the Group obtained control of three companies which holds real estate properties in Germany, by acquiring 94.8 percent of the shares and for the amount of euro 39,719 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 171 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 2,188 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and loss in amount of euro 1,632 thousand and euro 152 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	91,630
Working capital, net	2,507
Cash and Cash equivalents	1,066
	95,203
Bank loans	(46,135)
Other liabilities, net	(6,990)
	(53,125)
Total identifiable net assets	42,078
Non-controlling interests arising from initial consolidation	(2,188)
Consideration paid regarding acquisition	(39,719)
Profit arising from business combination (bargain purchase)	171

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 7,652 thousand, and the Group's net profit would have decreased by euro 286 thousand.

10. HALLE PORTFOLIO

At the end of November 2014, the Group obtained control in a company, which holds real estate properties in Germany by acquiring 94% percent of the shares voting interests and shareholder loans for the amount of euro 14,531 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 3,459 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 1,004 thousand.

From the date in which the Group has obtained control, until the end of the reporting period, the Group recorded revenue and profit in amount of euro 228 thousand and euro 24 thousand, respectively.

The result of initial consolidation is as follows:

	€'000
Investment property	21,210
Working capital, net	170
Cash and Cash equivalents	6
	21,386
Other liabilities, net	(2,392)
	(2,392)
Total identifiable net assets	18,994
Non-controlling interests arising from initial consolidation	(1,004)
Consideration paid regarding acquisition	(14,531)
Profit arising from business combination (bargain purchase)	3,459

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 1,722 thousand, and the Group's net profit would have decreased by euro 82 thousand.

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

11. KÖLN PORTFOLIO 3

At the end of December 2014, the Group obtained control of several companies, which hold real estate properties in Germany by acquiring 94 percent of the shares, voting interests and shareholder loans for the amount of euro 16,562 thousand. As a result of the business combination, the Group recorded profit arising from business combination (due to a bargain purchase) of euro 21,741 thousand in Capital gains, property revaluations and other income in the consolidated statement of comprehensive income. The Group recognized non-controlling interest at the amount of euro 1,096 thousand.

The result of initial consolidation is as follows:

	€'000
Investment property	56,000
Working capital, net	485
Cash and Cash equivalents	425
	56,910
Bank loans	(12,585)
Other liabilities, net	(4,926)
	(17,511)
Total identifiable net assets	39,399
Non-controlling interests arising from initial consolidation	(1,096)
Consideration paid regarding acquisition	(16,562)
Profit arising from business combination (bargain purchase)	21,741

If the purchase was carried out at the beginning of the reporting period, the Group's revenues would have increased by euro 3,686 thousand, and the Group's net profit would have increased by euro 1,473 thousand.

(B) DISPOSALS

During the reporting period, the Group sold several non-core properties (through share deals) for a total consideration of euro 137 million. The profit from those transactions was euro 3.5 million and recorded in the Capital gains as part of the consolidated statement of comprehensive income.

(C) ACQUISITIONS OF NON-CONTROLLING INTERESTS

During the reporting period, the Group bought additional shares in several real estate companies (of which the Group has control prior to the transactions) for a total consideration of euro 11.6 million. Those transactions were treated as equity transactions and the effect of the transactions is recognized directly in the equity attributed to the owners of the Company.



5. REVENUE

	Year ended December 31,	
	2014	2013
	€'000	
Rental and operating income	216,837	99,580
Revenue from sales of buildings (a)	14,675	70,000
Other	-	50
	231,512	169,630

(a) Of which euro 14.4 million (2013: euro 54.9 million) refers to cost of building sold (see also note 18).

6. CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

	Year ended December 31,	
	2014	2013
	€'000	
Change in fair value in investment property (see note 14)	191,871	189,191
Profit arising from business combinations (Bargain Purchase – see note 4)	35,472	47,332
Capital gains and other income	3,626	323
	230,969	236,846

7. PROPERTY OPERATING EXPENSES

	Year ended December 31,	
	2014	2013
	€'000	
Purchased services	(73,838)	(33,665)
Maintenance and refurbishment	(14,761)	(5,463)
Personnel expenses	(7,376)	(1,990)
Other operating costs	(4,200)	(1,593)
	(100,175)	(42,711)

8. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended December 31,	
	2014	2013
	€'000	
Personnel expenses	(1,772)	(933)
Audit and accounting costs (*)	(1,230)	(1,163)
Legal and professional consultancy fees	(1,121)	(428)
Depreciation and amortization	(331)	(193)
Marketing and other expenses	(1,196)	(622)
	(5,650)	(3,339)

(*) Out of which euro 925 thousand and euro 195 thousand related to audit and audit-related fees provided by KPMG audit firms and other audit firms, respectively, and euro 100 thousand and euro 10 thousand related to tax and consultancy services provided by KPMG audit firms and other audit firms, respectively.

9. NET FINANCE EXPENSES

	Year ended December 31,	
	2014	2013
	€'000	
a. Finance expenses		
Finance expenses from financial institutions and third parties, net	(7,842)	(5,827)
Finance expenses from bonds, net	(14,180)	(5,027)
Other finance expenses	(18)	(466)
	(22,040)	(11,320)
b. Other financial results		
Changes in fair value of financial assets and liabilities, net (a)	(26,211)	13,803
Finance-related costs	(6,453)	(2,281)
Expenses related to convertible bond (b)	-	(3,744)
	(32,664)	7,778

(a) Mainly reflect early redemption fee of bond series B during 2014 (see also note 21 (B)(b)).

(b) During 2013 the convertible "Series A" bonds were fully converted to equity. Therefore the Group does not have an exposure to additional payments in the future.

10. TAXATION

a. TAX RATES APPLICABLE TO THE GROUP

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2013: 29.22%).

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15.0% for December 31, 2014, plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

The Cyprus subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies is 12.5% (2013: 12.5%).

Under certain conditions interest income of the Cyprus companies may be subject to defence contribution at the rate of 30% (2013: 30%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013, and 17% for 2014 and thereafter.

The Netherlands subsidiary is subject to taxation under the laws of the Netherlands. The corporation tax rate for Netherlands companies is 25% and 20% for profit before tax above then euro 200 thousands and below euro 200 thousands respectively (2013: the same).

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

b. TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2014	2013
	€'000	
Corporation tax	(6,144)	(1,546)
Deferred tax, see also (c) below	(29,924)	(31,608)
Property tax	(7,719)	(3,234)
Charge for the year	(43,787)	(36,388)

c. MOVEMENT IN THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

Deferred tax liabilities

	Fair value gains on investment property	Deferred taxes – loss carried forward, net	Other deferred tax	Total
Balance as at December 31, 2012	28,390	543	396	29,329
Charged to:				
Consolidated statement of comprehensive income	31,788	(809)	-	30,979
Deferred tax arising from initial consolidation	19,140	(734)	(396)	18,010
Transfer to liability held for sale	851	277	-	1,128
Transfer to deferred tax assets	-	723	-	723
Balance as at December 31, 2013	80,169	-	-	80,169
Charged to:				
Consolidated statement of comprehensive income	34,153	-	1,270	35,423
Deferred tax arising from initial consolidation	36,284	-	-	36,284
Deconsolidation	(10,873)	-	-	(10,873)
Transfer to other deferred tax	(2,411)	-	2,411	-
Balance as at December 31, 2014	137,322	-	3,681	141,003



10. TAXATION (CONTINUED)

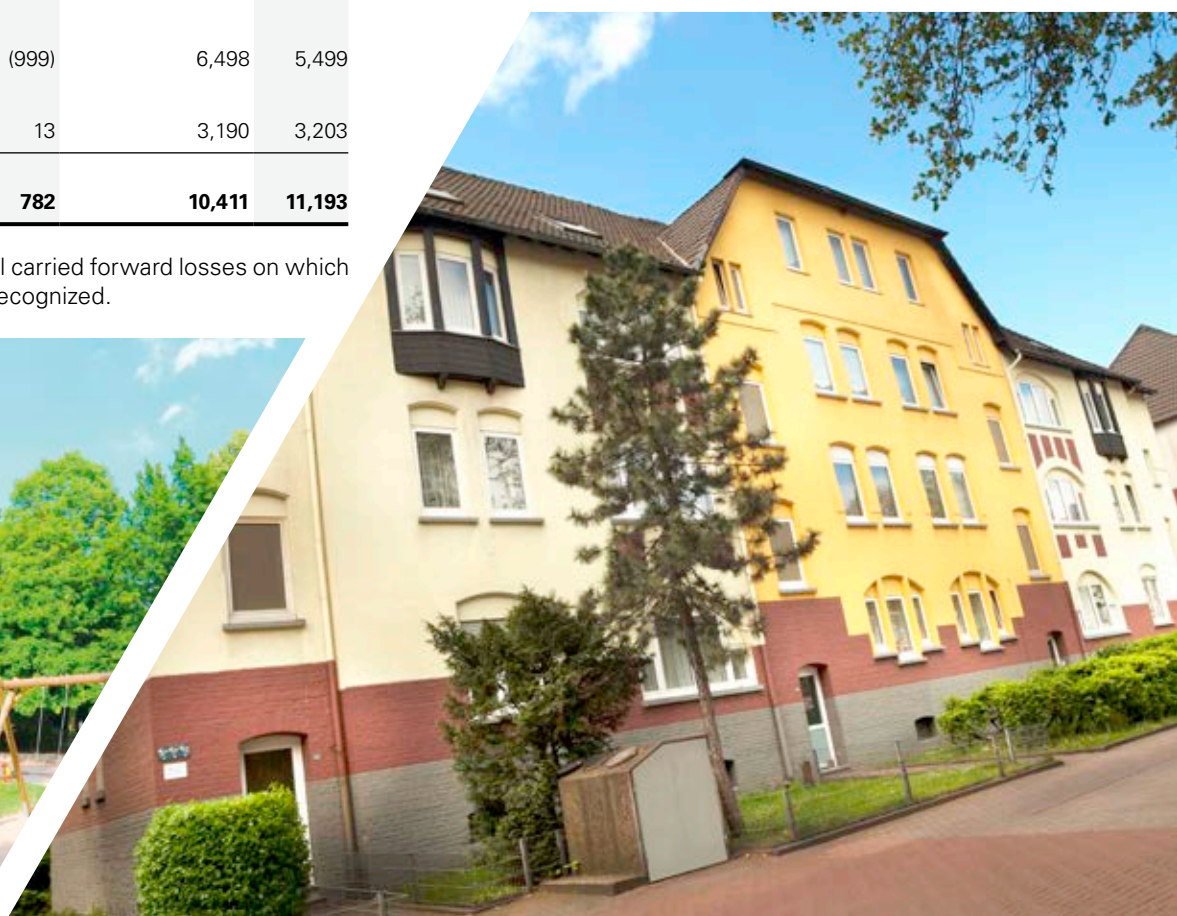
Deferred tax assets

	Derivative financial instruments	Deferred taxes – loss carried forward, net	Total
	€'000		
Balance as at December 31, 2012	1,812	-	1,812
Charged to:			
Consolidated statement of comprehensive income	(629)	-	(629)
Deferred tax arising from initial consolidation	566	-	566
Transfer from deferred tax liabilities	-	723	723
Transfer to liabilities held for sale	19	-	19
Balance as at December 31, 2013	1,768	723	2,491
Charged to:			
Consolidated statement of comprehensive income	(999)	6,498	5,499
Deferred tax arising from initial consolidation	13	3,190	3,203
Balance as at December 31, 2014	782	10,411	11,193

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

d. RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended December 31,	
	2014	2013
	€'000	
Profit before tax	287,621	302,440
Statutory tax rate	29.22%	29.22%
Tax computed at the statutory tax rate	84,043	88,373
Decrease in taxes on income resulting from the following factors:		
Group's share of earnings from companies accounted for at equity	(15)	(74)
Effect on tax rates in foreign jurisdictions (at 15.825%)	(36,097)	(40,158)
Effect on tax rates in foreign jurisdictions (at 12.5%)	(1,575)	(8,355)
Others	(2,569)	(3,398)
Tax and deferred tax expenses	43,787	36,388



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, 2014 is based on the profit attributable to ordinary shareholders of euro 205,575 thousand (2013: euro 226,275 thousand), and a weighted average number of ordinary shares outstanding of 115,577 thousand (2013: 76,124 thousand), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)

	Year ended December 31,	
	2014	2013
	€'000	
Profit for the year, attributable to the owners of the Company	205,575	226,275

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)

	Note	Year ended December 31,	
		2014	2013
		shares'000	
Issued ordinary shares at January 1		115,425	55,500
Effect of shares issued in February 2013		-	6,926
Effect of exercise of convertible bond "Series A"	19	-	11,627
Effect of shares issued in December 2013		-	2,071
Effect of exercise of convertible bond "Series C"		152	-
Weighted average number of ordinary shares at December 31,		115,577	76,124
Basic earnings per share (euro)		1.78	2.97

B. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at December 31, 2014 is based on profit attributable to ordinary shareholders of euro 207,419 thousand (2013: euro 226,275 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 135,400 thousand (2013: 76,124 thousand), calculated as follows:

1. PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)

	Year ended December 31,	
	2014	2013
	shares'000	
Profit for the year, attributable to the owners of the Company (basic)	205,575	226,275
Interest expense on convertible bonds, net of tax	1,845	-
Profit for the year, attributable to the owners of the Company (diluted)	207,420	226,275

2. WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)

	Note	Year ended December 31,	
		2014	2013
		shares'000	
Issued ordinary shares on January 1		115,425	55,500
Effect of shares issued in February 2013		-	6,926
Effect of exercise of convertible bond "Series A"	19	-	11,627
Effect of shares issued in December 2013		-	2,071
Effect of exercise of convertible bond "Series C"		19,971	-
Effect of equity settle share based payment		4	-
Weighted average number of ordinary shares at December 31,		135,400	76,124
Diluted earnings per share (euro)		1.53	2.97



12. OTHER LONG TERM ASSETS

	As at December 31,	
	2014	2013
	€'000	
Tenancy deposit (a)	13,118	5,414
Investment in other long term assets	5,389	2,578
Finance lease asset	2,992	2,992
Loan from associate undertakings (see note 25)	-	153
Others	1,578	1,680
	23,077	12,817

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

13. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	€'000			
Cost				
Balance as at January 1, 2013	101	72	8	181
Additions	975	-	-	975
Equipment and intangible assets arising from initial consolidation	112	2,628	806	3,546
Balance as at December 31, 2013	1,188	2,700	814	4,702
Additions	1,177	-	611	1,788
Equipment and intangible assets arising from initial consolidation, net	353	1,904	-	2,257
Deconsolidation	(9)	-	-	(9)
Balance as at December 31, 2014	2,709	4,604	1,425	8,738
Depreciation / Amortization				
Balance as at January 1, 2013	46	72	8	126
Depreciation/Amortization for the year	193	-	-	193
Balance as at December 31, 2013	239	72	8	319
Depreciation/Amortization for the year	450	-	453	903
Balance as at December 31, 2014	689	72	461	1,222
Carrying amounts				
Balance as at December 31, 2014	2,020	4,532	964	7,516
Balance as at December 31, 2013	949	2,628	806	4,383



14. INVESTMENT PROPERTY

A. COMPOSITION

	As at December 31,	
	2014	2013
	€'000	
Balance as of January 1	1,368,281	407,086
Acquisitions of investment property during the year	319,293	335,752
Investment property arising from initial consolidation (see note 4)	470,543	425,932
Disposal of investment property due to loss of control	(170,006)	-
Transfer from assets held for sale	-	10,320
Fair value adjustment (see note 6)	191,871	189,191
Balance as at December 31	2,179,982	1,368,281

B. MEASUREMENT OF FAIR VALUE

(I) FAIR VALUE HIERARCHY

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every six months.

The range of the discount rates applied to the net annual rentals to determine the fair value of property is between 6.00%-7.25% (2013: 6.25%-7.5%).

All the investment property in the group in total fair value amount of euro 2,179,982 (2013: 1,368,281) thousand has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

(II) LEVEL 3 FAIR VALUE

The following table shows reconciliation from the opening balances to the closing balances for Level 3 fair values.

	As at December 31,	
	2014	2013
	€'000	
Balance as of January 1	1,368,281	407,086
Acquisitions of investment property during the year	319,293	335,752
Investment property arising from initial consolidation	470,543	425,932
Disposal of investment property (through share deals)	(170,006)	-
Transfer from assets held for sale	-	10,320
Fair value adjustments	191,871	189,191
Balance as at December 31	2,179,982	1,368,281



VALUATION TECHNIQUE AND SIGNIFICANT UNOBSERVABLE INPUTS

Valuation technique

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

Significant unobservable inputs

- Assumed market rental growth weighted average 1.2% (2013: 1.5%);
- Void periods -average 2-4 months after the end of each lease (2013: the same);
- Assumed future occupancy rate in the range of 93% to 100%. Actual occupancy rate is 87.3% (2013: 86.3%);
- Risk adjusted discount rates in the range of 6.00%-7.25%. Weighted average 6.7% (2013: 6.75%).
- Increase / decrease of one per cent in discount rate would lead to decrease / increase the Investment property fair value by euro 28,089 thousand and euro 20,151 thousand, respectively.

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

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

15. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

A. COMPOSITION

	As at December 31,	
	2014	2013
	€'000	
Balance as of January 1,	7,354	20,162
Disposal of investment in equity accounted investees due to obtain control	(7,448)	(13,278)
Share of profit from associates	94	470
Balance as of December 31,	-	7,354

B. THE DETAILS OF THE SIGNIFICANT INVESTMENTS ARE AS FOLLOWS:

Name	As at December 31, 2014				As at December 31, 2013		
	Country	Holding	Group	Group's	Holding	Group	Group's
			share of	share of		share of	share of
		%	net assets	profit	%	net assets	profit
			€'000			€'000	
Residential Essen I Grundstücks GmbH	Germany	94%	-	1	50%	589	24
Residential Duisburg Grundstücks GmbH	Germany	94%	-	68	50%	5,867	417
Residential Project Monchengladbach II GmbH	Germany	94%	-	25	50%	898	29
			-	94		7,354	470



16. DERIVATIVE FINANCIAL INSTRUMENTS

		As at December 31,	
		2014	2013
Year of maturity		€'000	
Liabilities			
Non-current portion	2016 - 2042	9,282	13,832

The derivative financial instruments results during the year amounted to a loss of euro 6 million (2013: profit of euro 2.5 million) and recorded as other financial results in the consolidated statement of comprehensive income.

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

17. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2014	2013
	€'000	
Operating costs prepayments	80,172	36,582
Rent and other receivables (a)	28,623	12,255
Prepaid expenses	587	1,712
Other short term assets	14,323	11,294
	123,705	61,843

(a) Of which euro 14.1 million refers to rent receivables.

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



18. INVENTORIES – TRADING PROPERTIES

As at December 31,

	2014	2013
	€'000	
Inventories - trading property	5,814	19,949
	5,814	19,949

- a. In November 2013 the Group has sold approximately 900 units (64 thousand square meters) for gross proceeds at the amount of euro 70 million. The cost of the units were euro 54.9 million, therefore the Group recorded profit in amount of euro 15.1 million.
- b. During 2014, the Group has sold approximately 210 units (16 thousand square meters) which were presented as inventory trading property for gross proceeds at the amount of euro 14.7 million.



19. EQUITY

A. SHARE CAPITAL

	As at December 31,			
	2014		2013	
	Number of Shares	€'000	Number of Shares	€'000
Authorised				
Ordinary shares of euro 0.10 each	200,000,000	20,000	200,000,000	20,000
Issued and fully paid				
Balance as of January 1,	115,425,000	11,542.5	55,500,000	5,550
Issuance of shares on February 19, 2013	-	-	8,000,000	800
Exercise of convertible bond "Series A"	-	-	24,925,000	2,492.5
Issuance of shares on December 3, 2013	-	-	27,000,000	2,700
Exercise of convertible bond "Series C"	3,116,449	311.5	-	-
Balance on December 31,	118,541,449	11,854	115,425,000	11,542.5

B. AUTHORIZED CAPITAL

Under its Memorandum of association the Shareholders set the authorized share capital at 200,000,000 ordinary shares of nominal value of euro 0.10 each.

C. ISSUED CAPITAL

- Upon incorporation on December 16, 2011 the Company issued 5,000,000 ordinary shares of euro 0.10 each, at par value, to the subscribers.
On April 12, 2012, the Company made an issuance of 45,000,000 shares of euro 0.10 each at par value. The issue was fully paid up in cash.
- On July 19, 2012, the Company received gross proceeds of euro 15.1 million in a capital increase against a contribution in cash. A total of 5.5 million new shares were placed at an issue price of euro 2.75 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.
- On October 15, 2012, the Company successfully completed the placement of convertible bonds, which were convertible into ordinary shares of the Company ("convertible bonds 2012-2017"), for an aggregate principal at the amount of euro 100 million.
The bonds have a maturity of five years. The initial conversion price of the bonds was euro 4.00. The bonds bear interest at a rate of 8% per annum calculated by reference to the principal amount and payable semi-annually in arrears on April 15 and October 15 in each year, commencing with the Interest Payment Date falling on April 15, 2013.
Until September 30, 2013, a total amount of euro 99.7 million of the convertible bonds 2012-2017 were converted to shares. According to the convertible bond terms, 24,925 million shares were issued. The Company has redeemed the remainder of Series B bonds, according to the bonds' terms.
- On February 19, 2013 the Company received gross proceeds of euro 35.7 million from a second capital increase against a contribution in cash. A total of 8 million new shares were placed at an issue price of euro 4.46 as part of an international private placement to institutional investors.
- On December 3, 2013, the Company received gross proceeds of euro 175.5 million in a capital increase against a contribution in cash. A total of 27 million new shares, with a par-value of EUR 0.10 each, were placed at an issue price of euro 6.5 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.
- During December 2014, a total amount of 30.3 million of convertible bonds "Series C" were converted to shares, according to the convertible bond's terms. A total of 3.1 million shares were issued.

D. 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.

E. OTHER RESERVES

The other reserves were shareholders loan that were converted to equity, therefore the other reserves can be distributed at any time.



20. SHARE BASED PAYMENT AGREEMENTS

A. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

On December 31, 2014, the Group had the following share-based payment arrangements:

(1) Incentive Share plan

The Annual General Meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive plan for the Board of Directors, key management and senior employee's. The incentive plan has 4 years vesting period with specific milestones to enhance management long term commitment to GCP 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 EBIDTA per share, FFO per share and EPS. Management will be incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating.

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

Incentive granted to Board of Directors, key management and senior employees	Number of instruments in thousands	Vesting period	Contractual life of the incentive
On October 1, 2014	157 - 279	4 years	4 years

B. RECONCILIATION OF OUTSTANDING SHARE OPTIONS

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

	As at December 31,	
	2014	2013
	Number of shares	
Outstanding on January 1	-	-
Granted during the year	157	-
Outstanding on December 31	157	-

During the reporting period, the total amount recognized as share-based payment was euro 171 thousand. It was presented as administrative and other expenses in the consolidated statement of comprehensive income and as share-based payment reserve in the consolidated statement of changes in equity.

21. LOANS AND BORROWINGS

A. COMPOSITION

	Weighted average interest rate	Maturity date	As at December 31,	
			2014	2013
			€'000	
Long-term liabilities				
Bank loans (*)	2.41%	2016-2042	536,830	458,802
Other loans	3%		387	2,951
Total long term loans			537,217	461,753
Straight and convertible Bonds				
Series B bond (B)	6.25%	-	-	194,676
Convertible bond (C)	1.5%	2019	240,451	-
Series D bond (D)	2%	2021	476,381	-
Total Straight and convertible Bonds			716,832	194,676
Short-term liabilities				
Bank loans	2.41%	2015	5,792	6,986
Other bank loan		-	-	3,577
Total Short - term loans			5,792	10,563

(*) Some of the investment property is used as security for bank loans.



21. LOANS AND BORROWINGS (CONTINUED)

B. BOND SERIES B

On June 3, 2013 the Company issued in a private placement euro 100 million unsubordinated straight bonds maturing in June 2020, bearing a coupon of 6.25% p.a. payable semi-annually in arrears ("Series B bond").

On July 24, 2013, the Company successfully increased the Series B bond issued in June by additional euro 100 million (nominal value).

On April 15, 2014, the Company successfully completed with the placement of additional euro 150 million (nominal value) of Series B bond, for a consideration that reflects 107.25% of their principal amount. The total aggregate principal amount of the series B bond was thereby increased to euro 350 million (nominal value). Morgan Stanley acted as the sole underwriter.

During the fourth quarter of 2014, the Company redeemed the whole outstanding amount of Series B bonds (see also (b) below).

(b) During the fourth quarter of 2014, the Company resolved to redeem the outstanding euro 350 million Series B bonds in two phases; first, the Company redeemed an outstanding amount of euro 331,833 thousand, at 109.5% of their principle amount (together with accrued and unpaid interest to that date). Second, the Company exercised its rights to redeem the outstanding amount of euro 18,167 thousand, at their principle amount (together with the accrued and unpaid interest to that date).

	Year ended December 31,	
	2014	2013
	€'000	
Balance at the beginning of the year	195,681	-
Proceeds from issuance of bond during the year (200,000 notes at euro 1,000 par value)	-	200,000
Proceeds from issuance of bond during the year (150,000 notes at euro 1,000 par value) (a)	160,875	-
Issuance costs	(2,291)	(5,676)
Net proceeds during the year	158,584	194,324
Financial expenses for the year	12,337	7,607
Financial expenses paid	(16,602)	(6,250)
Redemption of bond "Series B" (b)	(350,000)	-
Carrying amount of liability at the end of the year	-	195,681
Non-current portion of bond series B	-	194,676
Accrued interest	-	1,005
Total bond series B	-	195,681

(a) This amount includes additional euro 10,875 thousand (reflects 7.25% of the par value), allocated as deferred income and presented in other long term liabilities account balance. As at December 31, 2014, due to the redemption of Series B bonds (see (b) below) the Company has realized all the deferred income.



21. LOANS AND BORROWINGS (CONTINUED)

C. CONVERTIBLE BOND SERIES C

On February 24, 2014, the Company issued euro 150 million (nominal value) bonds, convertible into ordinary shares of the Company and bear a coupon of 1.50% p.a. payable semi-annually in arrears ("Convertible bond series C"). The initial conversion price was fixed at euro 9.72. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 106.65% of their principle amount. On June 19, 2014, the Company successfully completed the tap up placement of additional euro 125 million (nominal value) of Convertible bond series C, for consideration that reflects 111.25% of their principal amount. The total aggregate principal amount of the Convertible bond series C increased to euro 275 million (nominal value).

During December 2014, a total amount of euro 30 million of convertible bonds "Series C" were converted to shares, according to the convertible bond's terms. A total of 3.1 million shares were issued.

	Year ended December 31,		
	2014	2013	
	€'000		
Proceeds from issuance of convertible bond series C (1,500 notes at euro 100,000 par value)	150,000	-	
Proceeds from tap up issuance of convertible bond series C (1,250 notes at euro 100,000 par value) (a)	139,063	-	
Total issuance costs	(4,391)	-	
Net proceeds during the year	284,672	-	
Amount initially classified as equity (a) (b)	(7,995)	-	
Financial expenses for the year	2,538	-	
Financial expenses paid	(1,464)	-	
Conversion to ordinary shares	(30,300)	-	
Carrying amount of liability at the end of the year	247,451	-	
Non-current portion of Convertible bond series C	240,451	-	
Accrued interest	1,297	-	
Total convertible bond series C	241,748	-	
Deferred income	5,703	-	

(a) This amount includes additional euro 14 million that were received as part of the bond placement (reflects 11.25% of the par value), out of which euro 7.3 million were allocated as an equity component according to external economic value. The residual amount of euro 6.7 million was allocated as a deferred income and presented in other long term liabilities account balance.

(b) The equity component referring to the first placement of convertible bond series C is euro 0.6 million.

D. BOND SERIES D

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

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

	Year ended December 31,		
	2014	2013	
	€'000		
Proceeds from issuance of bond during the year (500,000 notes at euro 100,000 par value)	477,820	-	
Issuance costs	(1,971)	-	
Net proceeds during the year	475,849	-	
Expenses for the year	2,258	-	
Carrying amount of liability at the end of the year	478,107	-	
Non-current portion of bond series D	476,381	-	
Accrued interest	1,726	-	
Total bond series D	478,107	-	



21. LOANS AND BORROWINGS (CONTINUED)

- E.
- (1) **SECURITY, NEGATIVE PLEDGE**
- (a) A first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in GCP Ltd.;
- (b) A first-ranking account pledge, governed by Luxembourg law, over each bank account held by the Company;
- (c) First-ranking account pledges, governed by Luxembourg law, over each bank account held by GCP Ltd.; and
- (d) First-ranking charges, governed by Cypriot law, over each bank account held by GCP Ltd.
- (2) **Covenants**
(as defined in the Terms and Conditions of Bond Series D)
- The Company undertakes that it will not, and will procure that none of its subsidiaries will, up to (and including) the Final Discharge Date, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence:
- (a) The sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and
- (b) The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);
- (c) The Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 2.0;
- (d) The Company undertakes that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125% of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date;
- (e) GCP Ltd. will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the charged accounts, unless the Issuer or GCP Ltd., respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders;
- (f) Will not permit any restriction on the ability of any subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's investees or (ii) (a) pay any indebtedness owed to the Company or any of the Company's subsidiaries (b) make loans or advances to the Company or any of the Company's subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's subsidiaries; and
- (g) The total indebtedness incurred by the group in respect of project financing debt shall not exceed the higher of euro 65 million or 25% of the portfolio value.



22. TRADE AND OTHER PAYABLES

As at December 31,

	2014	2013
	€'000	
Trade and other payables	28,730	21,604
Prepayments received from tenants	75,249	34,472
Deferred income	2,816	1,460
Other liabilities	22,042	34,821
	128,837	92,357

23. OTHER LONG TERM LIABILITIES

As at December 31,

	2014	2013
	€'000	
Tenancy deposits	13,270	6,252
Finance lease liability	2,991	2,993
Loan from associate undertakings (see note 25)	81	446
Deferred income	5,703	-
Other	7,763	11,764
	29,808	21,455

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	€'000
Balance as at January 1, 2013	(*) 3,354
Movement during the year	1,705
Balance as at December 31, 2013	(*) 5,059
Movement during the year	7,908
Balance as at December 31, 2014	12,967

(*) Reclassified



25. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

	As at December 31,	
	2014	2013
(i) LOANS TO ASSOCIATED UNDERTAKINGS (SEE NOTE 12)	€'000	
Other associate undertakings	-	153
	-	153

	As at December 31,	
	2014	2013
(ii) LOANS FROM ASSOCIATED UNDERTAKINGS (SEE NOTE 23)	€'000	
Other associate undertakings	81	446
	81	446

	As at December 31,	
	2014	2013
(iii) INTEREST ON LOANS FROM RELATED PARTIES	€'000	
Interest on loans from related party during the year	18	466
	18	466

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



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

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

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

(i) CREDIT RISK

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

(a) Rent and other receivables

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

(b) Exposure to credit risk

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

	Carrying amount	
	2014	2013
	€'000	
Rent and other receivables (see note 17)	28,623	12,255

The maximum exposure to credit risk in the rent and other receivables account for the end of the reporting period derived by the tenants' risk profile.

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,	
	2014	2013
	€'000	
Neither past due and past due 1–30 days	2,569	2,738
Past due 31–90 days	5,815	2,821
Past due above 90 days (*)	5,717	2,351
	14,101	7,910

(*) Of which euro 1.7 million derives from year end acquisitions.

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

ii. Cash and cash equivalents

The Group held cash and cash equivalents of euro 270,131 thousand as of December 31, 2014 (2013: euro 132,542 thousand), which represents its maximum credit exposure on these assets. There are no restrictions on the cash and cash equivalents balances of the Group.



26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2014 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

	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
AS AT DECEMBER 31, 2014	€'000						
Non-derivative financial liabilities							
Bank loans	542,622	634,905	983	18,686	36,131	93,391	485,714
Straight bonds	476,381	570,000	-	10,000	10,000	10,000	540,000
Convertible bond C	240,451	277,487	1,835	1,835	3,670	3,670	266,477
Other loans	387	403	-	13	390	-	-
Trade payables	28,730	28,730	4,788	23,942	-	-	-
Total	1,288,571	1,511,525	7,606	54,476	50,191	107,061	1,292,191

	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
AS AT DECEMBER 31, 2013	€'000						
Non-derivative financial liabilities							
Bank loans	465,788	551,762	863	22,394	25,952	52,189	450,364
Bond Series B	195,681	281,250	-	12,500	12,500	12,500	243,750
Other loans	6,528	7,010	92	3,772	258	2,888	-
Trade payables	21,604	21,604	7,370	14,234	-	-	-
Total	689,601	861,626	8,325	52,900	38,710	67,577	694,114



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:

	Nominal amount, as at December 31,	
	2014	2013
	€'000	
Hedge instruments		
Swap	97,023	166,617
Cap, collar	260,308	163,074
Total hedge instruments	357,331	329,691
Fixed interest rate	862,714	291,760
Variable rate instruments		
Variable	39,796	45,541
Total interest-bearing financial instruments	1,259,841	666,992

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, 2014				
Variable, Cap, collar rate instruments	(2,578)	216	(2,578)	216
Cash flow sensitivity	(2,578)	216	(2,578)	216
December 31, 2013				
Variable, Cap, collar rate instruments	(1,357)	331	(1,357)	331
Cash flow sensitivity	(1,357)	331	(1,357)	331

(iv) OPERATING RISK

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

(v) ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

Fair value hierarchy

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

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

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

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

1. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE:

	Level 1	Level 2	Level 3	Total
DECEMBER 31, 2014				€'000
Traded securities at fair value through profit or loss	2,165	-	-	2,165
Total assets	2,165	-	-	2,165
Derivative financial instruments	-	9,282	-	9,282
Total liabilities	-	9,282	-	9,282
DECEMBER 31, 2013				
Traded securities at fair value through profit or loss	34,258	-	-	34,258
Total assets	34,258	-	-	(*) 34,258
Derivative financial instruments	-	13,832	-	13,832
Total liabilities	-	13,832	-	13,832

(*) Reclassified.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

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

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

(c) As of December 31, 2014, the fair value and the carry amount of the financial instruments are the same.

2. FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE:

DECEMBER 31, 2014	Level 1	Level 2	Level 3	Total
	€'000			
Cash and cash equivalents	-	270,131	-	270,131
Trade and other receivables	-	123,705	-	123,705
Total assets	-	393,836	-	393,836
Convertible bond	-	240,451	-	240,451
Straight Bonds	-	476,381	-	476,381
Trade and other payables	-	128,837	-	128,837
Total liabilities	-	845,669	-	845,669
DECEMBER 31, 2013				
Cash and cash equivalents	-	132,542	-	132,542
Trade and other receivables	-	61,843	-	61,843
Total assets	-	194,385	-	194,385
Straight Bonds	-	194,676	-	194,676
Trade and other payables	-	92,357	-	92,357
Total liabilities	-	287,033	-	287,033

(vi) OTHER RISKS

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group. The Group's portfolio is located in major cities and strong markets throughout Germany. The current regional distribution structure enables the Group on one hand to benefit of economic scale, and on the other provides a diverse, well allocated and risk-averse portfolio.

CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with an LTV to remain at a target below 50% and an entity limit of 55%. As at December 31, 2014 and 2013 the LTV ratio was 45.1% and 35.7%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.



27. OPERATING LEASE

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

	As at December 31,	
	2014	2013
	€'000	
Less than a year	32,631	29,503
Between one to five years	80,869	85,450
More than five years	49,515	68,845
	163,015	183,798

28. COMMITMENTS

The Group does not have significant commitments as at December 31, 2014.

29. CONTINGENT ASSETS AND LIABILITIES

The Group does not have significant contingent assets and liabilities as at December 31, 2014.

30. EVENTS AFTER THE REPORTING PERIOD

- On January 14, 2015, the Company resolved a dividend policy according to which 30% of the Group's funds from operations ("FFO I") shall be distributed as a dividend to the shareholders.
- On February 9, 2015 Moody's Investors Service ("Moody's") has assigned a first-time long-term issuer rating of "Baa2" to the Company, with a stable outlook.
- On February 12, 2015, Company issued through private placement of euro 150 million, in aggregate principal amount of perpetual Hybrid notes with a coupon of 3.75%.
- On March 3, 2015, issued euro 250 million tap up of the Company's original perpetual Hybrid notes. The total aggregate principal nominal amount of the perpetual Hybrid notes thereby increased to euro 400 million.



31. GROUP SIGNIFICANT HOLDINGS

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

Name	Place of incorporation	Principal activities	December 31,	
			2014 Holding %	2013 Holding %
SUBSIDIARIES HELD DIRECTLY BY THE COMPANY				
Grandcity Property Ltd.	Cyprus	Holding of investments	94.8%	94.8%

Name	Place of incorporation	Principal activities	December 31,	
			2014 Holding %	2013 Holding %
SIGNIFICANT SUBSIDIARIES HELD DIRECTLY UNDER GRAND CITY PROPERTY LTD.				
Brencere Investments Limited	Cyprus	Holding of investments	100%	100%
Pesoria Limited	Cyprus	Holding of investments	100%	100%
Sedoy Investments Limited	Cyprus	Holding of investments	100%	100%
Yafin Trading Limited	Cyprus	Holding of investments	94%	94%
Deprimus Limited	Cyprus	Holding of investments	94%	94%
Sparol Limited	Cyprus	Holding of investments	100%	-
Rosaccic Limited	Cyprus	Holding of investments	100%	-
Outcrop Limited	Cyprus	Holding of investments	100%	-
Gloser Investments Limited	Cyprus	Holding of investments	100%	-
Humerlo Limited	Cyprus	Holding of investments	100%	-
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	100%
MBG Portfoliogesellschaft GmbH	Germany	Holding of investments	100%	100%
Alemory 41. Grundstücks GmbH	Germany	Investing in real estate properties	94.8%	94.8%
Alemory 39. Grundstücks GmbH	Germany	Investing in real estate properties	94.9%	94.9%
TH Zwei Terra GmbH	Germany	Investing in real estate properties	94%	50%
Cato zweite Immobilienbesitz und -verwaltungs GmbH	Germany	Investing in real estate properties	94%	94%
Alemory 119. Grundstücks GmbH	Germany	Investing in real estate properties	94%	94%
Alemory 112. Grundstücks GmbH	Germany	Investing in real estate properties	94%	94%
Alemory 80. Grundstücks GmbH	Germany	Investing in real estate properties	100%	-
KPL Immo GmbH	Germany	Investing in real estate properties	94%	-
Green Elara Property S.á r.l.	Luxembourg	Investing in real estate properties	94.8%	-
White Janus Property S.á r.l.	Luxembourg	Investing in real estate properties	94.8%	-
Red Mimas Property S.á r.l.	Luxembourg	Investing in real estate properties	94.8%	-

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

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

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



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