AROUNDTOWN
PROPERTY HOLDINGS PLC

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31,

2014

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# 2014

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# KEY FINANCIALS

| | Dec 13 | change | Dec 14 |
|---|---|---|---|
| RENTAL AND OPERATING INCOME (€ millions) | 111 | 118% | **242** |
| EBITDA (€ millions) | 324 | 212% | **1,012** |
| NET PROFIT (€ millions) | 283 | 217% | **898** |
| EPS *) (€) | 0.28 | 411% | **1.43** |
| ADJUSTED EBITDA (€ millions) | 29 | 114% | **60** |
| FFO I (€ millions) | 19 | 105% | **39** |
| FFO I PER SHARE *) (€ cent) | 3.8 | 105% | **7.8** |
| FFO II (€ millions) | 51 | 125% | **115** |
| CASH FLOW FROM OPERATIONS (€ millions) | 68 | 99% | **135** |

| | Dec 12 | Dec 13 | Dec 14 |
|---|---|---|---|
| TOTAL EQUITY (€ millions) | 290 | 872 | **1,222** |
| EPRA NAV (€ millions) | 269 | 442 | **1,274** |
| LOAN-TO-VALUE | 39% | 35% | **19%** |
| EQUITY RATIO | 39% | 46% | **71%** |

*) based on 500 million shares

# **STRONG** OPERATIONAL PERFORMANCE

# THE COMPANY

The Board of Directors of Aroundtown Property Holdings PLC and its investees (the "Company", "AT" or the "Group") hereby submit the 2014 annual report. The figures presented are based on the consolidated financial statements as of December 31, 2014, unless stated otherwise.

AT is a specialist real estate investment group, focusing on the German real estate markets. The Group covers the main real estate segments which benefit from strong fundamentals and growth prospects: residential, commercial and hotel properties. The Group's unique business model and experienced management team have led the Company to grow continuously for more than a decade.

AT's properties generate strong operational results, best illustrated through run rates, annualizing the monthly results and excluding operational improvements or further growth. Including signed deals, the Adjusted EBITDA run rate for June 15 is € 145 million and the Funds from Operations (FFO) run rate is € 88 million.

Operating with a fully integrated real estate value chain the Company targets turnaround opportunities of mismanaged properties. In this real estate market AT picks cash generating properties with upside potential in rent and/or occupancy increase and consequential value. Through an intensive property turnaround, including operational and repositioning activities, AT further improves the portfolio results, creating secure and strong cash flow generating characteristics and great internalized growth potential.

# FINANCIAL POSITION HIGHLIGHTS

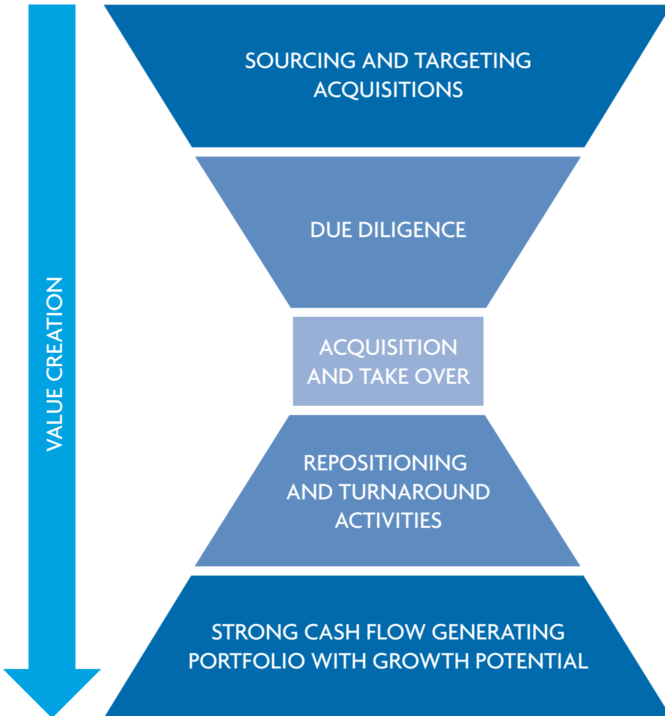
| | Dec 13 | Dec 14 |
|---|---|---|
| CASH AND LIQUID ASSETS (€ millions) | 184 | **176** |
| TOTAL ASSETS (€ millions) | 1,883 | **1,722** |
| TOTAL PRO-FORMA ASSETS *) (€ millions) | 1,883 | **3,442** |
| TOTAL EQUITY (€ millions) | 872 | **1,222** |
| LOANS AND BORROWINGS (€ millions) | 560 | **187** |
| STRAIGHT BONDS (€ millions) | 195 | **150** |
| CONVERTIBLE BOND (€ millions) | - | **97** |

*) assuming consolidation of GCP S.A. as of 31.12.2014.

# **STRONG** FINANCIAL PERFORMANCE

# STRATEGY

AT'S VALUE CREATION STARTS PRIOR TO ACQUISITION



## SOURCING AND TARGETING ACQUISITIONS

AT's property sourcing success stems from its unique network as well as reputation as a reliable real estate acquirer. The Group focuses on mismanaged properties characterized mainly by high vacancy rates and/or rent levels below the market rent. Through its 11 year' experience in the market the Group benefits from a preferred buyer status across its sourcing network. The Group sources deals from a large and diverse deal sourcing base, such as receivers, banks, loan funds, broker network, distressed owners, private and institutional investors and court auctions. The Group's primary focus is on German major cities and metropolitan areas with positive demographic prospects.

The Group follows acquisition criteria, which ensure that its newly acquired properties fit to AT's business model:

- Upside potential through operational improvements
- Assets generating cash flows from day one
- Vacancy reduction potential due to major markets
- Rent level per sqm below market level (under-rented properties)
- Acquisition in densely populated areas and commercially attractive cities
- Purchase price below replacement costs and below market values
- Potential to reduce the cost per sqm significantly through operational improvements

Through the broad coverage and knowledge of its management, AT considers all potential uses for the individual property. This includes altering its primary use which opens up opportunities for properties that experience demand shortages in their current market. Given the complexity and necessity for cross-segment experience in the successful completion of reclassification projects, AT's unique profile is a strong and sustainable competitive advantage.

## DUE DILIGENCE

AT's successful due diligence processes are based on the vast experience of all departments involved. After a potential property passes the initial indicative screening, each property is assessed individually rather than relying on standardized screening processes, taking account of the individuality of each project while ensuring the acquisition is in line with business strategy. The experience of the Group in analyzing mismanaged portfolios, identifying both the potential risks and the upside potential of each property, results in fast, but thorough and reliable screening procedures.

During the due diligence phase the Group's construction team analyses potential capex requirements. These are subsequently priced in the valuation process to provide a fair assessment and ensure that the turnaround process can start smoothly after acquisition.

For each property a detailed business plan is created in the due diligence phase, including an assessment of the portfolio fit and identification of feasible tenants. Choosing tenants prior to acquisition decreases risk on one hand, while on the other accelerates the takeover process.

## ACQUISITION AND TAKE OVER

Due to a thorough cross-organizational process in the due diligence phase, once a deal is acquired the actual take over occurs efficiently. As liquidity plays a significant role in the acquisition of distressed properties, AT benefits strongly from its liquidity and ability to acquire with existing resources and refinance at a later stage.

## REPOSITIONING AND TURNAROUND ACTIVITIES

As a specific tailor made business plan is constructed for each property, and the weaknesses and strengths were mapped pre-acquisition, the execution of the turnaround process becomes easier and faster. The business plan input is integrated into AT's proprietary IT/software platform which enables the management to monitor all operational and financial parameters and fully control the turnaround progress. The success of the turnaround and repositioning of the properties are the result of the following actions:

### OPERATIONAL AND MARKETING INITIATIVES

In the first instance repositioning activities aim at quickly improving the profitability of the acquired properties. Given the high vacancy present in most assets, targeted marketing activities are implemented to increase occupancy and thereby rental income. Vacancy reduction initiatives are tailored to the property at hand. Procedures applied to AT's commercial properties focus on establishing a network of external letting brokers, offering promotional features and building a reputation in the market for high services standards. Initiatives in the residential properties target relationship building with potential tenants and the community by collaborating with local governments, supporting community building projects and advertising on key real estate platforms. In the hotel assets, AT selects the optimal operator for the asset and enters a fixed long term lease contract.

Rent increase and tenant restructuring, assessed in the due diligence process, are executed according to the business plan. Further, the operational improvements AT initiates improve the living quality or business environment for existing and future tenants. Thereby, the demand for these repositioned assets rises.

Having established areas for operational improvements, the Group drills down on cost saving opportunities, making use of modern technologies such as meters based on consumption. These efforts combined with costs savings achieved through vacancy reductions and economies of scale that allow the Company to pass on savings in ancillary costs on to the tenant lead to a significant improvement of the cost base.

AT manages its entire real estate value chain, across acquisition, letting and upkeep & refurbishment. This integrated approach brings further efficiency benefits and a preferred landlord status to the Group and fast response times to its tenants.

### SMART CAPEX INVESTMENTS, WHEN REQUIRED

AT establishes capex needs on one hand according to its properties' relative position in the market and on the other hand on the requirements of its existing and prospective tenants. Capital improvements are discussed in close coordination with committed tenants allowing an efficient and cost effective implementation of the property conditions required for the pleasant living or successful operation of the tenant. The financial feasibility of the proposed alterations are balanced against the lease term, rental income and acquisition cost and bear short returns on investment period.

### RELATIONSHIP MANAGEMENT

AT puts great emphasis on establishing strong relationships with its tenants to reduce churn rates, to predict as well as alter changes in its tenant structure and thereby positively affect its cash flows in the future. The Company aims at offering a high quality service, for potential as well as existing tenants. The Group pays strong attention to the industry in which its commercial tenants operate and their individual success factors. The Group offers direct support in form of additions to the rental property such as parking facilities, space extensions to facilitate growth and smart space redesign to match modern office layouts. For its strong residential tenant base GCP provides a wide range of services including a 24/7 service center and invests into community building projects such as playgrounds and community centers. Further, it aims to establish personal relationships between its sales representatives and tenants, providing them with personal contact points, reacting promptly to problems and proactively prolonging existing contracts that expire soon to optimize and secure long-term revenues.

## STRONG CASH FLOW GENERATING PORTFOLIO WITH GROWTH POTENTIAL

Secure cash flows are continuously strengthened by ongoing cost controls and profitability improvements. Given vacancy and discount of the rental income to market rent prices, AT's portfolio exhibits further strong and lasting growth after the implementation of initial repositioning activities. In line with the Group's buy and hold strategy, with a strong focus on creating a long term stream of secure cash flows, this continuous internal growth ensures that AT can continue to grow organically without relying on further acquisitions.

**STRONG** PORTFOLIO GROWTH AND **EXCELLENT** GROWTH PROSPECTS

# KEY STRENGTHS

## EXPERIENCED MANAGEMENT

AT's management can draw from a wealth of experience in the real estate and associated sectors. This enables the Group to continuously innovate, take strategic decisions quickly and accurately and successfully grow. Its remarkable growth over the recent years has created two key benefits in this regard, on one hand the ability to attract managers and employees that redefine the industry, on the other hand the internalization of a knowledge and experience pool at a fraction of the cost in relation to its portfolio.

This knowledge is communicated and utilized across the Company and business units, through regular cross divisional meetings as well as daily on an informal basis. It shapes its processes and operational improvements, such as automated cost saving initiatives.

AT's management possesses the knowledge that makes up its main competitive advantage, the ability to extract the potential from mismanaged assets. This includes the ability to execute successfully the business plan in the time efficient due diligence phase, which include among others, the competence to assess the limiting factors that led to vacancy and execute reduction activities rapidly, putting in place cost effective measures, setting automated rent increase processes in place, understanding tenant structures and optimizing rental contracts in terms of lease maturity and income security, cross-sector experience to enable the extraction of the full value of the property and operations experience to monitor and reduce costs.

## DEAL SOURCING AND ABILITY TO CREATE ACCRETIVE GROWTH

The Group's acquisition track record for over a decade has led the Group to hold a preferred acquirer status in the German real estate market, primarily due to its fast decision making and reliability.

Given the wide coverage and knowledge of AT it is able to assess all repositioning options, including changing the object's primary use. This improves efficiency and extracts value that competitors are unable to capitalize on.

The Group has a proven track record of acquiring properties which exhibit potential value gains and successfully turning these around. This ability is mirrored by a continuous pipeline and acquisition of attractive properties and the successful transition of the existing properties to stabilized assets.

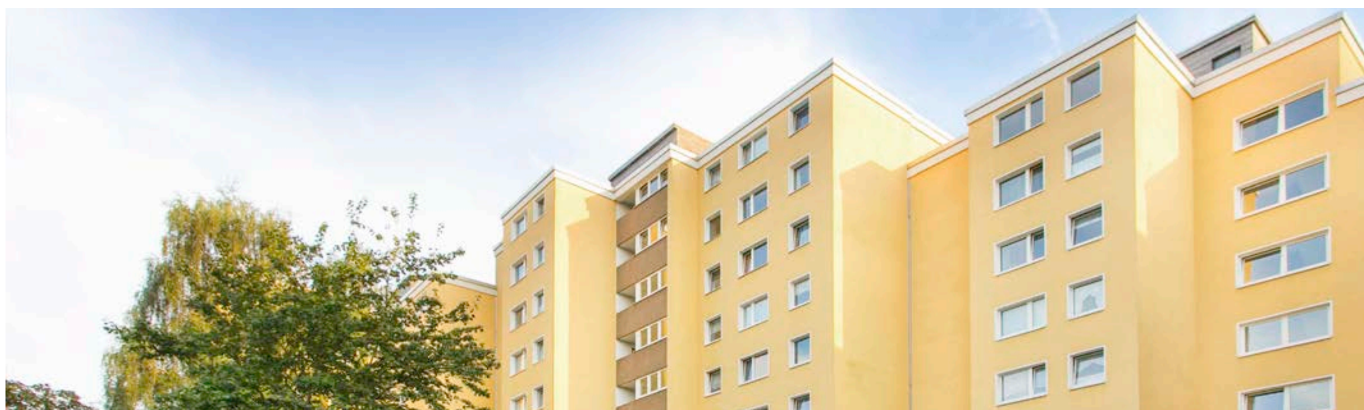
## PROPRIETARY IT/SOFTWARE PLATFORM

AT emphasizes the internalization of relevant skills to support innovation and improve processes. Its operations and growth are supported by a scalable proprietary IT/software system that connects all departments and all property units, enabling efficient monitoring and implementation of improvements. The platform constantly monitors vacancy and rents across AT's portfolio, ensuring yields are optimized and strictest cost discipline is implemented. The Group's in-house software team continuously interacts with the operational teams and delivers fast and efficient solutions to the Company's operational needs. After a software solution is implemented, constant improvements and updates take place to adapt to any additional operational necessities arising.

## ROBUST FINANCIAL FLEXIBILITY

AT's operations are based upon solid financing and its management can draw from many years of experience in raising capital. The Group works with leading German as well as international investment banks both as a direct source of bank loan funding and as bookrunners. Proven access to capital markets through numerous issuances of bonds, convertible bonds and hybrid notes as well as listing on public exchanges in each of its major subsidiaries and on the Group level provide experience and contacts to tap capital markets in the future. In the last two years, the Group has raised over € 2 billion capital through issuances of equity, bonds, convertible bonds and hybrid notes. Furthermore, the Group has a strong network with 20 commercial banks and has vast experience in obtaining bank debt with preferred conditions.

The management also has set in place coverage by independent credit rating agencies in the past for its residential vehicle Grand City Properties, covering all aspects from the initial rating to reaching an investment grade. This wealth of experience enables a smooth implementation of AT's growth ambitions through diversified financing adapted to the characteristics of the individual projects.



# PROVEN ABILITY TO ACCESS CAPITAL MARKETS

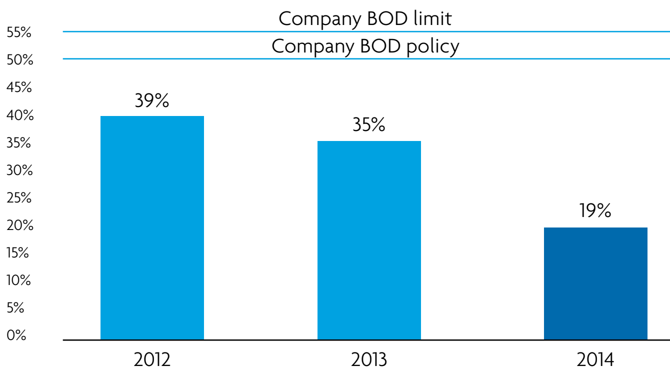
| Date | Event |
|---|---|
| MAR 2015 | GCP tapped the perpetual hybrid notes for additional € 250 (issued at 97.04%); Morgan Stanley and J.P.Morgan served as bookrunners |
| FEB 2015 | GCP issued perpetual hybrid notes of € 150 million with a coupon of 3.75% (issued at 96.3%). Morgan Stanley served as bookrunner |
| FEB 2015 | PCI, tap issuance of € 50 million on exisiting convertible bonds |
| JAN 2015 | AT tap issuance of € 39m of series A bond to a total aggregate amount of € 200m |
| DEC 2014 | AT issuance of series A straight bonds of € 161 million (nominal value) with a coupon of 3% p.a. |
| NOV 2014 | PCI issued convertible bonds at principal amount of € 100 million |
| OCT 2014 | GCP, redemption of straight bonds with nominal amount of € 350m. Issuance of 7 year straight bond of € 500m with a coupon of 2% p.a. (issued at 95.6%). Morgan Stanley, J.P. Morgan and Deutsche Bank acted as joint bookrunners |
| JUN 2014 | GCP tap issuance of convertible bonds with gross proceeds of € 140m at 111.25% reflecting an effective yield of 0.5%. J.P. Morgan and Berenberg acted as bookrunners |
| APR 2014 | GCP tap issuance of existing straight bonds with gross proceeds of € 160m at 107.25% with a yield-to-call of 3.85% and Morgan Stanley as bookrunner |
| FEB 2014 | GCP issued 5 year convertible bonds of € 150m and a coupon of 1.50% p.a. with J.P. Morgan, Berenberg and Deutsche Bank as joint bookrunners |
| DEC 2013 | Capital increase of GCP of € 175m with Berenberg and J.P. Morgan as joint bookrunners |
| OCT 2013 | Full conversion of GCP's convertible bond into equity |
| JUL 2013 | GCP issued a 5 year straight bond of € 200m with a coupon of 6.25% p.a. |
| FEB 2013 | GCP increased capital by € 36m |
| OCT 2012 | Issuance of 5 year convertible bond of € 100m and a coupon of 8% p.a. by GCP, with Credit Suisse as bookrunner |
| JUL 2012 | GCP increased capital by € 15m |

# KEY STRENGTHS

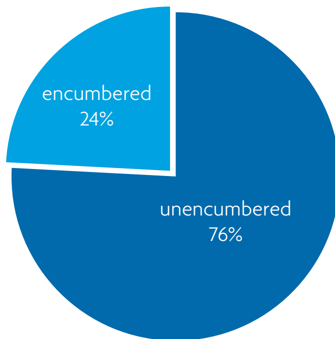
## CONSERVATIVE FINANCING STRUCTURE

AT's conservative capital structure approach is reflected in its LTV of below 20% for year-end 2014. The management views the debt ratios as a key source of competitive advantage and puts policies in place to keep financing costs low and a high portion of unencumbered assets. The Group's growth is financed through diversified financing sources with long maturities.

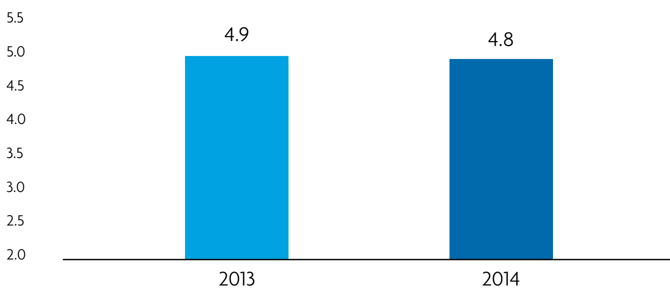
### LOAN-TO-VALUE




### UNENCUMBERED ASSETS AS OF DECEMBER 2014




### ICR

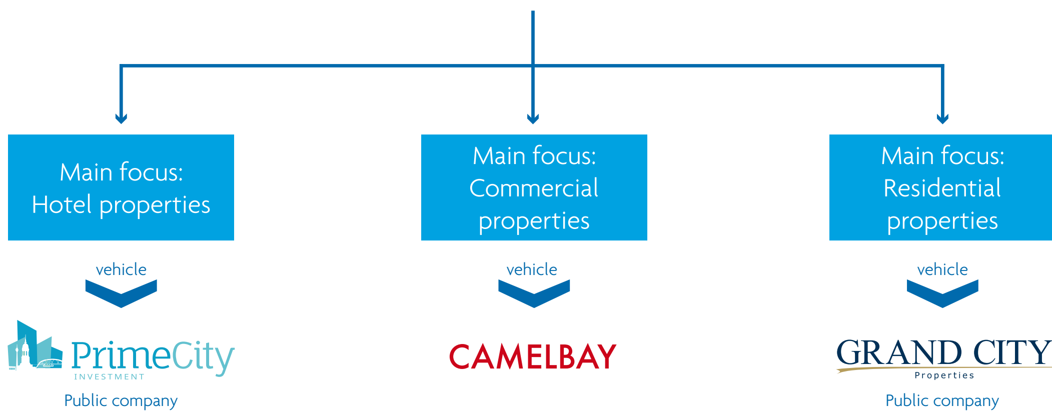



In addition to its conservative capital structure and vast experience in accessing capital markets that enable AT to finance its future growth, the Company holds a high amount of liquid assets and thereby the ability to make additions to its portfolio on an opportunistic basis. As of December 2014 AT holds € 176 million in cash and liquid assets.

## HIGH AMOUNT OF UNENCUMBERED ASSETS PROVIDE ADDITIONAL **FINANCIAL FLEXIBILITY**

# CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL FOR **VALUE APPRECIATION**

# AT'S PROPERTY PORTFOLIO



## COMMERICAL PROPERTIES

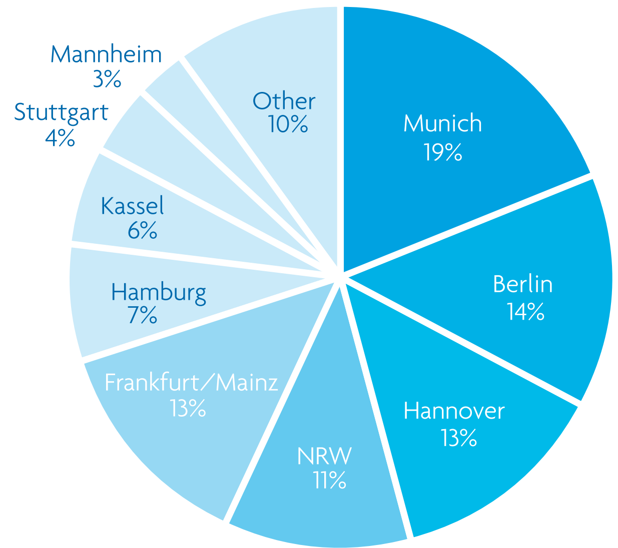
AT holds through Camelbay, a wholly owned private subsidiary, commercial properties valued at around € 1 billion (including signed deals) ("the Commercial Portfolio"). The objects are in diverse urban centers with strong demographics and favorable economic fundamentals which provide tailwind for repositioning the portfolio.

The investments are spread across 4 major commercial real estate segments offering intra-diversification benefits to the Commercial Portfolio, primarily consisting of multi-tenant office and retail properties. The tenant base includes approximately 1,000 tenants spread across a wide range of sustainable market sectors. This further reduces cluster risk while a WALT of 5 years offers cash flow security.

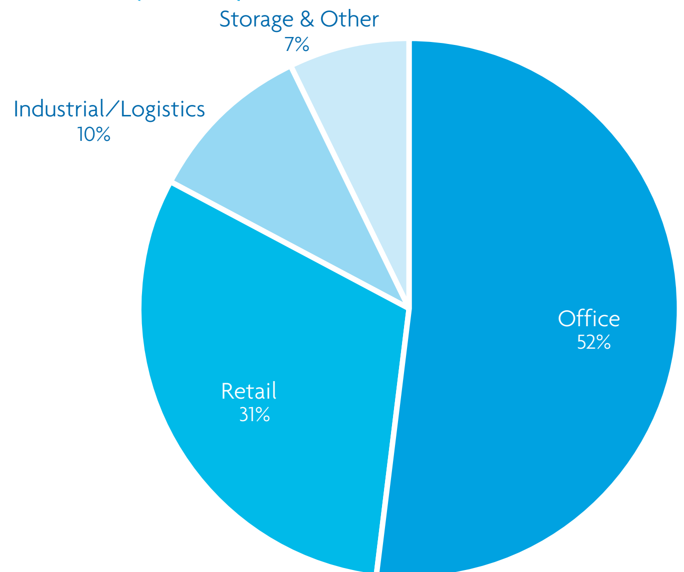
The Commercial Portfolio generates rental income at a run rate (June 15 annualized) of € 90 million, reflecting an in-place rent of € 6.5/$m^2$ and a vacancy rate of 15% the portfolio exhibits strong growth potential. The June 15 FFO run rate amounts to € 50 million.

The management separates the commercial portfolio into stages according the vacancy rates of the properties to enable a simpler tracking of the turnaround progress. Commercial properties with more than 20% vacancy are classified to be in an early turnaround stage, those exhibiting between 10% and 20% vacancy advanced turnaround and those that are occupied more than 90% in a stabilized stage. According to this definition 53% of the Commercial Portfolio is in a stabilized stage while 19% and 28% are in an advanced turnaround and early turnaround stage respectively. As acquired assets materialize their turnaround potential, as evident by the reducing vacancy level, they move across the stages and increase the stabilized portion. The ratio indicates that the Commercial Portfolio exhibits strong cash flow generating abilities while containing further upside potential.

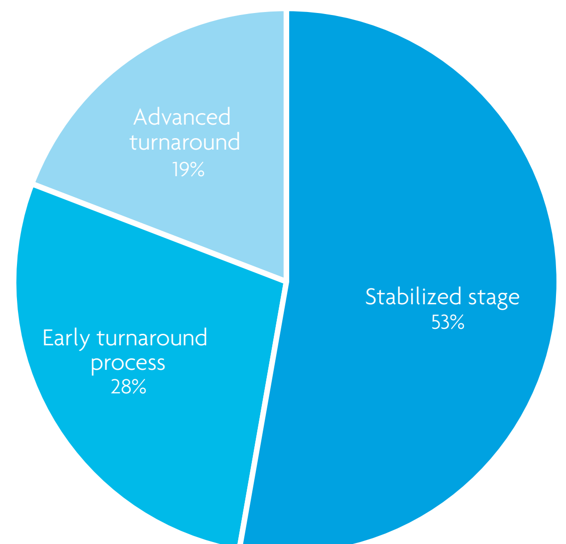
## REGIONAL DISTRIBUTION (BY VALUE)




## ASSET TYPE (BY VALUE)



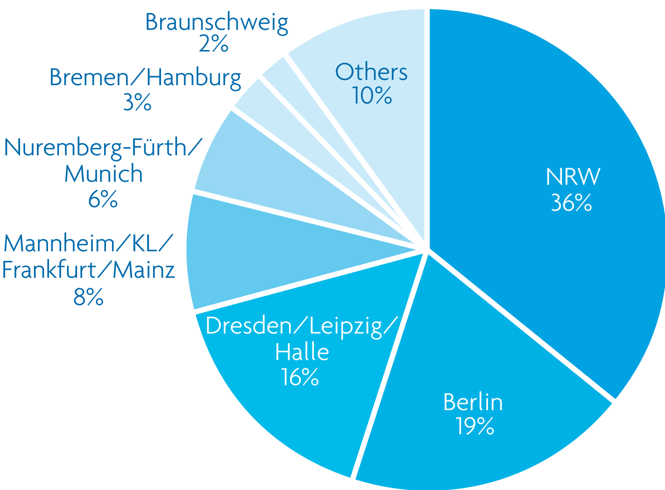

## TURNAROUND STAGES BY FAIR VALUE AND VACANCY RATES



# GCP

## RESIDENTIAL PROPERTIES

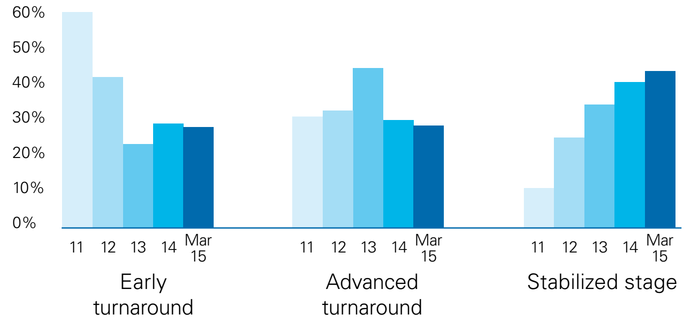
AT's residential property portfolio is part of Grand City Properties ("GCP"), a leading market player in the German residential market. As of March 2015, Grand City Properties holds 52,000 units in its portfolio and manages additional 22,000 units for third parties. Its holdings are spread across densely populated areas, with a focus on North Rhine-Westphalia and Berlin. GCP puts strong emphasis on growing relevant skills in-house to improve responsiveness and generate innovation across processes and departments. Through its 24/7 service center and by supporting community building initiatives Grand City Properties established an industry leading service level and lasting relationships with its tenants.




Grand City Properties' portfolio generates FFO at a run rate (March 2015 annualized) of € 102 million and rental income at a run rate of € 280 million. The current portfolio has an in-place rent of € 5.2/m² at a vacancy rate on rentable sqm of 12.7%. Following significant growth, its current portfolio inhibits strong upside potential with 90% of its in-place rents below market levels and in excess of 30% potential on the current rental income run rate including vacancy reduction.

GCP distinguishes in its portfolio between stabilized properties with vacancy rates below 5%, advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties with vacancy rates above 15%. As of March 2015 approx. 43% of its portfolio fall within the stabilized segment, approx. 30% in advanced turnaround and 27% in early turnaround. The increase in the stabilized portion is a direct result of the successful turnaround execution of the Company.

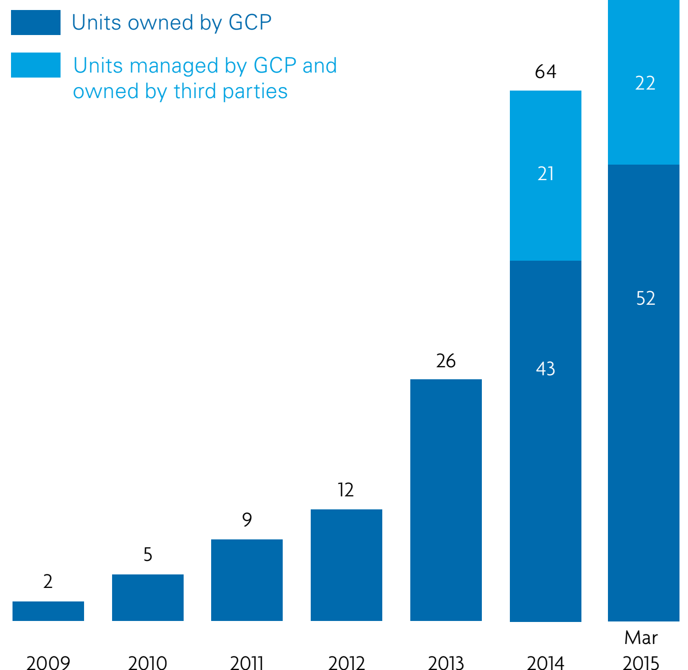
TURNAROUND STAGES BY UNITS AND VACANCY RATES CHANGE OVER TIME




GCP's success is mirrored in the outstanding performance in the debt and capital markets. GCP's Cost of debt is 2%.

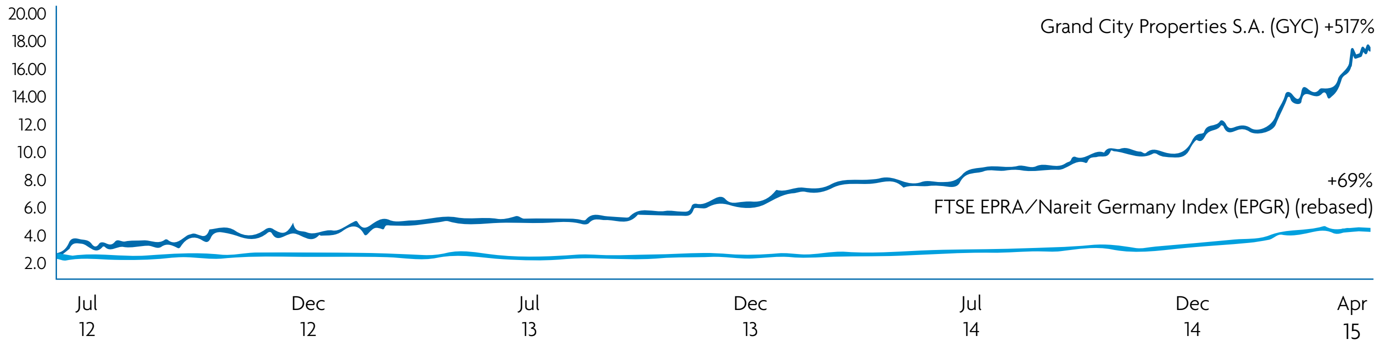
GCP holds investment grade credit ratings from Moody's Investors Service at Baa2 (BBB on a comparable scale) and BBB- from Standard & Poor's rating Services. GCP has outperformed continuously the market since its IPO, in share, convertible bond, straight bond and hybrid notes performances. Since March 2015, GCP is included in major FTSE EPRA/NAREIT indices, including FTSE EPRA/NAREIT Global, Developed and Developed Europe.

PORTFOLIO GROWTH

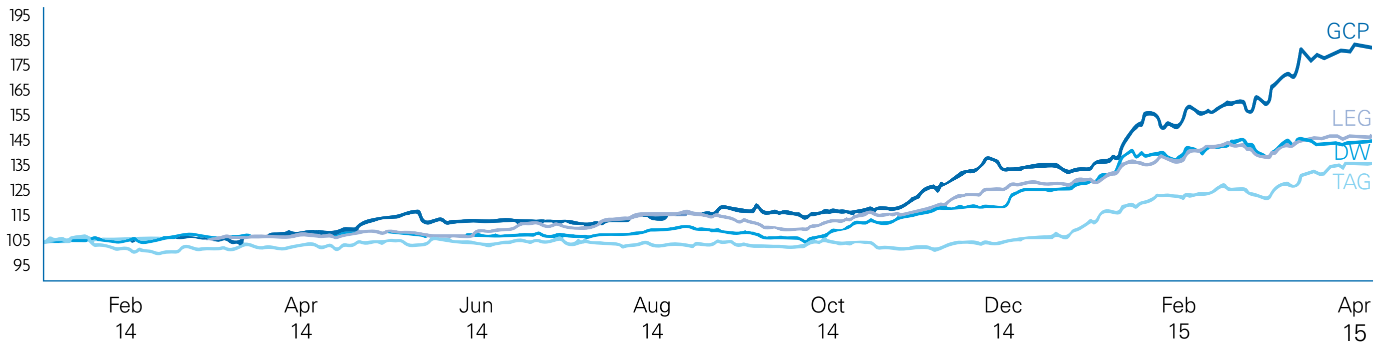


# GCP

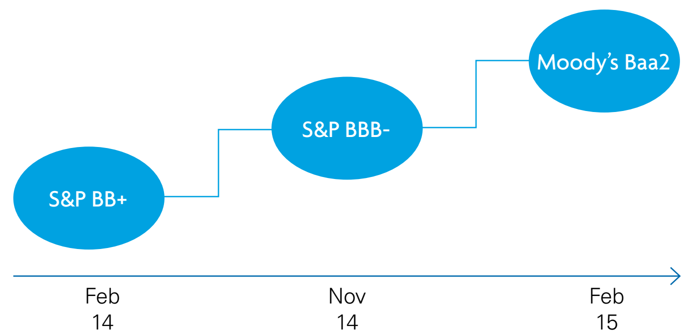
## GCP SHARE PRICE PERFORMANCE



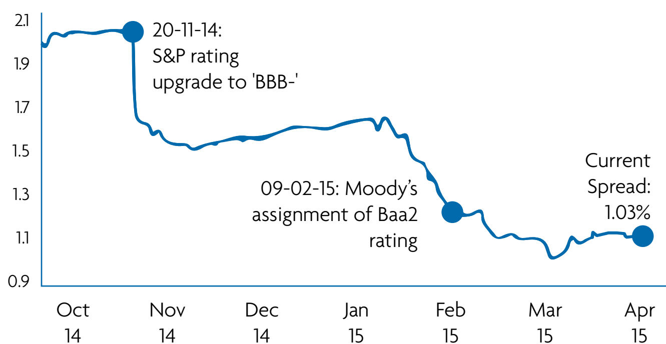

## GCP CONVERTIBLE BOND PRICE PERFORMANCE



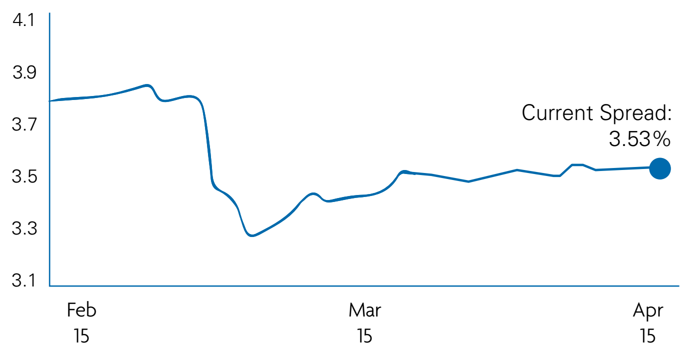
## RATING ACHIEVEMENTS




## SERIES D – SPREAD OVER MID-€-SWAP




## HYBRID NOTES – SPREAD OVER MID-€-SWAP



# PCI

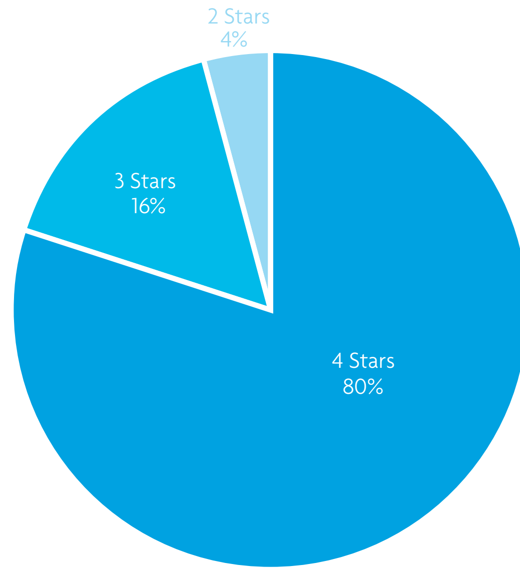
## HOTEL PROPERTIES

The Group's hotel properties are held in Primecity ("PCI"), a specialist hotel real estate company with a strong growth record. Primecity's portfolio includes 42 hotels as of April 2015 with approximately 6,200 rooms. Primecity's hotels are branded with globally leading brands and hold primarily 4 star ratings. PCI is an asset owner and monitors and communicates with the operator on an ongoing basis.

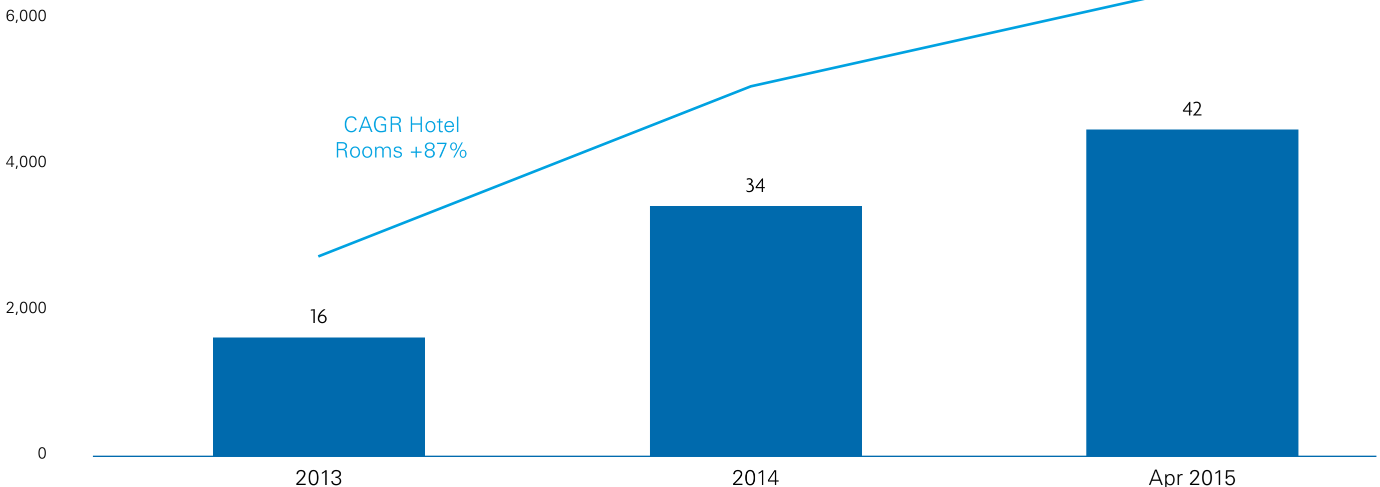
PCI targets its investments in underperforming assets which are located in commercially attractive locations in Germany. These markets offer favorable fundamentals that will support profits and growth in the foreseeable future. The Portfolio is located in more than 20 attractive tourism and business locations such as Berlin, Hamburg, Bremen, Mannheim, Frankfurt, Dresden, Düsseldorf and Leipzig. PCI believes its business platform profits from its skilled personnel and reliable practices that enable PCI to continue to perform strongly and to further expand in the hotel property market. PCI thinks that the business environment will provide abundant acquisition opportunities in the attractive markets it targets, to support its external growth strategy in the medium to long term.

PCI leases out the hotel to external hotel operators which are selected according to their capabilities, track record and experience. PCI is participating in the branding of the hotel, applying its expertise in selecting the optimal brand. An integral component of the business plan is a long term fixed rental lease, which increases the cash flow visibility.

## PORTFOLIO COMPOSITION BY CATEGORY



## HOTEL ASSETS & ROOMS



# PCI

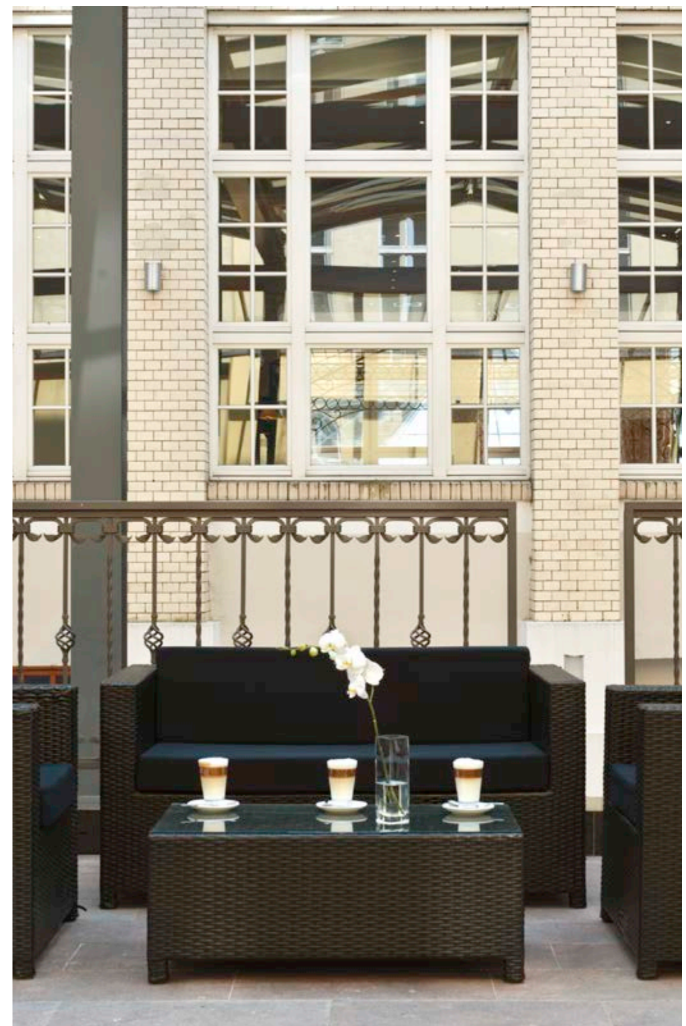
## HOTEL BRANDS

## PCI PORTFOLIO COMPOSITION BY LOCATIONS

Primecity's 42 hotels generate lease revenue at a run rate of € 36 million and FFO of € 19 million as of April 2015. A strong deal pipeline and favorable market conditions provide further upside potential for the future.

**42** HOTELS
**6,200** ROOMS

as of April 2014



# NOTES ON BUSINESS PERFORMANCE

## SELECTED CONSOLIDATED INCOME STATEMENT DATA

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Revenue | 257 | 181 |
| **Rental and operating income** | **242** | **111** |
| Capital gains. property revaluations and other income | 878 | 247 |
| Property operating expenses | (102) | (44) |
| Cost of buildings sold | (14) | (55) |
| Administrative & other expenses | (8) | (5) |
| EBITDA | 1,012 | 324 |
| Operating profit | 1,011 | 324 |
| **Adjusted EBITDA** | **60** | **29** |
| Finance expenses | (27) | (13) |
| Other financial results | (33) | 8 |
| Current Taxes | (17) | (6) |
| Deferred Taxes | (36) | (30) |
| **Profit for the year** | **898** | **283** |

CONTINUOUS OPERATIONAL PROFITABILITY, WITH FURTHER **POTENTIAL TO UNFOLD**

## REVENUE

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Rental and operating income | 242 | 111 |
| Revenue from sales of buildings | 15 | 70 |
| **Revenue** | **257** | **181** |

2014 revenue increased by 42%, from € 181 million in 2013 to € 257 million in 2014. Main driver of revenue growth was a strong rise in rental and operating income, which is a direct result of the portfolio growth and the successful asset turnaround. The increase was partially offset by lower revenue from sales of buildings from properties held as inventory trading properties.

Rental and operating income rose by 118% to € 242 million, up from € 111 million in 2013. The increase was fueled on one side by additions to the portfolio and on the other by the successful implementation of turnaround initiatives, which led to increases in rental income and an increase in occupancy.

As acquisitions took place across the year the financial year's revenue figure does not reflect the full impact of the current portfolio, as properties added during the year were unable to fully contribute to the bottom line. Hence, the lagged full effect of acquisitions in 2013 were caught in 2014's revenue figure, while 2014's portfolio additions will impact the following calendar year. Thus the annualized monthly adjusted EBITDA and FFO run rates as of April 2015 described in more detail below reflect the current portfolio's full impact.

AT follows a buy-and-hold strategy and sells mainly non-core assets. Through its investee, GCP, AT sold in 2014 non-core assets which were presented as inventory for gross proceeds of € 15 million, compared to € 70 million in 2013. Additionally, GCP sold non core investement properties.

## CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Change in fair value in investment property | 226 | 186 |
| Capital gains and profit arising from business combinations (Bargain Purchase) | 652 | 61 *) |
| **Capital gains, property revaluations and other income** | **878** | **247** |

*) reclassified

Capital gains, property revaluations and other income amounted in 2014 to € 878 million. This implies a 255% rise in comparison to 2013, where the Company realized € 247 million. Primary drivers of the increase were capital gains and profit arising from business combinations.

As of December 31, 2014, based on management assessments relating to GCP S.A.'s shareholder structure and other criteria's, the Company has no longer effective control on GCP S.A.. Due to loss of control in GCP S.A. the Company de-recognized the assets and liabilities of GCP S.A. from the consolidated statement of financial position. The Company recognizes the investment retained in GCP S.A. at its fair value. The recognized capital gain as a result from the fair value recognition at the amount of € 555 million is accounted for in the capital gains. For more information please see note 4.b).

Profits arising from business combinations occur when the Company acquires properties in a deal where the purchase price is below the fair value of the acquired total identifiable net assets. These profits mirror the Company's sourcing abilities as well as the ability to acquire deals at attractive prices, which are both supported by the strong deal sourcing networks.

The result of the capital gains, property revaluations and other income was also supported by positive fair value adjustments of investment property, which surged by 22% from € 186 million in 2013 to € 226 million in 2014. Improvements in the fair value of investment property reflect the ability of the Company to implement its turnaround focused business plans, thereby increasing rents and occupancy levels, leading to stronger cash flows and thereby creating value. All property valuations are conducted by independent, external and professionally qualified valuators.

## PROPERTY OPERATING EXPENSES

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Purchased services | (74) | (34) |
| Maintenance and refurbishment | (16) | (6) |
| Personnel expenses | (8) | (2) |
| Other operating costs | (4) | (2) |
| **Property operating expenses** | **(102)** | **(44)** |

Property operating expenses rose from € 44 million in 2013 to € 102 million in 2014. Purchased services, out of which the majority are recoverable costs, made up the bulk of these expenses. Purchased services rose by 118%, from € 34 million to € 74 million, which is in line with AT's rise in rental and operating income of 118% over the same period.

Overall, property ongoing operating expenses rose primarily due to the strong portfolio growth over the year. This also led to an increase in maintenance and refurbishment expenses. The maintenance expenditure is in line with the individual property business plans set prior to acquisition and priced into the purchase price.

The personnel expenses have increased to € 8 million in 2014 from € 2 million in 2013. The increase is primarily due to the increase in number of employees in GCP. The increase supports the strong growth of GCP and strengthens the foundations for future growth.

# NOTES ON BUSINESS PERFORMANCE

## ADMINISTRATIVE & OTHER EXPENSES

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Personnel expenses | (2.0) | (1.0) |
| Legal and professional fees | (1.3) | (0.7) |
| Year-end closing, accounting and audit expenses | (1.5) | (1.2) |
| Sales and marketing expenses | (1.2) | (0.1) |
| Other administrative expenses | (1.7) | (1.8) |
| Depreciation and amortization | (0.3) | (0.2) |
| **Administrative & Other expenses** | **(8)** | **(5)** |

Administrative & other expenses rose between 2013 and 2014 from € 5 million to € 8 million. These items include among others personnel expenses, legal and auditing costs and marketing expenses. The 60% rise in 2014 in comparison to the increase in rental & operating income by 118% over the same period illustrates the successful extraction of economies of scale benefits that the Company was able to generate through its scalable platform.

The rise in items such as personnel expenses, legal and auditing fees is a direct result of the Company's growth over the year. The strong increase in sales and marketing expenses is related to the turnaround characteristics of newly acquired properties and the marketing activities that are initiated to reduce vacancy and rental income.

## NET FINANCE EXPENSES

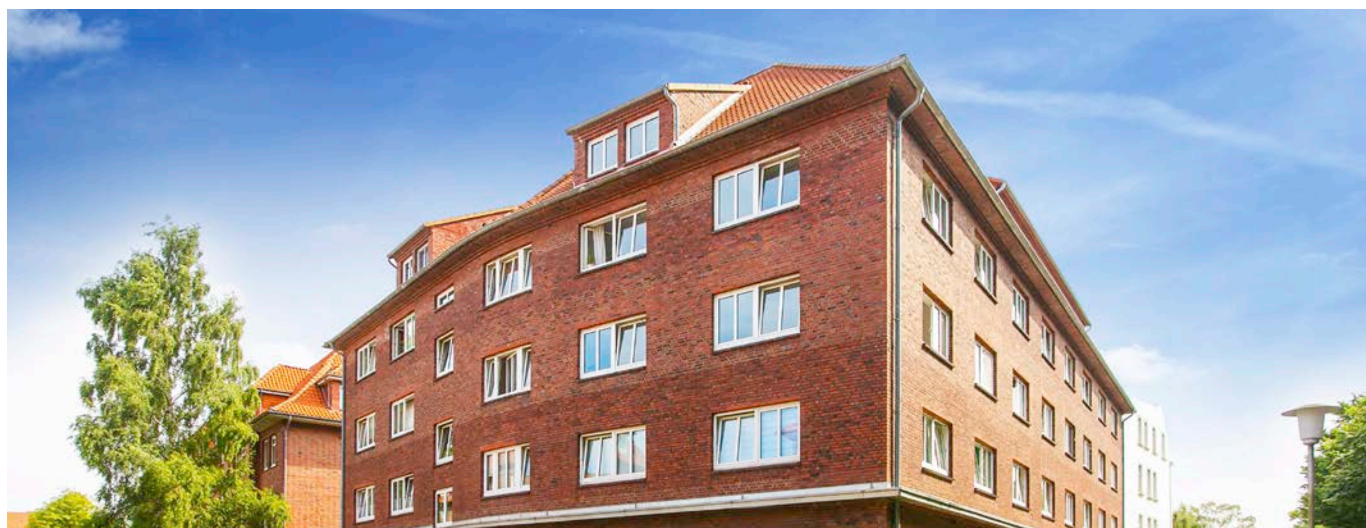
| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Finance expenses | (27) | (13) |
| Other financial results | (33) | 8 |
| **Net finance expenses** | **(60)** | **(5)** |

In 2014 net finance expenses amounted to €60 million, up by €55 million from €5 million in the previous year. The main component were other financial results, increasing by €41 million, which was mainly affected by the results of derivative financial instruments and one-off costs in GCP related to the early redemption of the straight bonds Series B and other fees related to capital market activities.
Finance expenses rose from € 13 million to € 27 million due to the growth of the Company and the therefore required financing. Primary factor were additional interest payments for newly issued bonds and bank loans that were partially offset by improved company specific and market financing conditions.

## TAXATION

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| Current Taxes | (17) | (6) |
| Deferred Taxes | (36) | (30) |
| **Tax and deferred tax expenses** | **(53)** | **(36)** |

The strong portfolio growth led to tax and deferred tax expenses to rise between 2013 and 2014 by 47%, from € 36 million to € 53 million. The increase in deferred tax liabilities, a result of the revaluation of investment property, are affected by the Company's growth and value creation. Current taxes, consisting of property and corporate taxes, grew due to the Group's growth and the increase in operating profits.



# NOTES ON BUSINESS PERFORMANCE

## PROFIT FOR THE YEAR

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| **Profit for the year** | **898** | **283** |

Profit for 2014 rose by 217% in comparison to 2013 to €898 million. This great increase is primarily the result of the increase in revenues and capital gains, property revaluations and other income which are both based on the turnaround achievements.

## CASH FLOW

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| **Net cash provided by operating activities** | **135** | **68** |
| Net cash used in investing activities | (629) | (432) |
| Net cash provided by financing activities | 658 | 414 |
| Cash in subsidiaries of which the Company lost its control | (270) | - |
| **Net (decrease) increase in cash and cash equivalents** | **(106)** | **50** |

Cash and cash equivalents decreased by €106 million in 2014 primarily due to the deconsolidation of Grand City Properties S.A. at the end of the year, resulting in loss of control of €270 million in cash and cash equivalents.

Net cash provided by operating activities rose by 99%, from €68 million to €135 million. This strong performance reflects the successful operational improvements the management was able to implement during the year, thereby supporting rental and operating income of the Group. The figure was heavily offset by the exclusion of retained earnings following the deconsolidation of GCP.

The successful growth of the Company is also reflected in the 46% increase in net cash used in investing activities. To finance this growth the Group successfully accessed capital markets, issuing several new bonds and tap ups, partially offset by bank loan repayments, leading to net cash inflows from financing activities of €658 million, a 59% increase compared to 2013.

## ASSETS

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| as of | In millions of euro | |
| Non-current assets | 1,544 | 1,616 |
| of which investment properties* | 451 | 1,556 |
| of which equity-accounted investees | 909 | 33 |
| Current assets | 178 | 267 |
| **Assets** | **1,722** | **1,883** |

* including advanced payments

The Company's non-current assets balance in 2014 is comprised of its holdings of hotel and commercial real estate properties of over €450 million of investment properties and advanced payments, as well as a balance of over €900 million of equity-accounted investees, reflecting the Company's investment in residential properties through GCP.
In comparison to 2014 the biggest portion of the non-current assets in 2013 was made up of investment properties, as GCP was fully consolidated. Following the deconsolidation of GCP in 2014, as described in note 4(b), the investment properties balance has decreased by the assets held by GCP. The effect is offset by value appreciation of the hotel and commercial properties as well as by new purchases made over the year.

The balance of current assets is comprised for the large part of cash and liquid assets.

# NOTES ON BUSINESS PERFORMANCE

## LIABILITIES

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| as of | In millions of euro | |
| Loans and borrowings | 138 | 524 |
| Straight bonds | 150 | 195 |
| Convertible bonds | 97 | - |
| Other long term liabilities | 7 | 51 |
| Deferred tax liabilities | 47 | 98 |
| Current liabilities | 61 | 143 |
| **Liabilities** | **500** | **1,011** |

The decrease in the amount of loans and borrowing results for the most part of the deconsolidation of GCP as of December 31, 2014. The balance of bonds in 2014 reflects new issuances of bond series over the year, while the balance of bonds in 2013 relates to bonds of GCP which are de-consolidated as of December 31, 2014. In December 2014 the Company has issued a €161 million principle amount, 7 year, 3.0% coupon straight bond for a consideration that reflects 94% of the principal amount. In January 2015 this bond series was increased to €200 million. In addition, through PCI, the Company placed in November 2014 a €100 million principle value convertible bond series, bearing a 4% coupon rate, for a price of 100% of the principle amount. The convertible series was tapped up by an additional €50 million in February 2015, for 105% of the principle amount.

The current liabilities balance in 2014 includes €49 million of short term bank loans and current portion of long term loans.

The Company maintains a well-balanced and diversified financing structure, reflecting the strategic decision of the Board of Directors to operate in a conservative leverage environment, allowing the Company to carefully select only the most valuable growth opportunities and focus on the turnaround process of its assets in the long run.

The Company practices a conservative approach with regard to its deferred tax liabilities, accounting for the full applicable German real estate tax effect (15.825%) when properties are sold through asset deals.

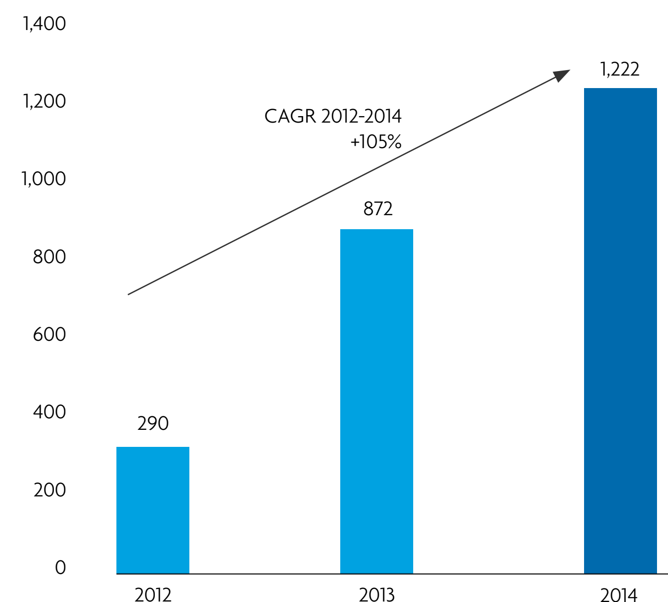
| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| as of | In millions of euro | |
| **Total bank debt and straight bonds** | **337** | **755** |
| Cash and liquid assets | 176 | 184 |
| **Total net debt without convertible bond** | **161** | **571** |
| Convertible bonds | 97 | - |
| **Total net debt with convertible bond** | **258** | **571** |

Taking into account the Company's balance of cash and liquid assets, the net debt balance as of December 2014 amounts to € 258 million, including the convertible bond issued by PCI, which is in the money as of the date of this report. The change from 2013 is mainly the result of the deconsolidation of GCP in the end of 2014, as described in note 4(b), offset with the issuance of straight bonds by the Company towards the end of 2014.

## EQUITY RATIO

| | 2014 | 2013 |
|---|---|---|
| as of | In millions of euro | |
| Total Equity | 1,222 | 872 |
| Total Assets | 1,722 | 1,883 |
| **Equity Ratio** | **71%** | **46%** |

## TOTAL EQUITY




## EPRA NAV

| | In millions of euro |
|---|---|
| **EPRA NAV 2013** | **442** |
| Profit for the year | 898 |
| changes in fair value measurements of derivative financial instruments | (12) |
| changes in deferred tax liabilities | (51) |
| Other equity adjustments | (3) |
| **EPRA NAV 2014** | **1,274** |

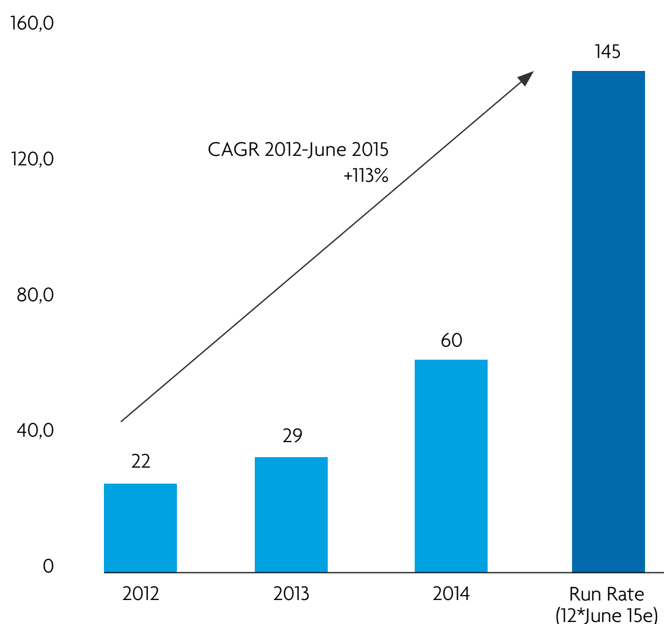
The EPRA NAV in 2014 amounted to €1.27 billion as a result of the significant increase in net profit and reflects the success of the Company's growth.

# NOTES ON BUSINESS PERFORMANCE

## FFO AND ADJUSTED EBITDA

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| **EBITDA** | **1,012** | **324** |
| Capital gains, property revaluations and other income | (878) | (247) |
| Result on disposal of Inventories - trading properties | - | (15) |
| **Adjusted EBITDA including minorities** | **134** | **62** |
| Adj EBITDA related to GCP minorities | (74) | (33) |
| **Adjusted EBITDA** | **60** | **29** |

## ADJ. EBITDA

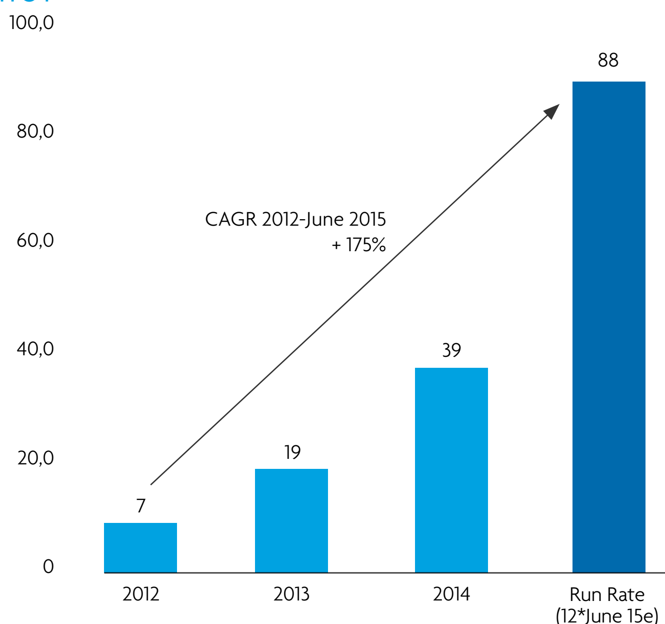



| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| **Adjusted EBITDA including minoritites** | **134** | **62** |
| Finance Expense | (27) | (13) |
| Current Tax | (17) | (6) |
| **FFO I including minorities** | **90** | **43** |
| FFO I related to minorities | (51) | (24) |
| **FFO I** | **39** | **19** |

FFO I amounted to € 90 million including minorities. After minorities adjustments FFO I amounted to € 39 million, which reflects a 105% increase from 2013.
The rise in FFO I, a ratio indicating the materialized profits from operations, was a result of the strong operational performance of the Company over the year from the rise in rental and operating income due to the successful growth and improved operations and the lower increase in finance expenses in relation to the adjusted EBITDA.
Due to acquisitions during the year the full year results do not reflect the potential of the portfolio. Run rates are the annualized current monthly figures and reflect the cash generating ability of the portfolio without accounting for operational improvements or the potential of the assets. The Portfolio including signed deals adjusted EBITDA run rate and the FFO I run rate for June 15 amount to € 145 million and € 88 million respectively.
As acquisitions took place across the year the financial year's revenue figure does not reflect the full impact of the portfolio, as properties added during the year were unable to fully contribute to the bottom line. Hence, the lagged full effect of acquisitions in 2013 were caught in 2014's revenue figure, while 2014's portfolio additions will impact the following calendar year. Thus the annualized monthly adjusted EBITDA and FFO run rates as of June 2015 reflect the portfolio's impact on an annual basis.

# NOTES ON BUSINESS PERFORMANCE

FFO I




FFO II:
**115**

in millions of euro in 2014

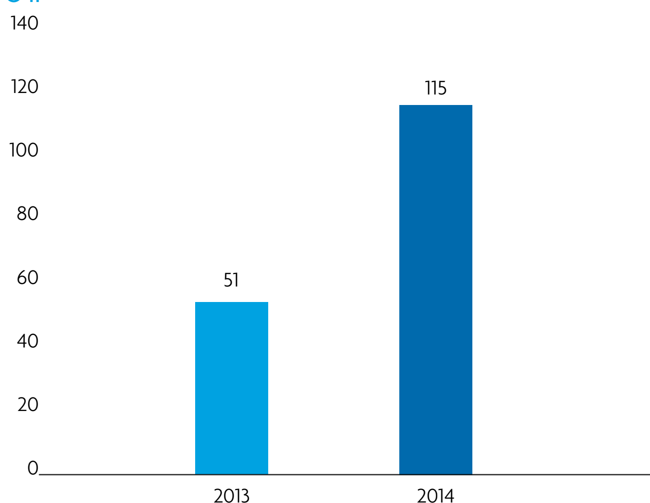
FFO II

| | for the year ended Dec 31, | |
|---|---|---|
| | 2014 | 2013 |
| | In millions of euro | |
| FFO I | 39 | 19 |
| Result from disposal gain *) | 76 | 32 |
| **FFO II** | **115** | **51** |

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

FFO II which includes the results from disposal gains of investment property and inventories increased to €115 million for the year 2014 from €51 million in 2013. The results reflect the ability of the Company to consistently dispose of its assets at high gains.

FFO II



# NOTES ON BUSINESS PERFORMANCE

LOAN-TO-VALUE

| | 2014 | 2013 |
|---|---|---|
| as of | In millions of euro | |
| Investment property [1] | 451 | 1,576 |
| Equity accounted investees | 909 | 33 |
| **Total Value** | **1,360** | **1,609** |
| Loans and borrowings | 187 | 560 |
| Straight bonds | 150 | 195 |
| Convertible bonds | 97 | - |
| Minus: | | |
| Cash and liquid assets | 176 | 184 |
| **Net Debt** | **258** | **571** |
| **LTV (Net Debt/Total Value)** | **19%** | **35%** |

[1] including advanced payments for investment property, inventories - building for sale

AT's Loan-To-Value ("LTV") as of December 31, 2014 was 19%, down from 35% in 2013. This low LTV reflects the Company's conservative capital structure and provides a large financial headroom and a great potential to raise further debt in the future. The ratio was affected on the one hand by the deconsolidation of GCP and on the other by acquisitions and value appreciation in the real estate assets.

The LTV is calculated as the difference between the sum of bonds and loans & borrowings offset by cash & liquid assets, divided by the sum of the investment properties (including advanced payments), investments in equity accounted investees and 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,
Larnaca, Cyprus, April, 8, 2015

| | | |
|---|---|---|
| Jelena Afxentiou<br>Director | Reshef Ish-Gur<br>Director | Elena Koushos<br>Director |

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AROUNDTOWN PROPERTY HOLDINGS PLC

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Aroundtown Property Holdings PLC ("the Company") and its subsidiaries (together with the Company, "the Group") on pages 28 to 69 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 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 of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, 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.

### AUDITORS' RESPONSIBILITY

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. 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 financial position of the Group as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

### REPORT ON OTHER LEGAL REQUIREMENTS

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

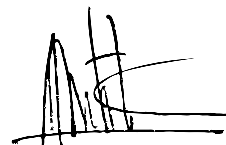
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 1 is consistent with the consolidated financial statements.

### OTHER MATTER

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Panicos Antoniades, FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Accountants and Registered Auditors



Larnaca, April 8, 2015

# **PROVEN BUSINESS MODEL** FOR OVER A DECADE

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

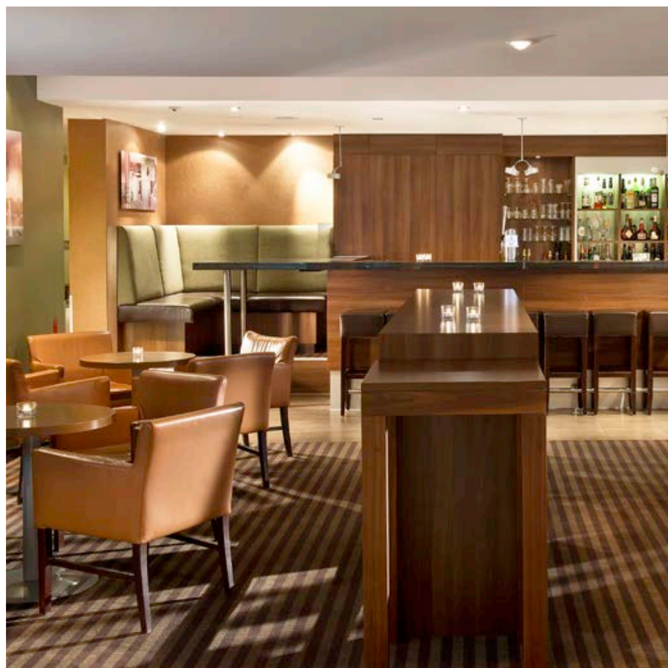
| | | For the year ended December 31, | |
|---|---|---|---|
| | | **2014** | 2013 |
| | Note | In millions of euro | |
| **Revenue** | **5** | **257** | **181** |
| | | - | - |
| Capital gains, property revaluations and other income | 6 | 878 | 247 |
| Property operating expenses | 7 | (102) | (44) |
| Cost of buildings sold | | (14) | (55) |
| Administrative & other expenses | 8 | (8) | (5) |
| **Operating profit** | | **1,011** | **324** |
| Finance expenses | 9a | (27) | (13) |
| Other financial results | 9b | (33) | 8 |
| **Net finance expenses** | | (60) | (5) |
| **Profit before tax** | | **951** | **319** |
| | | **-** | **-** |
| Current tax expenses | 10b | (17) | (6) |
| Deferred tax expenses | 10c | (36) | (30) |
| | | (53) | (36) |
| **Profit for the year** | | **898** | **283** |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **898** | **283** |

The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

## PROFIT FOR THE YEAR: **898**

For the year ended December 31, 2014 in millions of euro



| | | For the year ended December 31, | |
|---|---|---|---|
| | | **2014** | 2013 |
| | Note | In millions of euro | |
| **Profit attributable to:** | | | |
| Owners of the Company | | 715 | 141 |
| Non-controlling interests | | 183 | 142 |
| **Profit for the year** | | **898** | **283** |

The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at December 31, | |
|---|---|---|---|
| | | **2014** | 2013 |
| **Assets** | Note | In millions of euro | |
| Equipment and intangible assets | 11 | 5 | 5 |
| Investment property | 12 | 426 | 1,545 |
| Advanced payments for investment property | | 25 | 11 |
| Equity-accounted investees | 13 | 909 | 33 |
| Deferred tax assets | 10c | 1 | 4 |
| Other long term assets | | 178 | (*) 18 |
| **Non-current assets** | | **1,544** | **1,616** |
| | | | |
| Cash and cash equivalents | | 28 | 134 |
| Short term deposits | | 2 | 2 |
| Traded securities at fair value through profit and loss | 22 | 146 | 48 |
| Inventories – trading property | 14 | - | 20 |
| Trade and other receivables | 15 | 2 | 63 |
| **Current assets** | | **178** | **267** |
| | | | |
| **Total assets** | | **1,722** | **1,883** |

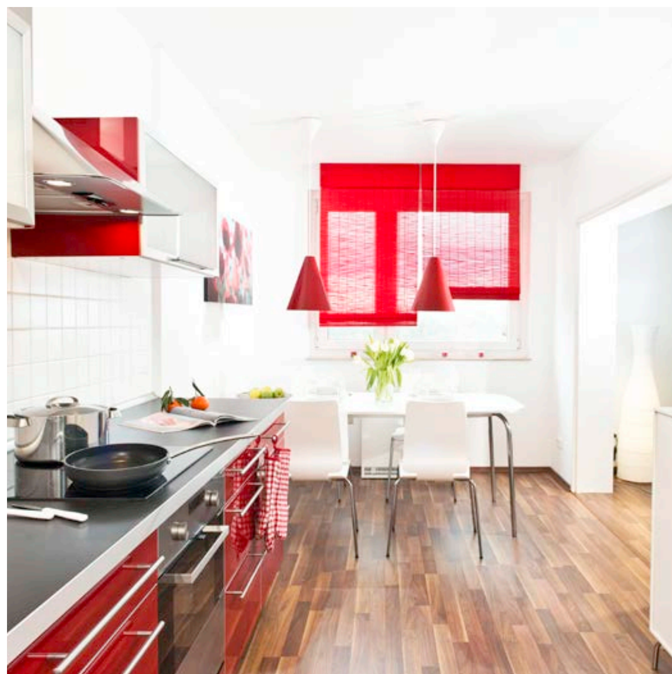
(*) Reclassified.



The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

# TOTAL PRO-FORMA ASSETS: **3,442**

As at December 31, 2014 in millions of euro
assuming consolidation of GCP S.A. as of 31.12.2014

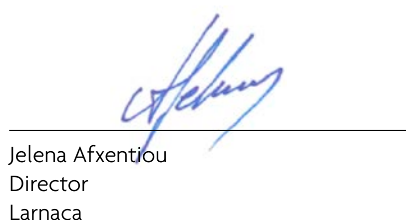


# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

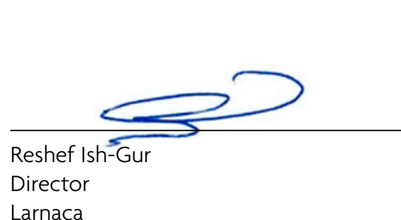
| | | As at December 31, | |
|---|---|---|---|
| | | **2014** | 2013 |
| **Equity** | Note | In millions of euro | |
| Share capital | 16 | - | - |
| Retained earnings and capital reserves | | 1,114 | 390 |
| **Equity attributable to the owners of the Company** | | **1,114** | **390** |
| Non-controlling interests | | 108 | 482 |
| **Total equity** | | **1,222** | **872** |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 17A | 138 | 524 |
| Straight bonds | 17B, D, F | 150 | 195 |
| Convertible bonds | 17C, E | 97 | - |
| Derivative financial instruments | 18 | 5 | 17 |
| Deferred tax liabilities | 10c | 47 | 98 |
| Other long term liabilities | 19 | 2 | (*) 34 |
| **Non-current liabilities** | | 439 | 868 |
| | | | |
| Credit from bank institutions | | 42 | 22 |
| Current portion of long term loans | 17A | 7 | 10 |
| Other bank loan | | - | 4 |
| Trade and other payables | 21 | 9 | 98 |
| Tax payable | | 2 | 4 |
| Provisions for other liabilities and charges | | 1 | (*) 5 |
| **Current liabilities** | | 61 | 143 |
| | | | |
| **Total liabilities** | | **500** | **1,011** |
| | | | |
| **Total equity and liabilities** | | **1,722** | **1,883** |

(*) Reclassified

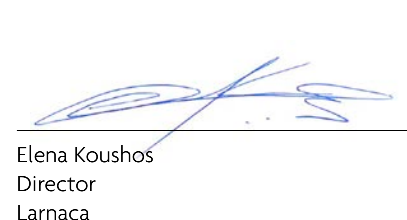
On April 8, 2015 the Board of Directors of Aroundtown Property Holdings PLC authorised these consolidated financial statements for issuance.



Jelena Afxentiou
Director
Larnaca



Reshef Ish-Gur
Director
Larnaca



Elena Koushos
Director
Larnaca



The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

# EQUITY RATIO:
# **71%**

As at December 31, 2014

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Other reserves | Retained earnings | Total | Non-controlling interests | Total equity |
| | In millions of euro | | | | | |
| **Balance as at December 31, 2013** | **-** | **8** | **382** | **390** | **482** | **872** |
| Profit for the year | - | - | 715 | 715 | 183 | 898 |
| Other comprehensive income for the year | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | 715 | 715 | 183 | 898 |
| Share based payment in a subsidiary | - | - | - | - | 0.2 | 0.2 |
| Equity portion of convertible bond in subsidiaries | - | - | - | - | 9 | 9 |
| Transaction with non-controlling interests | - | - | 9 | 9 | 74 | 83 |
| Change in non-controlling interests due to acquisitions and disposals of subsidiaries | - | - | - | - | (640) | (640) |
| **Balance as at December 31, 2014** | **-** | **8** | **1,106** | **1,114** | **108** | **1,222** |
| | | | | | | |
| **Balance as at December 31, 2012** | **-** | **8** | **216** | **224** | **66** | **290** |
| Profit for the year | - | - | 141 | 141 | 142 | 283 |
| Other comprehensive income for the year | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | 141 | 141 | 142 | 283 |
| Equity portion of convertible bond | - | -0.134 | - | -0.134 | - | (0.13) |
| Change in non-controlling interests due to acquisitions and disposals of subsidiaries | - | - | - | - | 16 | 16 |
| Transaction with non-controlling interests | - | - | 25 | 25 | (17) | 8 |
| Capital increase in subsidiary | - | - | - | - | 275 | 275 |
| **Balance as at December 31, 2013** | **-** | **8** | **382** | **390** | **482** | **872** |



The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

# TOTAL EQUITY: **1,222**

As at December 31, 2014 in millions of euro

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | For the year ended December 31, 2014 | 2013 |
|---|---|---|---|
| | | In millions of euro | |
| **Cash flows from operating activities** | | | |
| Profit for the year | | 898 | 283 |
| Adjustments for the profit: | | | |
| Depreciation and amortization | | 1 | - |
| Profit from business combination, capital gain and other income | 6 | (652) | (*) (61) |
| Change in fair value of investment property | 6 | (226) | (186) |
| Share-based payment in a subsidiary | | 0.2 | - |
| Finance expenses, net | 9 | 60 | 5 |
| Tax and deferred tax expenses | 10 | 53 | 37 |
| | | 134 | 78 |
| Change in: | | | |
| Inventories – trading property | | 14 | - |
| Trade and other receivables | | (45) | (*) (19) |
| Trade and other payables | | 37 | 11 |
| Provisions for other liabilities and charges | | 8 | 4 |
| | | 148 | 74 |
| Tax paid | | (13) | (6) |
| **Net cash provided by operating activities** | | **135** | **68** |
| **Cash flows from investing activities** | | | |
| Acquisitions and disposals of equipment and intangible assets, net | | (2) | (1) |
| Capex, investments and acquisition of investment property and advances paid | | (322) | (313) |
| Acquisition and disposals of subsidiaries, net of cash acquired or disposed | | (83) | (78) |
| Investment in traded securities and in other financial assets | | (222) | (40) |
| **Net cash used in investing activities** | | **(629)** | **(432)** |

(*) Reclassified.



The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

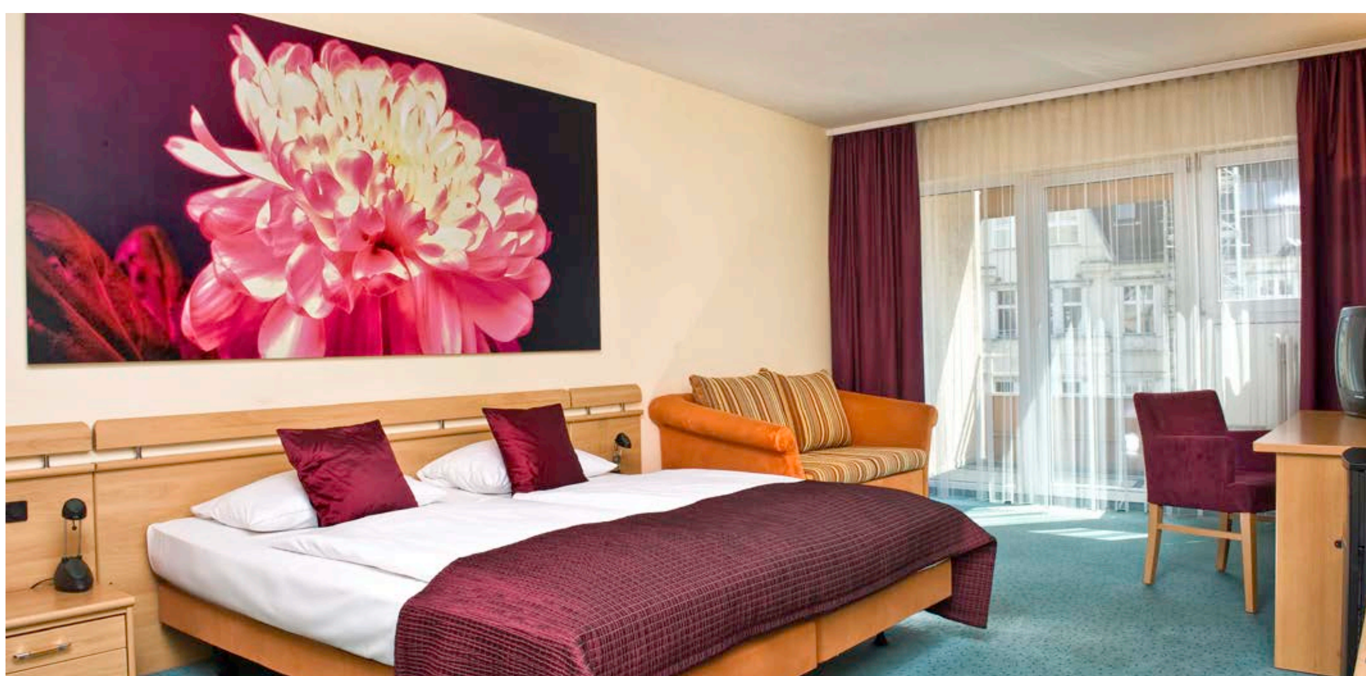
# NET CASH PROVIDED BY OPERATING ACTIVITIES: **135**

For the year ended December 31, 2014 in millions of euro

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

| | Note | For the year ended December 31, 2014 | 2013 |
|---|---|---|---|
| | | In millions of euro | |
| **Cash flows from financing activities** | | | |
| Proceed from issuance of shares in subsidiary | 16 | - | 202 |
| Amortizations of loans from financial institutions | | (15) | (8) |
| Proceeds (Repayment) of loans from financial institutions, net | | (151) | (*) 37 |
| Proceed (Repayment) from/of loans from shareholders and related companies, net | | - | 8 |
| Expenses related to redemption of convertible bonds | | - | (4) |
| Proceeds from straight and convertible bonds, net | 17 | 787 | 194 |
| Transactions with non-controlling interests | | 74 | (3) |
| Net financial expenses paid | | (37) | (12) |
| **Net cash provided by financing activities** | | **658** | **414** |
| Cash in subsidiaries on which the company lost its control | | (270) | - |
| **Net (decrease) increase in cash and cash equivalents** | | **(106)** | **50** |
| Cash and cash equivalents as at January 1 | | 134 | 84 |
| **Cash and cash equivalents as at December 31** | | **28** | **134** |

(*) Reclassified.





The accompanying notes on pages 40 to 69 form an integral part of these consolidated financial statements.

# **BALANCED** FUNDING MIX BETWEEN DEBT & EQUITY

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

### (A) INCORPORATION AND PRINCIPAL ACTIVITIES

Aroundtown Property Holdings PLC ("the Company") (ex: Aroundtown Property Holdings Limited) was incorporated on May 7, 2004 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Faros Avenue, Spyros Thalassines Alkyonides, 7560 Pervolia, Larnaca, Cyprus. The Company, together with its investees (hereinafter: "the Group"), is a specialist real estate investment group, focusing in the German real estate markets. The Group covers the main real estate segments which benefit from strong fundamentals and growth prospects: residential (through its holding in Grand City Properties S.A.), commercial and hotel properties.

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

On December 2, 2014, the company's name was changed from "Aroundtown Property Holdings Limited" to "Aroundtown Property Holdings PLC".

These consolidated financial statements for the year ended December 31, 2014 consist of the financial statements of the Group.

### (B) DEFINITIONS

Throughout these notes to the consolidated financial statements:

| | |
|---|---|
| **The Company** | Aroundtown Property Holdings PLC |
| **The Group** | The Company and its investees |
| **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 at equity |
| **Investees** | Subsidiaries, jointly controlled entities and associates |
| **GCP S.A.** | Grand City Properties S.A.<br>(an associate of the Company) |
| **PCI; Camelbay** | Primecity Investment PLC,<br>Camelbay Limited (subsidiaries of the Company) |
| **Related parties** | As defined in IAS 24 |

## **PROVEN ABILITY** TO ACCESS CAPITAL MARKETS

# 2. BASIS OF PREPARATION

### A. STATEMENT OF COMPLIANCE

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

Certain balance sheet items related to the year ended December 31, 2013 have been reclassified to enhance comparability with 2014 figures and to present better the Company`s results, and are marked as "reclassified".

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 8, 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;
- Investments in equity accounted investees;
- Derivative financial instruments;
- Deferred tax assets and liabilities.

# 2. BASIS OF PREPARATION
(CONTINUED)

### 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 amount recognized in the 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 subsidiaries/associates would be compared to their carrying amounts to determine if a write down to fair value is necessary.
- TAX AND DEFERRED TAX EXPENSES
  Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- IMPAIRMENT OF INTANGIBLE ASSET
  Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with an indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.
- IMPAIRMENT OF GOODWILL
  Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.
- LEGAL CLAIMS
  In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the Group relies on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.
- PROVISIONS
  Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.
- FAIR VALUE HIERARCHY
  Please see note 12(b) and 22(iv).

### D. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in euro, rounded to the nearest million, 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 Aroundtown Property Holdings PLC 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 transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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

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

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

### CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

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

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

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

CONSERVATIVE FINANCING POLICY:
**ICR OF 4.8**

# 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 INVESTEES

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

The results and assets and liabilities of associates and equity accounted invetees 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 statements 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.
  Rental operating income also includes service charges 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. 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 on the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

| | % |
|---|---|
| Furniture, fixtures and office equipment: | 10-50 |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

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

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

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

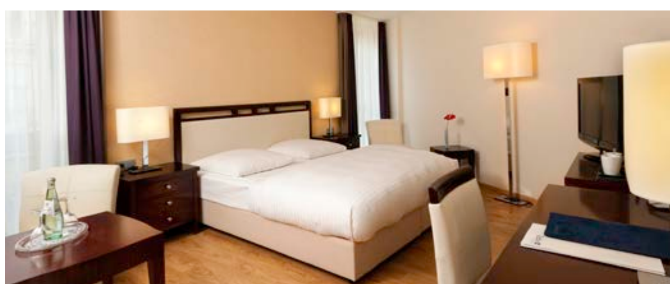
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

## (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.



TRACK RECORD OF RAPID DEAL EXECUTION

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (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.

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

### 4. COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted 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.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (L) FINANCIAL INSTRUMENTS

### 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 comprehensive 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.

## (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 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.

# 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (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 equals 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.

FINANCIAL FLEXIBILITY THROUGH CASH AND LIQUID ASSETS OF:

**176**

As at December 31, 2014 in millions of euro

# 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, DISPOSAL AND DECONSOLIDATE OF SUBSIDIARIES

a) During the year the Group obtained control on several companies through business combinations. The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the group are as follows:

| | In millions of euro |
|---|---|
| Investment property | 734 |
| Investment in equity-accounted investees | (25) |
| Working capital and other assets, net | (2) |
| Cash and Cash equivalents | 9 |
| | 716 |
| Loans from banks | (338) |
| Other assets, net | (10) |
| | (348) |
| **Total identifiable net assets** | **368** |
| Non-controlling interests arising from initial consolidation | (32) |
| Consideration paid regarding acquisition of subsidiaries | (231) |
| **Goodwill recognized** | **6** |
| **Profit arising from business combination** | **111** |

b) As of December 31, 2014, based on management assessments relating to GCP SA's shareholders structure and other criteria's, the Company has no longer effective control on GCP S.A. Due to loss of control in GCP S.A. the Company de-recognized the assets and liabilities of GCP S.A. from the consolidated statement of financial position. The Company recognizes the investment retained in GCP S.A. at its fair value. The fair market value of the Company`s interests in GCP S.A. as of December 31, 2014 was determined by external independent valuator, to the amount of euro 908 million. The Company recognized the difference between its investment retained in GCP S.A. and its fair market value at the amount of euro 555 million in the consolidated statement of comprehensive income, as part of Capital gains, property revaluation and other income account.

The significant net impacts on the consolidated statement of comprehensive income and consolidated statements of financial position of the group are as follows:

| | In millions of euro |
|---|---|
| Investment property | (2,180) |
| Working capital and other assets, net | 24 |
| Cash and liquid assets | (272) |
| Other long term asset and liabilities, net | 122 |
| Financial debt | 1,265 |
| **Total de-recognized net assets** | **(1,041)** |
| De-recognizing non-controlling interests from loss of control | 688 |
| **Fair value of Investment in equity accounting investees including goodwill** | 908 |
| **Profit arising from loss of control** | **555** |

c) 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.

ADJUSTED EBITDA **60** REFLECTING PORTFOLIO GROWTH AND SUCCESSFUL TURNAROUND STRATEGY

in 2014 in millions of euro

# 5. REVENUE

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Rental and operating income | 242 | 111 |
| Revenue from sales of buildings (a) | 15 | 70 |
| | 257 | 181 |

(a) Of which euro 14.4 million (2013: euro 54.9 million) refers to cost of buildings sold.

# 6. CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Change in fair value in investment property | 226 | 186 |
| Capital gains and profit arising from business combinations (Bargain Purchase) | 652 | (*) 61 |
| | 878 | 247 |

(*) Reclassified.

# 7. PROPERTY OPERATING EXPENSES

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Purchased services | (74) | (34) |
| Maintenance and refurbishment | (16) | (6) |
| Personnel expenses | (8) | (2) |
| Other operating costs | (4) | (2) |
| | (102) | (44) |

# 8. ADMINISTRATIVE & OTHER EXPENSES

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Personnel expenses | (2.0) | (1.0) |
| Legal and professional fees | (1.3) | (0.7) |
| Year-end closing, accounting and audit expenses | (1.5) | (1.2) |
| Sales and marketing expenses | (1.2) | (0.1) |
| Other administrative expenses | (1.7) | (1.8) |
| Depreciation and amortization | (0.3) | (0.2) |
| | (8) | (5) |

# 9. NET FINANCE EXPENSES

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| **a. Finance expense** | | |
| Finance expenses from credit institutions and third parties, net | (11) | (8) |
| Finance expenses from straight and convertible bonds, net | (15) | (5) |
| Other finance income | (1) | - |
| | (27) | (13) |
| **b. Other financial results** | | |
| Changes in fair value of financial assets and liabilities, net | (25) | 17 |
| Finance related costs | (8) | (6) |
| Expenses related to redeemed convertible bonds | - | (3) |
| | (33) | 8 |

FFO I **39** REFLECTING STRONG OPERATIONAL IMPROVEMENTS

in 2014 in millions of euro

# 10. TAXATION

## a. TAX RATE APPLICABLE TO THE GROUP

The Company and some of its subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cyprus companies in 2014 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.

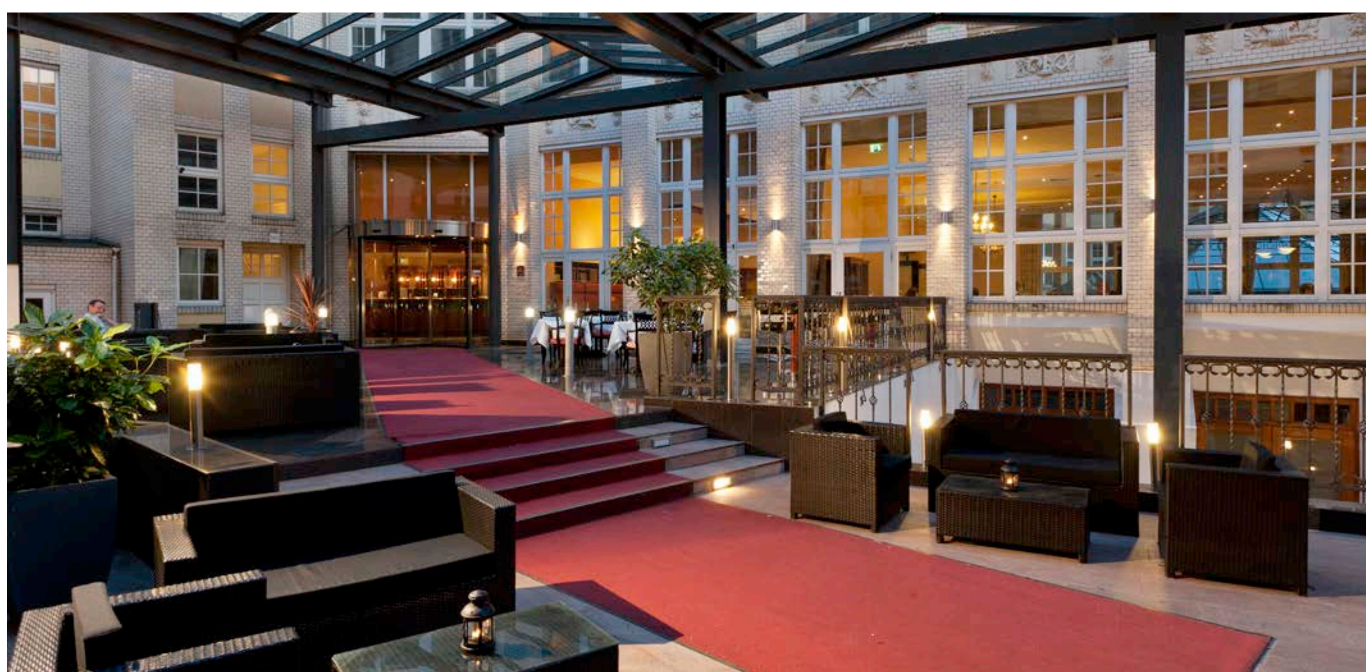
The Luxembourg subsidiaries are subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 29.22% (2013: 29.22%).

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, 2013, plus an annual solidarity surcharge of 5.5 % on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

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

## b. CURRENT TAXES INCLUDED IN CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Corporation tax | (8) | (2) |
| property tax | (9) | (4) |
| | (17) | (6) |



# 10. TAXATION (CONTINUED)

## c. MOVEMENT ON THE DEFERRED TAXATION ACCOUNT IS AS FOLLOWS:

| DEFERRED TAX LIABILITY | Other deferred tax | Fair value gains on investment property | Total |
|---|---|---|---|
| | | In millions of euro | |
| Balance as at December 31, 2012 | 1 | 40 | 41 |
| Charged to: | | | |
| Deferred tax expense | - | 31 | 31 |
| Initial consolidation | (1) | 26 | 25 |
| Transfer to liability held for sale | - | 1 | 1 |
| Balance as at December 31, 2013 | - | 98 | 98 |
| Charged to: | | | |
| Deferred tax expense | 5 | 36 | 41 |
| Initial consolidation | - | 60 | 60 |
| Deconsolidation | (4) | (148) | (152) |
| Transfer to other deferred tax | 2 | (2) | - |
| Balance as at December 31, 2014 | 3 | 44 | 47 |

| DEFERRED TAX ASSETS | Derivative financial instruments | Deferred taxes – loss carried forward, net | Total |
|---|---|---|---|
| | | In millions of euro | |
| Balance as at December 31, 2012 | 2 | 1 | 3 |
| Charged to: | | | |
| Deferred tax (expense) income | (1) | 2 | 1 |
| Initial consolidation | 1 | (1) | - |
| Balance as at December 31, 2013 | 2 | 2 | 4 |
| Charged to: | | | |
| Deferred tax (expense) income | (1) | 6 | 5 |
| Initial consolidation | 1 | 3 | 4 |
| Deconsolidation | (1) | (11) | (12) |
| Balance as at December 31, 2014 | 1 | - | 1 |

# 11. EQUIPMENT AND INTANGIBLE ASSETS

| | Furniture, fixtures and office equipment | Goodwill | Computer software | Total |
|---|---|---|---|---|
| | In millions of euro | | | |
| **Cost** | | | | |
| Balance as at December 31, 2012 | 1 | - | - | 1 |
| Additions | 1 | - | - | 1 |
| Initial consolidation | - | 3 | 1 | 4 |
| Balance as at December 31, 2013 | 2 | 3 | 1 | 6 |
| Additions | 1 | - | 1 | 2 |
| Equipment and intangible assets arising from initial consolidation, net | - | 6 | - | 6 |
| Deconsolidation | (1) | (4) | (1) | (6) |
| Balance as at December 31, 2014 | 2 | 5 | 1 | 8 |
| **Depreciation/Amortization** | | | | |
| Balance as at December 31, 2012 | - | - | - | - |
| Depreciation/Amortization for the year | 1 | - | - | 1 |
| Balance as at December 31, 2013 | 1 | - | - | 1 |
| Depreciation/Amortization for the year | 1 | - | 1 | 2 |
| Balance as at December 31, 2014 | 2 | - | 1 | 3 |
| **Carrying amounts** | | | | |
| Balance as at December 31, 2013 | 1 | 3 | 1 | 5 |
| Balance as at December 31, 2014 | - | 5 | - | 5 |

# 12. INVESTMENT PROPERTY

### A. COMPOSITION

| | 2014 | 2013 |
|---|---|---|
| | In millions of euro | |
| Balance at January 1 | 1,545 | 534 |
| Additions (disposals) and adjustments during the year | (1,853) | (*) 522 |
| Investment property arising from initial consolidation | 734 | 479 |
| Transfer from assets held for sale | - | 10 |
| Balance as at December 31 | 426 | 1,545 |

(*) Reclassified.

### B. MEASUREMENT OF FAIR VALUE

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 6.25%-8%.

All the investment property in the group in total fair value amount of euro 426 million (2013: euro 1,545 million) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

EPRA NAV:
**1,274**

in millions as of Dec 14

# 13. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

## A. COMPOSITION

| | **2014** | 2013 |
|---|---|---|
| | In millions of euro | |
| Balance as at January 1 | 33 | 64 |
| Additions, (disposals) and changes in equity accounted investees | 875 | (30) |
| Loans granted to (repaid by) equity accounted investees | 1 | (1) |
| Balance as at December 31 | 909 | 33 |

# 14. INVENTORIES – TRADING PROPERTY

| | As at December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Inventories - trading property | - | 20 |

a. In November 2013, GCP S.A. 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, GCP S.A. 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.

# 15. TRADE AND OTHER RECEIVABLES

| | As at December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Operating costs receivables (a) | - | 37 |
| Rent and other receivables | 1 | 12 |
| Prepaid expenses | - | 2 |
| Current tax assets | - | 1 |
| Other short term financial assets | 1 | 11 |
| | 2 | 63 |

(a) In 2013, the vast majority of this accounts balance came from GCP S.A. In 2014 GCP S.A. was deconsolidated – see note 4(b).

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

# 16. EQUITY

## A. SHARE CAPITAL

| | December 31 | | | |
|---|---|---|---|---|
| | **2014** | | 2013 | |
| | Number of shares | In thousands of euro | Number of shares | In thousands of euro |
| **Authorized** | | | | |
| Ordinary shares of EUR 1.71 each | 50,000 | 85.5 | 50,000 | 85.5 |
| **Issued and fully paid** | | | | |
| Balance as of January 1 | 5,550 | 9.5 | 5,500 | 9.5 |
| Issuance of shares | 16,650 | 28.5 | - | - |
| Balance on December 31 | 22,200 | 38 | 5,500 | 9.5 |

## B. AUTHORIZED CAPITAL

Under its Memorandum of association the Shareholders set the authorized share capital at 50,000 ordinary shares of nominal value of euro 1.71 each.

## C. ISSUED CAPITAL

Upon incorporation on May 7, 2004 the Company issued 5,550 ordinary shares of euro 1.71 each, at par value, to the subscribers.

On November 28, 2014, the Company issued 16,650 ordinary shares of euro 1.71 each.

## D. OTHER RESERVES

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

After the reporting period the Company increased its authorized share capital by 1,499,450,000 to 1,500,000,000 ordinary shares of nominal value of euro 0.01 each. Out of the authorized share capital 500 million are issued.

TOTAL EQUITY:
**1,222**

in millions as of Dec 14

# 17. LOANS AND BORROWINGS

## A. COMPOSITION

| | Weighted average interest rate | Maturity date | As at December 31, 2014 | 2013 |
|---|---|---|---|---|
| | | | In millions of euro | |
| **Long term liabilities** | | | | |
| Bank loans | 3% | 2016-2028 | 138 | 521 |
| Other loans | - | - | - | 3 |
| **Total long term loans** | | | **138** | **524** |
| Straight bonds (B, D, F) | 3% | 2021 | 150 | 195 |
| Convertible bonds (C, E) | 4% | 2019 | 97 | - |
| **Total bonds** | | | **247** | **195** |
| **Short term liabilities** | | | | |
| Bank loans | 3% | 2015 | 7 | 10 |
| Other bank loan | - | - | - | 4 |
| **Total Short term loans** | | | **7** | **14** |

## B. STRAIGHT BOND SERIES B

On June 3, 2013 GCP S.A. 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, GCP S.A. successfully increased the Series B bond issued in June by additional euro 100 million (nominal value). On April 15, 2014, GCP S.A. 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, GCP S.A. redeemed the whole outstanding amount of Series B bonds (see also (b) below).

| | Year ended December 31, 2014 | 2013 |
|---|---|---|
| | In millions of euro | |
| Balance at the beginning of the year | 196 | - |
| Proceeds from issuance of bond during the year (200,000 notes at euro 1,000 par value) | - | 200 |
| Proceeds from issuance of bond during the year (150,000 notes at euro 1,000 par value) (a) | 161 | - |
| Issuance costs | (2) | (6) |
| Net proceeds during the year | 159 | 194 |
| Expenses for the year | 12 | 8 |
| Expenses paid | (17) | (6) |
| Redemption of bond series B (b) | (350) | - |
| Carrying amount of liability at the end of the year | **-** | 196 |
| Non-current portion of bond series B | - | 195 |
| Accrued interest | - | 1 |
| Total bond series B | **-** | 196 |

a. This amount includes additional euro 11million (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) GCP S.A.has realized all the deferred income.

b. During the fourth quarter of 2014, GCP S.A. resolved to redeem the outstanding euro 350 million Series B bonds in two phases; first, GCP S.A. redeemed an outstanding amount of euro 332 million, at 109.5% of their principle amount (together with accrued and unpaid interest to that date). Second, GCP S.A. exercised its rights to redeem the outstanding amount of euro 18 million, at their principle amount (together with the accrued and unpaid interest to that date).

# 17. LOANS AND BORROWINGS (CONTINUED)

### C. CONVERTIBLE BOND SERIES C

On February 24, 2014, GCP S.A. issued euro 150 million (nominal value) bonds, convertible into ordinary shares of GCP S.A. 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 into shares of GCP S.A., according to the convertible bond's terms, a total of 3.1 million shares were issued. After the reporting period, additional amounts were converted into shares (see note 25).

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Proceeds from issuance of Convertible bond series C (1,500 notes at euro 100,000 par value) | 150 | - |
| Proceeds from tap up issuance of Convertible bond series C (1,250 notes at euro 100,000 par value) (a) | 139 | - |
| Total issuance costs | (4) | - |
| Net proceeds during the year | 285 | - |
| Amount initially classified as non-controlling interests (a) (b) | (8) | - |
| | | - |
| Expenses for the year | 3 | - |
| Expenses paid | (2) | - |
| Conversion to ordinary shares of GCP S.A. | (30) | - |
| Carrying amount of liability at the end of the year | 248 | - |
| Effect of the loss of control on the investment in GCP S.A. (see note 4(b)) | (248) | - |
| Total Convertible bond series C | - | - |

(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 independent economic valuer and presented as part of the non-controlling interests. 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 and classified as non-controlling interests in the Company's consolidated financial statements until the loss of control on GCP S.A.

### D. BOND SERIES D

On October 29, 2014, GCP S.A. 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, in the regulated market.

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Proceeds from issuance of bond during the year (500,000 notes at euro 100,000 par value) | 478 | - |
| Issuance costs | (2) | - |
| Net proceeds during the year | 476 | - |
| Expenses for the year | 2 | - |
| Carrying amount of liability at the end of the year | 478 | - |
| Effect of the loss of control on the investment in GCP S.A. (see note 4(b)) | (478) | - |
| Total Series D bonds | - | - |

# 17. LOANS AND BORROWINGS (CONTINUED)

### E. CONVERTIBLE BOND SERIES A

On November 13, 2014, PCI successfully completed with the placement of euro 100 million convertible bonds maturing in 2019, convertible into ordinary shares of PCI. The convertible bonds bear a coupon of 4% p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 3.00. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 110% of their principle amount.

After the reporting period, PCI successfully completed with a tap issue of additional euro 50 million nominal amount (see note 25).

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Proceeds from issuance of convertible bonds (1,000 notes at euro 100,000 par value each) | 100 | - |
| Transaction costs | (2) | - |
| Net proceeds during the year | 98 | - |
| Amount classified as non-controlling interests (a) | (1) | - |
| | | - |
| Expenses for the year | 1 | - |
| Conversion of bond notes during the year | (1) | |
| Carrying amount of liability at the end of the year | 97 | - |
| Non-current portion of Convertible bonds | 97 | - |
| Accrued interest | 1 | - |
| Total Convertible bonds | 98 | - |

(a) The euro 1 million was allocated as an equity component according to external economic valuer, and classified as non-controlling interest in the consolidated financial statements of the Company.

### F. BOND SERIES A

On December 9, 2014, the Company has successfully completed the placement of euro 161 million (nominal value) of unsubordinated, senior secured straight bonds maturing in December 2021 and bear a coupon of 3% p.a., payable semi-annually in arrears, for a consideration that reflects 94% of their principal amount.

After the reporting period, the Company successfully completed with a tap issue of additional euro 39 million nominal amount (see note 25).

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Proceeds from issuance of Bond series A (1,610 notes at euro 100,000 par value) | 151 | - |
| Transaction costs | (1) | - |
| Net proceeds during the year | 150 | - |
| Carrying amount of liability at the end of the year | 150 | - |
| Non-current portion of Convertible bond series A | 150 | - |
| Total convertible bond series A | 150 | - |

### G. (1) SECURITY, NEGATIVE PLEDGE

The obligations of the Company under the Bonds and any Further Secured Bonds are secured in favor of the Trustee for the benefit of the Trustee, the Bondholders and the holders of any Further Secured Bonds by:

(a) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Zaplino Limited ("Zaplino");

(b) a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Lux PrimeCity Account");

(c) a first-ranking account pledge, governed by the laws of Cyprus, over the bank account held by the Company with Bank of Cyprus Public Co Ltd. (the "Cyprus PrimeCity Account");

(d) first-ranking account pledges, governed by Luxembourg law, over each bank account held by Zaplino with Bank Hapoalim (Switzerland) Limited, Luxembourg branch, (the "Zaplino Luxembourg Accounts"); and

(e) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Zaplino for payment of principal and interest under, the loan agreements between the Company and Zaplino in an aggregate principal amount equal to the net issuance proceeds of the Bonds ("PrimeCity Loans") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) relating to any loan by the Company to Zaplino of the net issuance proceeds in respect of any Further Secured Bonds.

(f) a first-ranking charge, governed by the laws of Cyprus, over all ordinary shares held by the Company in its subsidiary, Camelbay;

(g) an assignment by way of security, governed by the laws of Cyprus, of the Company's receivables and rights under, and claims against Camelbay for payment of principal and interest under, the loan agreements between the Company and Camelbay in an aggregate principal amount equal to the net issuance proceeds of the Bonds; and

(h) a first-ranking account pledge governed by Luxembourg law, over the Interest Reserve Account.

# 17. LOANS AND BORROWINGS (CONTINUED)

### G. (2) COVENANTS

- procure that Net Debt shall not exceed (i) at any time, 65% of the Portfolio Value and (ii) 60% of the Portfolio Value for a period of more than six (6) months;
- not pay a dividend as long as the Net Debt of the Group exceeds 50% of the Portfolio value;
- not open, maintain or hold any interest in, and will procure that Zaplino 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 Zaplino, 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; and
- not, and will not permit any of its Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or 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 other Subsidiaries or grant to the Company or any of the Company's other Subsidiaries any other interest or participation in itself or (ii) (a) pay any indebtedness owed to the Company or any of the Company's other Subsidiaries (b) make loans or advances to the Company or any of the Company's other Subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's other Subsidiaries.

# 18. DERIVATIVE FINANCIAL INSTRUMENTS

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| **Liabilities** | | |
| Non current portion | 5 | 17 |

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.

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.

# 19. OTHER LONG TERM LIABILITIES

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Tenancy deposits | - | 6 |
| Finance lease liability | - | 3 |
| Other long term payables | 2 | 12 |
| Loans from shareholders and related parties | - | (*) 13 |
| | 2 | 34 |

(*) Reclassified

# 20. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

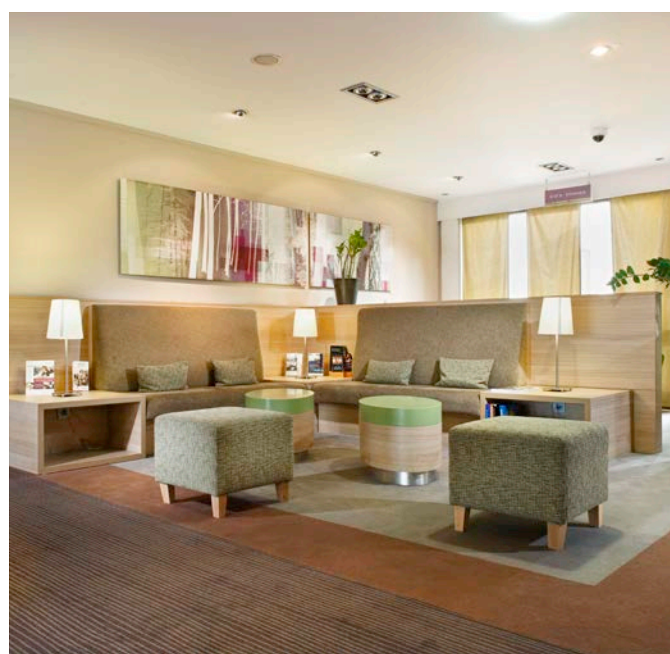
| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Loans from shareholders and related parties (*) | - | 13 |

(*) Presenting as part of the other long term liabilities in the consolidated statement of financial position.

# 21. TRADE AND OTHER PAYABLES

| | Year ended December 31, | |
|---|---|---|
| | **2014** | 2013 |
| | In millions of euro | |
| Trade and other payables | 4 | 23 |
| Prepayments received on operating costs | 1 | 35 |
| Deferred income | - | 1 |
| Other short term liabilities | 4 | 39 |
| | 9 | 98 |

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



# 22. 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
- Operating 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 a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand 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 monitors on a continuous basis the ageing profile of its receivables.

#### Trade 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 are 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.

#### Cash and cash equivalents

The Group held cash and cash equivalents of euro 28 million as at December 31, 2014 (December 31, 2013: euro 134 million), which represents its maximum credit exposure on these assets.

HIGH PORTFOLIO DISTRIBUTION

# 22. 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 object 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 2013 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

| **As at December 31, 2014** | 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 |
| | In millions of euro | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Bank loans | 145 | 163 | 1 | 10 | 49 | 5 | 98 |
| Straight bonds | 150 | 195 | - | 5 | 5 | 5 | 180 |
| Convertible bonds | 97 | 129 | - | 4 | 4 | 4 | 117 |
| Trade payables | 4 | 4 | 1 | 3 | - | - | - |
| **Total** | **396** | **491** | **2** | **22** | **58** | **14** | **395** |

| **As at December 31, 2013** | 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 |
| | In millions of euro | | | | | | |
| **Non-derivative financial liabilities** | | | | | | | |
| Bank loans | 531 | 630 | 1 | 27 | 33 | 79 | 490 |
| Bond Series B | 195 | 283 | - | 13 | 13 | 13 | 244 |
| Other loans | 7 | 7 | - | 4 | - | 3 | - |
| Trade payables | 23 | 23 | 7 | 16 | - | - | - |
| **Total** | **756** | **943** | **8** | **60** | **46** | **95** | **734** |

### (III) 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.

# 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### (IV) 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).

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | In millions of euro | | | |
| **December 31, 2014** | | | | |
| Traded securities at fair value through profit or loss (*) | 146 | - | - | 146 |
| **Total assets** | **146** | **-** | **-** | **146** |
| Derivative financial instruments | - | 5 | - | 5 |
| **Total liabilities** | **-** | **5** | **-** | **5** |
| **December 31, 2013** | | | | |
| Traded securities at fair value through profit or loss (*) | 48 | - | - | 48 |
| Financial assets | - | | 3 | 3 |
| **Total assets** | **48** | **-** | **3** | **51** |
| Derivative financial instruments | - | 17 | - | 17 |
| **Total liabilities** | **-** | **17** | **-** | **16** |

(*) Consist of trade securities, Corporate and government bonds.

(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 carrying amount of the financial instruments are the same.

### (V) 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.

### 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 the striving to keep a low debt to equity ratio. The management closely monitors and keeps low the Loan to Value ratio (LTV) and self-preserve conservative financial profile in order to ensure that it remains within its quantitative covenants and to reach long term strong credit rating for the Company. As at December 31, 2014 and 2013 the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

# 23. COMMITMENTS

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

# 24. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2014.

# 25. EVENTS AFTER THE REPORTING PERIOD

a. In January 2015, the Company successfully placed additional euro 39 million tap issue of its 3% coupon straight bonds series A. The issue price for the tap up was set to 94% of the nominal amount value. Therefore, the aggregate principal amount of bond series A was thereby increased to euro 200 million.

b. On January 14, 2015, GCP S.A. resolved a dividend policy according to which 30% of its funds from operations ("FFO I") shall be distributed as a dividend to the shareholders.

c. On February 9, 2015 Moody's Investors Service ("Moody's") has assigned a first-time long-term issuer rating of "Baa2" to GCP S.A., with a stable outlook.

d. On February 10, 2015, PCI (a fully consolidated subsidiary) successfully placed additional euro 50 million tap issue of its 4% coupon Convertible bonds. The issue price for the further Convertible bonds was set to 105% of the nominal value. The further Convertible bonds are also convertible into ordinary shares of PCI for a conversion price of euro 3.00, and the total aggregate principal amount of the Convertible bonds was thereby increased to euro 150 million.

e. On February 12, 2015, GCP S.A. issued through private placement of euro 150 million, in aggregate principal amount of perpetual Hybrid notes with a coupon of 3.75%.

f. On March 3, 2015, GCP S.A. issued euro 250 million tap up of the original perpetual Hybrid notes. The total aggregate principal nominal amount of the perpetual Hybrid notes thereby increased to euro 400 million.

g. After the reporting period, an additional euro 30.4 million principal amount of GCP S.A.'s convertible bond series C was converted into 3.1 million ordinary shares of GCP S.A. in accordance with the Convertible bond's terms.

h. After the reporting period, the Company increased its authorized share capital by 1,499,450,000 to 1,500,000,000 ordinary shares of nominal value of euro 0.01 each. Out of the authorized share capital 500 million are issued.

# 26. GROUP SIGNIFICANT HOLDINGS

The details of the significant Group are as follows:

| | | | December 31, | |
|---|---|---|---|---|
| Name | Place of incorporation | Principal activities | **2014 Holding %** | 2013 Holding % |
| **Subsidiaries held directly by the Company** | | | | |
| Elolaxia Limited | Cyprus | Holding company | 100% | 100% |
| **Subsidiaries held indirectly by the Company** | | | | |
| Primecity Investment PLC | Cyprus | Holding company | 58% | 100% |
| **Investees held indirectly by the Company** | | | | |
| Grand City Properties S.A | Luxemburg | Holding company | 33.96% | 38% |

**AROUNDTOWN PROPERTY HOLDINGS PLC**

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