



Grand City Properties S.A.
Société Anonyme
40, Rue du Curé
L-1368 Luxembourg
R.C.S. Luxembourg: B165560

(the “**Company**”)

**REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY
IN ACCORDANCE WITH ARTICLE 420-26 (5) OF THE LUXEMBOURG LAW DATED
10 AUGUST 1915 ON COMMERCIAL COMPANIES, AS AMENDED**

The board of directors of the Company (the “**Board of Directors**”) hereby presents in accordance with article 420-26 (5) of the law of 10 August 1915 on commercial companies, as amended, (the “**Law**”) its report concerning the proposal to the extraordinary general meeting of the shareholders of the Company to authorise the Board of Directors to limit or cancel the shareholders preferential subscription rights during capital increases within the authorised share capital framework as scheduled at relevant items of the agenda of the Company’s extraordinary general meeting of shareholders (the “**EGM**” or “**Meeting**”) convened to be held on 29 June 2022, at 11.40 a.m. (Central European Summer Time, “**CEST**”). In accordance with article 1 (1) of the Luxembourg law of 23 September 2020 on measures concerning the holding of meetings in companies and other legal entities, as amended, the Company will not hold a physical meeting. Shareholders have the opportunity to follow the EGM live via an audio webcast which will be available on 29 June 2022 at <https://www.webcast-egs.com/gcp20220629>.

I. Background of the EGM

In connection with an extraordinary general meeting of the shareholders of the Company held on 9 August 2016 (the “**2016 EGM**”), it was resolved to authorise the Board of Directors to increase the corporate share capital within the limits of the authorised share capital as set out in the current articles of association of the Company up to an amount of EUR 40,000,000.00 for a period of five years after the 2016 EGM. Such authorisation expired on 9 August 2021, as the majority of two thirds (2/3) of the votes validly cast, necessary to renew the Company’s authorised share capital of EUR 40,000,000.00 as proposed by the Board of Directors, was not reached at the extraordinary general meeting of the shareholders of the Company held on 30 June 2021.

The Board of Directors now proposes to create (i) a new authorised share capital in an amount of EUR 17,381,210.10 (represented by a maximum amount of 173,812,101 shares with a par value of ten cents each) (the “**General Authorised Share Capital**”) and (ii) a special authorized share capital in an amount of EUR 5,000,000 (represented by a maximum amount of 50,000,000 shares with a par value of ten cents each) (the “**Special Authorised Share Capital**”), both for a period of five (5) years from the date of the EGM, or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the new authorised share capital of the Company and of the special authorized share capital of the Company. The General Authorised Share Capital is aimed at providing the Company with more flexibility in connection with potential future capital markets and M&A transactions, whereas the Special Authorized Share Capital will be used only for share deliveries under the scrip dividend offerings, as further described below in section 3 of this report.

As of the date hereof, the subscribed share capital of the Company amounts to seventeen million six hundred eighteen thousand seven hundred eighty-nine euro and ninety cents (EUR 17,618,789.90) represented by one hundred seventy-six million one hundred eighty-seven thousand eight hundred ninety-nine (176,187,899) shares of a par value of ten cents (EUR 0.10) each, all of which are fully paid up.

II. Resolution Concerning the General Authorised Share Capital Submitted to the Shareholders' Votes at the EGM

During the EGM, it is proposed to the shareholders of the Company to adopt the following resolution related to the General Authorised Share Capital of the Company:

- (a) to create a new authorised share capital of the Company in an amount of EUR 17,381,210.10 (represented by a maximum amount of 173,812,101 shares with a par value of ten cents each) and to approve the authorisation of the Board of Directors to increase the corporate share capital within the limits of the new authorised share capital for a period of five (5) years from 29 June 2022, or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the new authorised share capital of the Company.
- (b) to approve the report of the Board of Directors pursuant to article 420-26 of the law of 10 August 1915 on commercial companies, as amended from time to time, relating to the possibility of the Board of Directors to cancel or limit any preferential subscription rights of the shareholders in relation to an increase of the share capital made within the new authorised share capital of the Company;
- (c) to grant to the Board of Directors as referred to in article 420-26 (5) of the law of 10 August 1915 on commercial companies, as amended from time to time, all powers to carry out capital increases within the framework of the new authorised share capital and to cancel or limit any preferential subscription right of the shareholders of the Company on the issue of new shares; and
- (d) to amend article 5.2 of the articles of association of the Company (the “**Articles**”) accordingly.

Resolution proposed by the Board of Directors:

“The Extraordinary General Meeting resolves to:

- a. *approve the creation of a new authorised share capital of the Company in an amount of EUR 17,381,210.10 (represented by a maximum amount of 173,812,101 shares with a par value of ten cents each) and to approve the authorisation of the Board of Directors to increase the corporate share capital within the limits of the new authorised share capital for a period of five (5) years from 29 June 2022 [or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the new authorised share capital of the Company];*
- b. *approve the report of the Board of Directors relating to the possibility of the Board of Directors to cancel or limit any preferential subscription rights of the shareholders in relation to an increase of the share capital made within the new authorised share capital of the Company;*
- c. *grant to the Board of Directors all powers to carry out capital increases within the framework of the new authorised share capital and to cancel or limit any preferential subscription right of the shareholders of the Company on the issue of new shares; and*
- d. *amend article 5.2 of the Articles to read as follows:*

“Article 5.2. Authorised share capital

The authorised share capital of the Company is set at seventeen million three hundred eighty-one thousand two hundred ten euro and ten cents (EUR 17,381,210.10) in addition to the subscribed share capital of the Company, represented by up to one hundred seventy-three million eight hundred twelve thousand one hundred and one (173,812,101) shares with a par value of ten cents (EUR 0.10) each. Any further (special) authorised share capital(s), if any, shall be regarded as supplemental, but not be considered substitutive of the authorized share capital.

The board of directors is fully authorised:

- *to increase the subscribed share capital by an additional amount corresponding to the authorised share capital as a whole at once, by successive portions or by continuous issues of new shares, to be paid up in cash, by contribution in kind, by conversion of shareholders' claims, or following approval of the general meeting of shareholders, by incorporation of profits or reserves into capital;*
- *to issue convertible bonds, notes, warrants and, generally, any financial instruments granting the right to their holders to subscribe for one or more shares of the Company. The board of directors may at its sole discretion determine the conditions under which the convertible bonds, the notes, the warrants or the financial instruments granting the right to their holders to subscribe for one or more shares of the Company shall be issued,*

including the type, the registered or bearer form, the price, the currency, the interest rate, as well as any condition relating to the issue, exercise, transfer and conversion of such convertible bonds, notes, warrants or financial instruments. Such issue shall comply with the limits of the authorised capital and with the applicable legal provisions and more particularly with article 420-27 of the Law, as applicable;

- *to issue shares, options and any financial instruments granting the right to their holders to subscribe for one or more shares of the Company under any share option programme, management or any other incentive scheme of the Company (each a "**Programme**");*
- *to determine the place and the date of the issue or of the successive issues, the terms and conditions of subscription and payment of the additional shares; and*
- *to cancel or limit the preferential subscription right of the shareholders with respect to (i) the above issue of additional shares against payment in cash, by contribution in kind, by conversion of shareholders' claims or by incorporation of profits or reserves into capital, (ii) the issue of convertible bonds, notes, warrants and any financial instruments granting the right to their holders to subscribe for one or more shares of the Company and (iii) the issue of shares, options and any financial instruments granting the right to their holders to subscribe for one or more shares of the Company under any Programme.*

Such authorisation is valid for a period of five years starting from 29 June 2022 [or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the new authorised share capital of the Company] and may be renewed by resolution of the general meeting of shareholders deliberating in the manner required for the amendment of the Articles. However, if any of the above-mentioned instruments are issued before or during this period the new shares may be issued upon conversion or exercise of said instruments also after the expiry of this period. As a consequence of each increase of capital so rendered effective, the first paragraph of article 5.1. will be amended such as to correspond to the increase so rendered effective; such modification will be documented in notarial form by the board of directors or by any persons appointed for such purposes and published in accordance with the Law. For the avoidance of doubt, the amount of the authorised share capital is adjusted at each capital increase effected within the framework of the authorised share capital."

Resolution Concerning the Special Authorised Share Capital Submitted to the Shareholders' Votes at the EGM

During the EGM, it is proposed to the shareholders of the Company to adopt the following resolution related to the Special Authorised Share Capital of the Company:

- a. to create a special authorised share capital of the Company in an amount of EUR 5,000,000 (represented by a maximum amount of 50,000,000 shares with a par value of ten cents each) which is available only for share deliveries under

- scrip dividend offerings and to approve the authorisation of the Board of Directors to increase the corporate share capital within the limits of the special authorised share capital for a period of five (5) years from 29 June 2022, or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the special authorised share capital of the Company;
- b. to approve the report of the Board of Directors pursuant to article 420-26 of the law of 10 August 1915, on commercial companies, as amended from time to time, relating to the possibility of the Board of Directors to cancel or limit any preferential subscription rights of the shareholders in relation to an increase of the share capital made within the special authorised share capital of the Company;
 - c. to grant to the Board of Directors as referred to in article 420-26 (5) of the law of 10 August 1915 on commercial companies, as amended from time to time, all powers to carry out capital increases within the framework of the special authorised share capital and to cancel or limit any preferential subscription right of the shareholders of the Company on the issue of new shares; and
 - d. to create a new article 5.3 of the articles of association of the Company accordingly.

Resolution proposed by the Board of Directors:

“The Extraordinary General Meeting resolves to:

- a. approve the creation of a special authorised share capital of the Company in an amount of EUR 5,000,000 (represented by a maximum amount of 50,000,000 shares with a par value of ten cents each), which is available only for share deliveries under scrip dividend offerings, and to approve the authorisation of the Board of Directors to increase the corporate share capital within the limits of the special authorised share capital for a period of five (5) years from 29 June 2022 [or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the special authorised share capital of the Company];*
- b. approve the report of the Board of Directors relating to the possibility of the Board of Directors to cancel or limit any preferential subscription rights of the shareholders in relation to an increase of the share capital made within the special authorised share capital of the Company;*
- c. grant to the Board of Directors all powers to carry out capital increases within the framework of the special authorised share capital and to cancel or limit any preferential subscription right of the shareholders of the Company on the issue of new shares; and*
- d. create a new article 5.3 of the Articles to read as follows:*

“Article 5.3. Special authorised share capital

The special authorised share capital of the Company is set at five million euro (EUR 5,000,000) in addition to the subscribed share capital of the Company, represented by up to fifty million (50,000,000) shares with a par value of ten cents (EUR 0.10) each. The special authorised share capital is supplemental, but not substitutive, to any general authorised share capital of the Company existing from time to time.

The board of directors is fully authorised:

- *to increase the subscribed share capital by an additional amount corresponding to the special authorised capital as a whole at once, by successive portions or by continuous issues of new shares to be paid up by contribution in kind of shareholder claims relating from the distribution of a dividend of the Company;*
- *to issue shares under the special authorised share capital only for the purpose to deliver shares to shareholders in consideration for the contribution of their dividend right claims (scrip dividend) attached to shares of the Company;*
- *to determine the place and the date of the issue or of the successive issues, the terms and conditions of subscription and payment of the additional shares; and*
- *to cancel or limit the preferential subscription right of the shareholders with respect to the above issue of additional shares against payment by contribution in kind of the shareholders' dividend claims.*

Such authorisation is valid for a period of five years starting from 29 June 2022 [or in case of adjournment because no quorum has been reached at the first EGM, of the adjourned EGM that effectively resolved on the creation of the special authorised share capital of the Company] and may be renewed by resolution of the general meeting of shareholders deliberating in the manner required for the amendment of the Articles. As a consequence of each increase of capital so rendered effective, the first paragraph of article 5.1. will be amended such as to correspond to the increase so rendered effective; such modification will be documented in notarial form by the board of directors or by any persons appointed for such purposes and published in accordance with the Law. For the avoidance of doubt, the amount of the special authorised share capital is adjusted at each capital increase effected within the framework of the special authorized share capital.”

III. Reasons and Circumstances for the Limitation or Suppression of Preferential Subscription Rights

This report has been issued by the Board of Directors in order to present the circumstances justifying the limitation or elimination of the preferential right of shareholders within the framework of an authorisations granted to the Board of Directors for a period of five (5) years.

General Authorised Share Capital:

The Board of Directors acknowledges the necessity of being able to adapt the financial structure of the Company immediately with view to rapidly changing economic markets, real estate and stock markets in which it is involved and, thus, proposes to the EGM to authorise the Board of Directors to limit or cancel the preferential subscription rights of the shareholders in the event of future capital increases within the limits of the General Authorised Share Capital. In particular, the following reasons, each of which being sufficient to justify the implementation of the measure, shall be taken into account:

- (a) The General Authorised Share Capital with limitation or suppression of the preferential subscription rights of existing shareholders offers the Board of Directors the flexibility and speed required to become involved in public and private markets and to gather funds without having to resort to bank loans or bonds, and thus to develop and carry out quickly large real estate transactions.
- (b) The Company shall at all times be able to raise the necessary funds to cope with its changing needs in working capital, to cover unexpected charges, to preserve its cash balance, to improve its capital and debt structure, to strengthen its liquidity and to optimize the asset management and the cost of external funding.
- (c) The technique of the General Authorised Share Capital with limitation or suppression of the preferential subscription right for existing shareholders will be used in the exercise of stock options, convertible bonds, warrants or other convertible securities into shares issued by the Company, the conversion of debt to capital.
- (d) In addition, the Company shall be authorised to limit or cancel the preferential subscription rights of the shareholders if it intends to make use of the General Authorised Share Capital in connection with any potential M&A transactions, take-over bids, share exchange offers to stakeholders and/or squeeze-out techniques in relation to other market participants. The option of limiting or suppressing the preferential subscription rights of the shareholders shall enable the Company to acquire companies, shares in companies in exchange for shares in the Company or to merge or combine businesses with other companies. This option shall put the Company in the position to react fast and flexibly on national and international markets in case of favorable offers or other opportunities to acquire companies or shares in companies or to merge or combine businesses with companies which operate in related business areas. It is not uncommon that negotiations result in the necessity, or that it is in the best interest of the Company, to provide the consideration for the transaction in shares instead of or in addition cash. In order to be able to effect acquisitions in such cases on short notice, the Company should be provided with the possibility to increase its share capital against contributions in kind with the option of limiting or suppressing the preferential subscription rights.
- (e) The long, costly and relatively complex procedure for the Company to convene a new extraordinary general meeting which could resolve on capital increases instead of what is proposed by the relevant point of the agenda for the EGM may be, under

certain circumstances, incompatible with certain fluctuations of the financial markets or business opportunities to which the Company is subject to.

- (f) The technique of the General Authorised Share Capital with limitation or suppression of the preferential subscription right for existing shareholders may also be used by the Board of Directors, as far as permitted by applicable laws, in the case of a hostile take-over bid or an attack, in an attempt to take control or any other capital action brought against the Company, planned or not, by third parties and to defend its values and projects, to sustain the employment of its staff and to guarantee protection of its holdings.
- (g) The Board of Directors will use the possibility of a capital increase out of the General Authorised Share Capital against contributions in kind under limiting or suppressing of subscription rights only if the value of the new shares is in an appropriate proportion to the value of the consideration, i.e. of the companies or of the shareholdings to be acquired therein.

Special Authorised Share Capital:

The Board of Directors acknowledges the flexibility and speed required in connection with the implementation of scrip dividend offerings and, thus, proposes to the EGM to authorise the Board of Directors to limit or cancel the preferential subscription rights of the shareholders in the event of future capital increases within the limits of the Special Authorised Share Capital. In particular, the following reasons, each of which being sufficient to justify the implementation of the measure, shall be taken into account:

- (a) The long, costly and relatively complex procedure for the Company to convene a new extraordinary general meeting which could resolve on capital increases for share deliveries under scrip dividend offerings instead of what is proposed by the relevant point of the agenda for the EGM may be, under certain circumstances, incompatible with certain fluctuations of the financial markets to which the Company is subject to.
- (b) The Board of Directors will use the possibility of a capital increase out of the Special Authorised Share Capital against contributions in kind under limiting or suppressing of subscription rights only if the value of the new shares is in an appropriate proportion to the value of the consideration of the shareholder claims relating from the distribution of a dividend of the Company.
- (c) The Board of Directors will use the possibility of a capital increase out of the Special Authorised Share Capital solely for the purpose of share deliveries under scrip dividend offerings.

IV. Method

The Board of Directors recommends the EGM to authorise it to limit or cancel the shareholders' preferential subscription right while it is achieving future capital increases within the framework of the authorisations set out in the amended article 5.2 and the new article 5.3 of the Articles. If preferential rights were not excluded as described

above, the offering period to the existing shareholders would be at least fourteen (14) days according the Law.

This report is addressed to the Meeting and a subsequent 2nd extraordinary general meeting, if any, as applicable. This report therefore remains valid if the EGM is postponed, or if the mandatory quorum requirements for the first EGM are not met and a subsequent 2nd extraordinary general meeting therefore needs to be convened in accordance with Luxembourg law.

Done in Luxembourg, on 30 May 2022

Board of Directors