

Grand City Properties S.A.

Annual Accounts

For the year ended December 31, 2020

(with the report of the Réviseur d'Entreprises agréé thereon)

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1, Avenue du Bois
L-1251 Luxembourg
R.C.S. Luxembourg: B 165.560
Share Capital: EUR 17,186,405

Grand City Properties S.A.

MANAGEMENT REPORT

The management of Grand City Properties S.A. (“the Company”, and together with its investees “the Group”) presents the Company’s audited annual accounts for the year ended December 31, 2020.

DEVELOPMENT AND PERFORMANCE

The Company continued to prove its access to capital markets by placing new bonds via its EMTN programme. For further information see note 10 to the accompanying annual accounts.

CAPITAL STRUCTURE

The Company’s shares are listed on the Frankfurt Stock Exchange – Prime Standard. The Company also has Notes and Bonds listed on the Irish Stock Exchange (in particular its EMTN Programme), Swiss Stock Exchange and the Frankfurt Stock Exchange. There are no restrictions on the transfer of the Company’s traded securities.

LIKELY FUTURE DEVELOPMENTS

The Company continues raising capital and borrowings through its EMTN Programme to fund the acquisition and development of the underlying property portfolio of the Group.

In January 2021 the Company resolved to utilize the authorization of the Annual General Meeting in order to buy back up to 12.5 million shares of the Company (corresponding to up to 7.27% of the Company's share capital) by way of a public tender offer. For further information see note 20 to the accompanying annual accounts.

A deterioration of the economic environment as a result of the coronavirus pandemic could have an adverse impact on tenants’ ability to pay rent, which in turn could be a strain on the Group’s performance. However, the Group’s diversified portfolio acts as an effective buffer in this scenario along with the fact that the portfolio is under rented and thereby relatively lesser of a burden on tenants. For further information see note 16 to the accompanying annual accounts.

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating, market risk and other risks. For more information see note 16 to the accompanying annual accounts.

The Company follows its risk management policy to hedge interest rate and foreign currency risks associated with its financial assets and liabilities. For more information see note 11 to the accompanying annual accounts.

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

Due to the nature of its business, the Company does not engage in any research and development activities.

BRANCHES OF THE COMPANY

The Company did not operate any branches in 2020.

OWN SHARES

The Company did not acquire any of its own shares in 2020.

INFORMATION ACCORDING TO ARTICLE 11(2) OF THE LUXEMBOURG TAKEOVER LAW

The following disclosure is provided pursuant to article 11 of the Luxembourg law of May 19, 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004 on takeover bids, as amended (the “Takeover Law”):

- (a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on page 7 and note 8 on page 26 - 27 to the accompanying annual accounts. In addition, the Company’s shareholding structure showing each shareholder owning 5% or more of the Company’s share capital is available below and on the Company’s website, where the shareholding structure is updated monthly.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

- (b) With regard to article 11 (1) (b) of the Takeover Law, the ordinary shares issued by the Company are admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and are freely transferable according to the Company's articles of association (the "Articles of Association").
- (c) In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company, as of December 31, 2020:

Shareholder name	Numbers of shares	Percentage of voting rights
Edolaxia Group Ltd.	70,665,358	41 %

Total number of Grand City Properties S.A. shares as of 31 December 2020: 171,864,050.

- (d) With regard to article 11 (1) (d) of the Takeover Law, each ordinary share of the Company gives right to one vote according to article 8 of the Articles of Association. There are no special control rights attaching to the shares.
- (e) With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described in note 8a Share-based payment agreements to the accompanying annual accounts.
- (f) With regard to article 11 (1) (f) of the Takeover Law, the Articles of Association impose no voting rights limitations. However, the sanction of suspension of voting rights automatically applies, subject to the Luxembourg law of January 11, 2008 on transparency requirements for issuers, as amended (the "Transparency Law") to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.
- (g) With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2020, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.
- (h) With regard to article 11 (1) (h) of the Takeover Law, according to article 9 of the Articles of Association, the members of the Board of Directors of the Company (the "Board") shall be elected by the shareholders at their annual general meeting by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in pages 3 – 7 to the accompanying Corporate Governance Statement. According to article 18 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of shareholders shall be adopted with a quorum and majority pursuant to article 450-3 of the law of August 10, 1915 on commercial companies, as amended (the "1915 Law").
- (i) With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. Further details on the powers of the Board are described on page 3 – 7 to the to the accompanying Corporate Governance Statement. Pursuant to article 5.2 of the Articles of Association, the Board is authorized to issue shares under the authorised share capital. According to article 5.1 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting held on June 24, 2020 authorised the Board with the option to delegate, to buy back, either directly or through a subsidiary of the Company, shares of the Company for a period of five (5) years not exceeding 20% of the aggregate nominal amount of the Company's issued share capital.

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MANAGEMENT REPORT (CONTINUED)

Share buy back program pursuant to articles 430-15 (1) of the 1915 Law. Further details on the Company's share buy back program are described on page 37 to the accompanying annual accounts.

- (j) With regard to article 11 (1) (j) of the Takeover Law, the Company's convertible bond, straight bonds, perpetual notes and security issuances under the EMTN programme (listed on page 30 – 32 to the accompanying annual accounts) contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivative transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.
- (k) With regard to article 11 (1) (k) of the Takeover Law, there are no agreements between the Company and members of the Board or employees according to which, in the event of a takeover bid, the Company may be held liable for compensation arrangements if the employment relationship is terminated without good reason or due to a takeover bid.

CORPORATE GOVERNANCE STATEMENT

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Grand City Properties S.A. was held on June 24, 2020 in Luxembourg. All of the items on the agenda were carried by a great majority, including the approval of the statutory financial statements of the Company and the consolidated financial statements of the Group for the year ended December 31, 2019. The Annual General Meeting approved the distribution of a dividend in the amount of Euro 0.8238 (gross) per share for the holders of record in the security settlement systems on June 26, 2020. The next Annual General Meeting is expected on June 30, 2021.

CORPORATE GOVERNANCE

The Company emphasizes the importance of corporate governance with a high standard of transparency, executed by the Board of Directors with a majority of independent directors and the management. The Company directs its efforts in maintaining the high trust it receives from its shareholders and bondholders. The Company is proud of the high confidence of its investors, which is reflected in the impressive placement of funds by major global investment banks. The Company's shares and bonds are regularly placed with international leading institutional investors and major global investment and sovereign funds.

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

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

The Company has a very strict Code of Conduct which applies to all business partnerships as well as employees. The Code of Conduct addresses issues related to corruption, conflicts of interest, bribery, human rights abuses as well as discrimination based on range of factors such as age, gender, ethnicity, race, colour, religion, ideology, sexual identity, physical disabilities among others. The Code also clearly lays down a reporting framework for any violations. Additionally, it also provides for investigations and disciplinary measures as may be required in case of violations. The Code has been recently updated with a focus on improved transparency in its reporting lines, which are now supported by the Compliance Department and the whistleblower system.

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. In particular, the Company is currently not required to adhere to the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange or to the German corporate governance regime, the latter which are only applicable to listed companies incorporated in Germany.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Nevertheless, the Company intends to voluntarily comply with the “Ten Principles of Corporate Governance” of the Luxembourg Stock Exchange in the future and is currently evaluating the necessary measures to implement the principles and recommendations of the “Ten Principles of Corporate Governance” of the Luxembourg Stock Exchange and continues to take steps to implement environmental, social and corporate governance best practices throughout its business.

BOARD OF DIRECTORS

The Company is administered by a Board of Directors that is vested with the powers to perform and manage in the Company’s best interests.

The Board of Directors represents the shareholders as a whole and makes decisions solely in the Company’s best interests and independently of any conflict of interest. The Board of Directors and senior management regularly evaluate the effective fulfillment of their remit and compliance with strong corporate governance standards. This evaluation is also performed by the Audit Committee and the Risk Committee.

The members of the Board of Directors are elected by the shareholders at the Annual General Meeting for a term not exceeding six years and are eligible for re-election. The directors may be dismissed with or without any cause at any time and at the sole discretion of the shareholders at the Annual General Meeting. The Board of Directors, a majority of whom are independent, and resolves on matters on the basis of a simple majority, in accordance with the articles of incorporation. The Board of Directors chooses amongst the directors a chairperson who shall have a casting vote.

Ms. Simone Runge-Brandner and Mr. Daniel Malkin have been approved and the mandated renewed at the Annual General Meeting 2019 until the Annual General Meeting 2021.

Mr. Christian Windfuhr was appointed by the Board of Directors on temporary basis until the next general meeting of shareholders due to the event of vacancy resulted from the management switch. The next general meeting of the shareholders will then decide about the final appointment.

MEMBERS OF THE BOARD OF DIRECTORS

NAME	POSITION
Mr. Christian Windfuhr	Director, Chairman
Mrs. Simone Runge-Brandner	Independent Director
Mr. Daniel Malkin	Independent Director

CEO

The Board of Directors resolved to delegate the daily management of the Company to Mr. Refael Zamir, as Daily Manager (administrateur-délégué) of the Company since October 1, 2020, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period. Mr. Christian Windfuhr withdrew from his position as the CEO in order to replace Mr. Refael Zamir as a member and chairman of the board of directors. Mr. Zamir continues to serve as the Company's CEO and CFO.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ADVISORY BOARD

The Board of Directors established an Advisory Board to provide expert advice and assistance to the Board of Directors. The Board of Directors decides on the composition, tasks and term of the Advisory Board as well as the appointment and dismissal of its members. The Advisory Board has no statutory powers under Luxembourg law or the articles of incorporation of the Company but applies rules adopted by the Board of Directors. The Advisory Board is an important source of guidance for the Board of Directors when making strategic decisions.

ADVISORY BOARD (CONTINUED)

The current members of the Advisory Board are as follows:

NAME	POSITION
Mr. Yakir Gabay	Chairman
Mr. Claudio Jarczyk	Member
Mr. David Maimon	Member

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the trolling the financial reporting processes and monitoring the accounting processes.

The responsibilities of the Audit Committee relate to the integrity of the statutory and consolidated financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes and monitoring the accounting processes.

The Audit Committee provides guidance to the Board of Directors on the auditing of the statutory and consolidated financial statements of the Company and, in particular, shall monitor the independence of the approved independent auditor, the additional services rendered by such auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor.

RISK COMMITTEE

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

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Company closely monitors and manages potential risks and sets appropriate measures in order to mitigate the occurrence of possible failures to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organization and processes. The Risk Committee monitors the effectiveness of risk management functions throughout the organization, ensures that infrastructure, resources and systems are in place for risk management and are adequate to maintain a satisfactory level of risk management discipline. The Company categorizes the risk management systems into two main categories; internal risk mitigation and external risk mitigation.

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

- Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses.
- Control discipline – based on the organizational structure and supported by employee and management commitments. The discipline is erected on the foundations of integrity and ethical values.
- Control features – the Company sets physical controls, compliance checks and verifications such as cross departmental checks. Grand City Properties S.A. puts strong emphasis on separation of duties, as approval and payments are done by at least two separate parties. Payment verification is cross checked and confirmed with budget and contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.
- Monitoring procedures – the Company monitors and tests unusual entries, mainly through a detailed monthly actual vs budget analysis and checks. Strong and sustainable control and organizational systems reduce the probability of errors and mistakes significantly. The management places significant value in constantly improving all measures, adjusting to market changes and organizational dynamics.
- ESG risk-related expenditures – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organizational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

EXTERNAL RISK MITIGATION

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

The Company sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default.

SHAREHOLDERS' RIGHTS

The Company respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels and are also available in a specific section on the Company's website. The Company discloses its share ownership and additionally discloses any shareholder position above 5% when it is informed by the respective shareholder.

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

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

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a large organization with a wide geographical reach from different operational activities, the Company considers it importance to the not only maintain but also further improve the sustainable nature of its operations and properties and accordingly maintain a high standard of responsibility towards all of its stakeholders, including tenants, employees, shareholders, creditors, suppliers, the environment as well as the broader communities in which the Company operates. Building wholesome neighborhoods around GCP's assets is a key factor for the Company to achieve its goal of creating affordable communities where people wish to live and stay. Additionally, a favorable macroeconomic background as well as stable social and institutional conditions in the cities where GCP invests, along with unchanging climatic conditions, together support the company's long-term business interests. Based on materiality assessment that was conducted, GCP has been channeling its sustainability efforts into five focus areas: Tenants, Employs, Environment, Society and Governance, which make up the strategic framework of the Company's sustainability management. Within these five focus areas, the management has identified specific material topics that are closely being monitored. Going forward, GCP plans to work towards ensuring the minimisation of sustainability risks the Company might face. This is also supported by the introduction of a sustainability management software that helps the Company to keep track of all relevant key performance indicators related to sustainability.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

Following the establishment of the GCP Foundation, meant to focus efforts of the organisation on charitable projects involving children, education, sports and the elderly, to mention a few - the foundation disbursed approx. euro 130,000 in 2020 benefiting a number of charities and community development efforts across all the Company's portfolio locations. GCP considers ESG to be pivotal for the overall success of the organisation and this is incorporated into the various functions of the Company. The various efforts and initiatives undertaken in 2020, as well as the Company's future targets are displayed in the sustainability reporting that consists of an externally assured non-financial report as well as topic-specific sustainability documents on all material issues. These will be available for download later in 2021 under the sustainability section of the Company's website. GCP's maintains its reporting processes in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and has the published environmental data also externally assured by GUT Zertifizierungsgesellschaft für Managementsysteme. GCP's commitment to sustainability measures was recognised in August 2020 by Sustainalytics, a leading sustainability rating agency, which ranked GCP 2nd among 105 global real estate peers. Further, GCP was ranked in the 75th percentile within the real estate peer group in the Corporate Sustainability Assessment (CSA) by S&P Global and was rated industry-best in the sub-category "Customer Relationship Management", reflecting the strong focus on tenant satisfaction. In addition, GCP continues to be a member of the Bloomberg Gender-Equality Index for the 2nd year in succession and hence one of 380 companies across 11 sectors that show high levels of disclosure and performance with regard to gender-related practices. Furthermore for the fourth year in a row, in September 2020, GCP was awarded the EPRA BPR Gold Award as well as the EPRA Sustainability Best Practices Recommendations (sBPR) Gold Award for its EPRA sBPR reporting, underlining the Company's commitment to the highest standards of transparency and reporting.

RESPONSIBILITY STATEMENT

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

BOARD OF DIRECTORS APPROVAL

MEMBER

Mr. Christian Windfuhr

Mr. Daniel Malkin

Mrs. Simone Runge-Brandner

SIGNATURE



The image shows three handwritten signatures in black ink, each written over a horizontal line. The first signature is 'C. Windfuhr', the second is 'Daniel Malkin', and the third is 'Simone Runge-Brandner'. The signatures are written in a cursive, flowing style.

Date: March 15, 2021



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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Grand City Properties S.A. (the "Company"), which comprise the balance sheet as at December 31, 2020, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

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

Key audit matters

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



Valuation of shares in affiliated undertakings

We refer to note 5 and to the corresponding the accounting policy in note 2.5 to the annual accounts.

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

Shares in affiliated undertakings represent 98.2% of the total assets of the Company as at December 31, 2020.

The assessment of the valuation of shares in affiliated undertakings requires significant judgement applied by the management in assessing the recovery value of the shares in affiliated undertakings and the durable nature of the value adjustment. Furthermore, the shares in affiliated undertakings are considered of most significance due to the significance of the amount.

b. How the matter was addressed in our audit

Our procedures concerning the valuation of shares in affiliated undertakings included, but were not limited to, the following:

- We challenged management's assessment of the durable nature of the value adjustment, if any;
- We assessed the fair value of the underlying real estate investments used for the assessment by management of the recoverability of the shares in affiliated undertakings.

Other information

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

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

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

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

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



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

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

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

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

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

Report on other legal and regulatory requirements

We have been appointed as “Réviseur d’Entreprises agréé” by the General Meeting of the Shareholders on June 24, 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is nine years.

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

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

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

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

Luxembourg, March 15, 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

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RCSL Nr. : B165560

Matricule : 2011 2227 262

eCDF entry date :

BALANCE SHEET

Financial year from ⁰¹ 01/01/2020 to ⁰² 31/12/2020 (in ⁰³ KEUR)

Grand City Properties S.A.

1, Avenue du Bois
 L-1251 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____ 4.	107 _____ 534,00	108 _____ 840,00
C. Fixed assets	1109 _____	109 _____ 6.615.411,00	110 _____ 5.104.184,00
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____ 23,00	126 _____ 31,00
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

The notes in the annex form an integral part of the annual accounts

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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	23,00	31,00
4. Payments on account and tangible assets in the course of construction	1133		
III. Financial assets	1135	6.615.388,00	5.104.153,00
1. Shares in affiliated undertakings	1137	6.604.166,00	5.104.153,00
2. Loans to affiliated undertakings	1139	120,00	0,00
3. Participating interests	1141		
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		
5. Investments held as fixed assets	1145	11.102,00	0,00
6. Other loans	1147		
D. Current assets	1151	12.641,00	516,00
I. Stocks	1153		
1. Raw materials and consumables	1155		
2. Work in progress	1157		
3. Finished goods and goods for resale	1159		
4. Payments on account	1161		
II. Debtors	1163	503,00	97,00
1. Trade debtors	1165		
a) becoming due and payable within one year	1167		
b) becoming due and payable after more than one year	1169		
2. Amounts owed by affiliated undertakings	1171		
a) becoming due and payable within one year	1173		
b) becoming due and payable after more than one year	1175		
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		
a) becoming due and payable within one year	1179		
b) becoming due and payable after more than one year	1181		
4. Other debtors	1183	503,00	97,00
a) becoming due and payable within one year	1185	82,00	2,00
b) becoming due and payable after more than one year	1187	421,00	95,00

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Matricule : 2011 2227 262

	Reference(s)	Current year	Previous year
III. Investments	1100 _____	100 _____	100 _____
1. Shares in affiliated undertakings	1101 _____	101 _____	102 _____
2. Own shares	1200 _____	200 _____	210 _____
3. Other investments	1105 _____	105 _____	106 _____
IV. Cash at bank and in hand	1107 _____	107 <u>12.138,00</u>	108 <u>419,00</u>
E. Prepayments	1109 <u>7.</u>	109 <u>96.331,00</u>	200 <u>92.265,00</u>
TOTAL (ASSETS)		201 <u>6.724.917,00</u>	202 <u>5.197.805,00</u>

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RCSL Nr.: B165560

Matricule: 2011 2227 262

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301	370.574,00	449.326,00
I. Subscribed capital	1303 8	17.186,00	16.790,00
II. Share premium account	1305 8	514.911,00	583.834,00
III. Revaluation reserve	1307		
IV. Reserves	1309		
1. Legal reserve	1311		
2. Reserve for own shares	1313		
3. Reserves provided for by the articles of association	1315		
4. Other reserves, including the fair value reserve	1429		
a) other available reserves	1431		
b) other non available reserves	1433		
V. Profit or loss brought forward	1319	-151.298,00	-131.440,00
VI. Profit or loss for the financial year	1321	-10.225,00	-19.858,00
VII. Interim dividends	1323		
VIII. Capital investment subsidies	1325		
B. Provisions	1331	2,00	1.146,00
1. Provisions for pensions and similar obligations	1333		
2. Provisions for taxation	1335		
3. Other provisions	1337	2,00	1.146,00
C. Creditors	1435	6.347.324,00	4.740.316,00
1. Debenture loans	1437 10.	5.228.017,00	4.369.317,00
a) Convertible loans	1439 10.a.	281.029,00	281.029,00
i) becoming due and payable within one year	1441	229,00	229,00
ii) becoming due and payable after more than one year	1443	280.800,00	280.800,00
b) Non convertible loans	1445 10.b.	4.946.988,00	4.088.288,00
i) becoming due and payable within one year	1447	178.551,00	47.703,00
ii) becoming due and payable after more than one year	1449	4.768.437,00	4.040.585,00
2. Amounts owed to credit institutions	1255		
a) becoming due and payable within one year	1257		
b) becoming due and payable after more than one year	1259		

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B165560

Matricule : 2011 2227 262

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	2.160,00	214,00
a) becoming due and payable within one year	1369	2.160,00	214,00
b) becoming due and payable after more than one year	1371		
5. Bills of exchange payable	1373		
a) becoming due and payable within one year	1375		
b) becoming due and payable after more than one year	1377		
6. Amounts owed to affiliated undertakings	1379		
a) becoming due and payable within one year	1381		
b) becoming due and payable after more than one year	1383		
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	1.117.117,00	370.763,00
a) becoming due and payable within one year	1387	9. 1.117.117,00	370.763,00
b) becoming due and payable after more than one year	1389		
8. Other creditors	1451	30,00	22,00
a) Tax authorities	1393	11,00	12,00
b) Social security authorities	1395	19,00	10,00
c) Other creditors	1397		
i) becoming due and payable within one year	1399		
ii) becoming due and payable after more than one year	1401		
D. Deferred income	1403	12. 7.017,00	7.017,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 6.724.917,00	406 5.197.805,00

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PROFIT AND LOSS ACCOUNT

Financial year from ⁰¹ 01/01/2020 to ⁰² 31/12/2020 (in ⁰³ KEUR)

Grand City Properties S.A.

1, Avenue du Bois
 L-1251 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 <u>13.</u>	701 <u>700,00</u>	702 <u>700,00</u>
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 _____	714 <u>34,00</u>
5. Raw materials and consumables and other external expenses	1671 _____	671 <u>-3,00</u>	672 <u>-2,00</u>
a) Raw materials and consumables	1601 _____	601 <u>-3,00</u>	602 <u>-2,00</u>
b) Other external expenses	1603 _____	603 _____	604 _____
6. Staff costs	1605 _____	605 <u>985,00</u>	606 <u>1.692,00</u>
a) Wages and salaries	1607 _____	607 <u>-140,00</u>	608 <u>-115,00</u>
b) Social security costs	1609 _____	609 <u>-17,00</u>	610 <u>-16,00</u>
I) relating to pensions	1653 _____	653 <u>-11,00</u>	654 <u>-11,00</u>
II) other social security costs	1655 _____	655 <u>-6,00</u>	656 <u>-5,00</u>
c) Other staff costs	1613 _____	613 <u>1.142,00</u>	614 <u>1.823,00</u>
7. Value adjustments	1657 <u>4.</u>	657 <u>-476,00</u>	658 <u>-538,00</u>
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 <u>-476,00</u>	660 <u>-538,00</u>
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1671 <u>14.</u>	671 <u>-3.201,00</u>	672 <u>-3.504,00</u>

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RCSL Nr.: B165560	Matricule : 2011 2227 262
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	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721	722
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725	725	726
11. Other interest receivable and similar income	1727	727	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731	731	732
12. Share of profit or loss of undertakings accounted for under the equity method	1863	863	864
13. Value adjustments in respect of financial assets and of investments held as current assets	1865	865	866
14. Interest payable and similar expenses	1827	827	828
a) concerning affiliated undertakings	1829	829	830
b) other interest and similar expenses	1831	831	832
15. Tax on profit or loss	1835	835	836
16. Profit or loss after taxation	1867	867	868
17. Other taxes not shown under items 1 to 16	1837	837	838
18. Profit or loss for the financial year	1869	869	870

The notes in the annex form an integral part of the annual accounts

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 1. General

Grand City Properties S.A. (“the Company”) was incorporated in Luxembourg on December 16, 2011 as a “Société Anonyme” in accordance with the Luxembourg Law of 10 August 1915, as amended, on Commercial Companies (the “Law”) for an unlimited period of time. Its registered office is at 1, Avenue du Bois, L-1251 Luxembourg and the Company is registered with the Registre de Commerce et des Sociétés du Grand Duché de Luxembourg (the “Luxembourg R.C.S.”) under number B 165.560.

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

The Company together with its investees (“the Group”) is a specialist in residential real estate, investing in value-add opportunities in densely populated areas in Germany and is complimented by a portfolio in London.

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

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

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

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

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

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

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

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

The Company also prepares consolidated financial statements, which are published in accordance with the provisions of the Law. The Company’s accounts are included in the consolidated financial statements of the Group. These consolidated financial statements are also available at the registered office of the Company or its website (www.grandcityproperties.com).

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 2. Summary of Significant Accounting Policies

2.1 Basis of presentation

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

The accounting and valuation policies are determined by the Board of Directors in compliance with the amended Law of December 19, 2002. These policies have been consistently applied to the annual periods presented.

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

2.2 Foreign currency transactions

Formation expenses and tangible fixed assets expressed in another currency than EUR are translated into EUR using historical exchange rate.

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

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

Exchange gains and losses are recognized in the profit and loss account.

2.3 Formation expenses

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

2.4 Prepayments

Prepayments and accrued income consist of bond issuance costs and of discount from placement of bonds. These financing costs are amortized on a straight-line basis over the lifetime of the related financial facility. If the bonds are repaid, converted repurchased or redeemed on an earlier date, the related remaining balances of unamortized financing costs are directly fully expensed in the profit and loss account in the year of repayment/conversion.

2.5 Financial assets

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

2.5.1 Investments

Investments may include transferable securities, as well as other investments in shares and other securities equivalent to shares and in bonds or other forms of securitised debts.

Transferable securities and other investments are valued at the lower of cost, including expenses incidental thereto and calculated on the basis of the FIFO method or market value. A value adjustment is recorded where the market value is lower than the cost of purchase. These value adjustments are reversed if the reasons for which the value adjustments were made have ceased to apply.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 2. Summary of Significant Accounting Policies (continued)

2.5.1 Investments (continued)

The market value corresponds to:

- a. the last available quoted price in an active market for quoted securities;
- b. the fair value estimated with due care and in good faith by the Board of Directors based on market and business assumptions.

2.6 Derivatives

Derivative financial instruments include mainly cross currency and interest swap and forward contracts. Derivatives are initially stated at cost for derivatives purchased. At year-end, when a value adjustment is deemed necessary, a value adjustment is set up in respect of individual unrealised losses resulting from their revaluation. In case of hedging an asset and/or a liability that is not recorded at fair value, unrealised gains or losses are deferred until the recognition of the realised losses or gains on the hedged items.

Commitments on those derivative financial instruments are disclosed in note 11.

2.7 Debtors

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

2.8 Provisions

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

2.9 Creditors

The creditors are recorded at their reimbursement value.

2.9.1 Other creditors

Other creditors are recorded at their nominal value.

2.10 Income and charges

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

2.10.1 Interest income and interest charges

Interest income and interest charges are accrued on a timely basis, by reference to the principal outstanding and at the nominal interest rate applicable.

2.11 Dividend income

Dividend income from investments is recognised when the shareholder's right to receive the payment has been established.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 2. Summary of Significant Accounting Policies (continued)

2.12 Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to directors and senior management is generally recognized as an expense, with a corresponding increase in provision, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

2.13 Net turnover

Net turnover comprises the amount derived from the provision of services net of value added tax and other taxes directly linked to turnover.

2.14 Taxation

The Company is subject to the general tax regulation applicable to commercial companies in Luxembourg.

Note 2a. Critical accounting estimates

The preparation of the annual accounts and the application of the accounting policies and methods described below require critical accounting estimates that involve judgements and the use of assumptions. By their nature, the assessments necessary for drawing up the annual accounts require the formulation of hypotheses and carry risks and uncertainties as to their occurrence in the future.

Although the Board of Directors believes that it has taken all available information into account in determining these judgements and estimates, the actual future profits and losses from the operations concerned could differ from these estimates and therefore have a material impact on the annual accounts.

The use of estimates mainly concerns the:

1. estimation of the recoverable amount of the potentially impaired financial fixed assets.

Note 3. Organization

On April 6, 2012, the Company acquired 94.80% of the shares of Grandcity Property Ltd (“GCP LTD”) (Formerly: Adminond Trading & Investment Ltd) from its shareholders. For additional information regarding investments in GCP LTD see note 5.

Since 2012 the Company’s shares are listed on the Frankfurt Stock Exchange. From May 9, 2017 the Company is listed in the Prime Standard segment of Frankfurt Stock Exchange.

The Company listed its different bonds series (see note 10) for trading in Frankfurt, Irish and in the Swiss stock exchanges.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 4. Formation expenses

Formation expenses consist of capital increase fees as disclosed below:

	2020	2019
	KEUR	
Gross book value - opening balance	13,913	13,913
Additions for the year	170	-
Gross book value - closing balance	14,083	13,913
Amortisation - opening balance	(13,073)	(12,535)
Amortisation for the year	(476)	(538)
Amortisation - closing balance	(13,549)	(13,073)
Net book value - opening balance	840	1,378
Net book value - closing balance	534	840

Note 5. Shares in affiliated undertakings

On April 6, 2012, the Company entered into an agreement with its parent companies, Edolaxia Group Limited and Interactive Worldwide Limited for the acquisition of 94.8% of the shares of GCP LTD, reflecting 948 ordinary shares with the amount of KEUR 1,620.

On December 18, 2018, the Company entered into an agreement with GCP LTD to convert KEUR 4,000,000 of its outstanding loans granted to GCP LTD (including accrued interest of KEUR 50,796) into 10 redeemable preference shares in GCP LTD (“Redeemable Preference Shares”). The Redeemable Preference Shares have similar rights as the ordinary shares have, with the exception that they accumulate their right for dividends, in a way that any future dividend will be first paid to the Redeemable Preference Shares holders and the remaining part will be paid to the ordinary shareholders pro-rata, and that the Redeemable Preference Shares are redeemable at the sole discretion of GCP LTD.

On December 31, 2018, the Company entered into an additional agreement with GCP LTD to convert KEUR 100,014 of its outstanding loans granted to GCP LTD (including accrued interest of KEUR 25) into 1 additional Redeemable Preferred Share in GCP LTD.

On December 30, 2019, GCP LTD distributed a preferred dividend to the Redeemable Preference Shares’ holders. The dividend has been calculated at a rate of 2% of the nominal amount of the shares. As a result, the Company was entitled to a dividend on its investment in the Redeemable Preference Shares in total amount of KEUR 82,083.

On December 30, 2019, the Company entered into an additional agreement with GCP LTD in which the Company invested KEUR 1,000,000 in additional 3 Redeemable Preference Shares in GCP LTD. As part of the transaction, KEUR 547,404 of the Company’s outstanding loans granted to GCP LTD and KEUR 82,083 dividend receivable were offset.

As at December 31, 2019, the outstanding payable amount to GCP LTD amounted to KEUR 370,513.

On December 31, 2020, GCP LTD distributed a preferred dividend to the Redeemable Preference Shares’ holders. The dividend has been calculated at a rate of 3% of the nominal amount of the shares. As a result, the Company was entitled to a dividend on its investment in the Redeemable Preference Shares in total amount of KEUR 153,125.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 5. Shares in affiliated undertakings (continued)

On December 31, 2020, GCP LTD issued additional 5 Redeemable Preference Shares to the Company for a total amount of KEUR 1,500,000 (the "Consideration").

The outstanding consideration payable, after the offsetting of the outstanding loans granted to GCP LTD of KEUR 229,835 (see note 6), the dividend receivables of KEUR 153,125 and the management fee payable of KEUR 175 (see note 9) amounted to KEUR 1,116,867.

The Company beneficially owns the following shares in affiliated undertakings:

Affiliate	Country	Percentage Holding	Acquisition Cost	Equity (deficit) as at December 31, 2020 (**)	Profit (loss) for the year ended December 31, 2020 (**)
KEUR					
Grandcity Property Ltd (With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6027 Larnaca, Cyprus)	Cyprus	94.8%	6,604,153	7,568,642	367,009
Grandcity Holdings Ltd (ex: Tespomo Limited, With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6027 Larnaca, Cyprus)	Cyprus	100%	(*)	(111)	(63)
Grand City Properties Holdings B.V. (H.J.E. Wenckebachweg 123 1096 AM Amsterdam)	the Netherlands	100%	1	(21)	(22)
Grand City Properties Holdings S.à r.l (1, Avenue du Bois L-1251 Luxembourg)	Luxembourg	100%	12	8	(4)

(*) Less than KEUR 1.

(**) Based on unaudited individual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union as of December 31, 2020.

In the opinion of the Board of Directors, no value adjustments were required in respect of shares in affiliated undertakings as of December 31, 2020.

Note 6. Loans to affiliated undertakings

The movement in loans to affiliated undertakings for the year was as follow:

	Principal amount	Accrued interest	Total
	KEUR		
Balance as at January 1, 2020	-	-	-
New loans granted	335,559	-	335,559
Interest income	-	276	276
Interest received	-	(276)	(276)
Loan repayments	(105,604)	-	(105,604)
Investment in Redeemable Preference Shares (see note 5)	(229,835)	-	(229,835)
Balance as at December 31, 2020	120	-	120

The Company recorded interest income of KEUR 276 related to these loans for the year ended December 31, 2020 (2019: KEUR 3,240). In addition, see note 5 for offsetting loans and dividend income with Redeemable Preference Shares Consideration payable.

As of December 31, 2020 and 2019 there is no outstanding principal and accrued interest with GCP LTD.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 7. Prepayments

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

	2020	2019
	KEUR	
Gross book value - opening balance	187,951	187,156
Additions for the year	25,654	795
Gross book value - closing balance	213,605	187,951
Amortisation - opening balance	(95,686)	(79,556)
Amortisation for the year	(21,588)	(16,130)
Amortisation - closing balance	(117,274)	(95,686)
Net book value - opening balance	92,265	107,600
Net book value - closing balance	96,331	92,265

Note 8. Capital and Reserves

Subscribed capital

	2020		2019	
	Number of shares	KEUR	Number of shares	KEUR
Authorized				
Ordinary shares of EUR 0.10 each	400,000,000	40,000	400,000,000	40,000
Issued and fully paid				
Balance as of January 1,	167,895,560	16,790	166,718,395	16,672
Issuance of new ordinary share as part of scrip dividend	3,853,379	385	1,118,687	112
Issuance of new ordinary shares as part of share-based payment	115,111	11	58,478	6
Balance on December 31,	171,864,050	17,186	167,895,560	16,790

Issued capital during 2019-2020

On July 10, 2020, the company issued 3,853,379 (2019: 1,118,687) new shares in total value of EUR 67 million (2019: EUR 22 million) in connection with the scrip dividend as explained below.

As at December 31, 2020 the subscribed and fully paid-up share capital amounts to KEUR 17,186 represented by 171,864,050 ordinary shares with par value of EUR 0.10 per share. As of December 31, 2020 the Company does not hold its own shares. For additional information see note 20.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2020

Note 8. Capital and Reserves (continued)

Share premium account

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

	2020	2019
	KEUR	
Balance as of January 1,	583,834	689,905
Dividend distribution	(138,407)	(129,002)
Issuance of new ordinary shares	69,484	22,931
Balance on December 31,	514,911	583,834

As a result of the issuance of the scrip dividend on July 10, 2020 and the issuance in connection with incentive share plan, the share premium increased by EUR 67.2 million and EUR 2.3 million respectively.

The dividend distributions are paid out of the share premium.

Resolution of dividend distribution

For the year	Amount per share (in cents)	Gross amount (KEUR)	Ex-date	Payment date
2014	20.00	24,333	June 25, 2015	July 3, 2015
2015	25.00	38,447	June 30, 2016	July 1, 2016
2016	68.25	112,468	June 29, 2017	July 1, 2017
2017	73.00	120,296	June 30, 2018	July 17, 2018
2018	77.35	129,002	June 27, 2019	July 22, 2019
2019	82.38	138,407	June 25, 2020	July 14, 2020

On June 24, 2020, the Annual General Meeting of shareholders of the Company has resolved upon the distribution of a dividend of EUR 0.8238 (gross) (2019: EUR 0.7735) per share (in total KEUR 138,407) to the holders of record on June 26, 2020.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. From June 25, 2020 to July 7, 2020, shareholders of the Company could elect to receive up to 85% of their dividend in the form of shares of the Company, with the remainder paid in cash.

Shareholders who did not elect to participate in the scrip dividend have received their dividend in cash. The cash dividend has been paid in July 2020, and the company issued 3.9 million new shares in total value of EUR 67.5 million on July 10, 2020.

The proposed dividend for the year 2020, based on the Company's dividend policy and subject to the shareholders' annual general meeting which will take place on June 30, 2021, is EUR 0.82 per share. The proposed dividend has not been recognized as a liability in the annual account.

Legal reserve

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

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Note 8a. Share-based payment agreements

A. Description of share-based payment arrangements

As of December 31, 2020, the Company had the following share-based payment arrangements:

Incentive Share plan

The annual general meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive program for the directors, key management personnel and senior employees. The incentive plan has up to four years vesting period with fix and specific milestones to enhance management's long-term commitment to the Company's strategic targets. Main strategic targets are long-term improvement in operational and financial targets such as increasing NAV per share, FFO per share and further improvement in the Group's rating to A-.

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

Grant date	Number of shares	Weighted vesting period	Contractual life of the incentive
January 1, 2017 – June 30, 2024	297,196	2 years	Up to 4 years

B. Reconciliation of outstanding share options

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

	2020	2019
	Number of shares	Number of shares
	In thousands	
Outstanding on January 1	384	251
Granted during the year, net	51	241
Exercised during the year (*)	(138)	(108)
Outstanding on December 31	297	384

(*) In accordance with the terms and conditions of the incentive share plan, the Group withheld 67 thousand (2019: 50 thousand) shares equal to the monetary value of the employee's tax obligation from the total number of shares exercised. As a result, only 71 thousand (2019: 58 thousand) shares were issued.

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Note 9. Related parties

During the year the Company had the following transactions with related parties:

	2020	2019
	KEUR	
Management fees (a)	700	700
Finance service fees	-	3,057
Brokerage fee expenses (b)	(4,575)	(2,000)
Rental income	-	34
Consultancy services expenses	(500)	(500)

The Company is engaged with GCP LTD in the following agreements:

- (a) Consultancy services agreement, according to which the Company is entitled to receive from GCP LTD an annual payment of KEUR 700 (2019: KEUR 700) for the provided consultancy services.
- (b) Brokerage fees agreement with GCP LTD for providing the Company with brokerage services.

As at December 31, 2020 the Company had outstanding payable to GCP LTD in the amount of KEUR 1,116,867 (2019: KEUR 370,513) and to other related parties in total amount of KEUR 250 (2019: KEUR 250).

There were no other transactions between the Company and its key management or related parties during the year (except those described in note 5, 6, and 8a).

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Note 10. Convertible bond, Straight bond and Perpetual notes

	Note	Nominal amount outstanding	Effective coupon (*)	Maturity	As at December 31	
					2020	2019
In thousands			KEUR			
10a. Convertible bond						
<i>becoming due and payable after more than one year</i>						
Convertible bond series F	(l)	EUR 280,800	0.25%	Mar-2022	280,800	280,800
<i>becoming due and payable in less than one year</i>						
Accrued interest on convertible bond					229	229
					281,029	281,029
10b. Straight bonds and perpetual notes						
<i>becoming due and payable after more than one year</i>						
Straight bond series D					-	25,000
Straight bond series E		EUR 550,000	1.50%	Apr-2025	550,000	550,000
Straight bond series G		EUR 600,000	1.38%	Aug-2026	600,000	600,000
Straight bond series H		EUR 255,000	2.00%	Oct-2032	255,000	255,000
Straight bond series I		HKD 900,000	(*) 1.00%	Feb-2028	94,595	102,889
Straight bond series J		EUR 667,600	1.50%	Feb-2027	667,600	667,600
Straight bond series K		CHF 125,000	0.96%	Sep-2026	115,720	115,165
Straight bond series L		JPY 7,500,000	1.40%	Jun-2038	59,293	61,506
Straight bond series M	(k)	EUR 47,000	(*) 1.70%	Jul-2033	47,000	55,000
Straight bond series N	(a)	EUR 88,000	(*) 3M Euribor + 1.71%	Feb-2039	88,000	88,000
Straight bond series O	(b)	EUR 15,000	(*) 3M Euribor + 1.68%	Feb-2034	15,000	15,000
Straight bond series P	(c)	HKD 290,000	(*) 3M Euribor + 1.38%	Mar-2029	30,481	33,153
Straight bond series Q	(d)	CHF 130,000	0.57%	Jun-2024	120,348	119,772
Straight bond series R	(e)	EUR 40,000	2.50%	Jun-2039	40,000	40,000
Straight bond series S					-	60,500
Straight bond series T					-	52,000
Straight bond series U	(h)	EUR 80,000	0.75%	Jul-2025	80,000	80,000
Straight bond series V	(i)	EUR 70,000	(*) 1.50%	Aug-2034	70,000	70,000
Straight bond series W	(j)	EUR 600,000	1.7%	Apr-2024	600,000	-
Perpetual Notes 1	(n)	EUR 85,400	3.75%	Feb-2022	85,400	500,000
Perpetual Notes 2		EUR 200,000	2.75%	Jan-2023	200,000	200,000
Perpetual Notes 3		EUR 350,000	2.5%	Oct-2023	350,000	350,000
Perpetual Notes 4	(m)	EUR 700,000	1.5%	Jun-2026	700,000	-
					4,768,437	4,040,585
<i>becoming due and payable in less than one year</i>						
Straight bond series D		EUR 25,000	2.00%	Oct-2021	25,000	-
Straight bond series S	(f)	EUR 60,500	0.00%	Jan-2021	60,500	-
Straight bond series T	(g)	EUR 52,000	3M Euribor + 0.60%	Jul-2021	52,000	-
Accrued interest straight bonds					30,779	24,400
Accrued interest perpetual notes					10,272	23,303
					178,551	47,703
Total					4,946,988	4,088,288

(*) Including hedging impact

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Note 10. Convertible bond, Straight bond and Perpetual notes (continued)

The EMTN programme

As of December 31, 2020, the Company has established a EUR 10 billion EMTN programme. Notes issued under the EMTN programme are guaranteed by the Company.

- (a) On February 25, 2019, under the EMTN Programme, the Company issued EUR 88 million straight bond series N due 2039, at an issue price of 95.822% of the principal amount with effective euro coupon 1.707% + 3m Euribor.
- (b) On February 25, 2019, under the EMTN Programme, the Company issued EUR 15 million Straight bond series O due 2034, at an issue price of 97.327% of the principal amount with effective euro coupon 1.677% + 3m Euribor.
- (c) On March 19, 2019, under the EMTN Programme, the Company issued Hong Kong Dollars (HKD) 290 million (EUR 33 million) straight bond series P due 2029, at an issue price of 100% of the principal amount. The Company hedged the currency risk of the principal amount and the interest payments. The effective euro coupon is 1.382% plus 3M Euribor.
- (d) On June 24, 2019, under the EMTN Programme, the Company issued Swiss Franc (CHF) 130 million (EUR 116 million) straight bond series Q due 2024, at an issue price of 100% of the principal amount. The Company hedged the currency risk of the principal amount. The CHF coupon is 0.57%.
- (e) On June 27, 2019, under the EMTN Programme, the Company issued EUR 40 million straight bond series R due 2039, at an issue price of 100% of the principal amount. The euro coupon is 2.5%.
- (f) On July 23, 2019, under the EMTN Programme, the Company issued EUR 60.5 million straight bond series S due 2021, at an issue price of 100% of the principal amount with euro coupon 0%.
- (g) On July 24, 2019, under the EMTN Programme, the Company issued EUR 52 million straight bond series T due 2021, at an issue price of 100% of the principal amount with euro coupon 0.6% + 3m Euribor.
- (h) On July 25, 2019, under the EMTN Programme, the Company issued EUR 80 million straight bond series U due 2025, at an issue price of 100% of the principal amount with euro coupon 0.75%.
- (i) On August 8, 2019, under the EMTN Programme, the Company issued EUR 70 million straight bond series V due 2034, at an issue price of 100% of the principal amount. The effective interest rate for the first 5 years is 1.5% and for the next 10 years 1.472% + 6m Euribor.
- (j) On April 9 2020, under the EMTN Programme, the Company issued EUR 600 million straight bond series W due 2024, at an issue price of 98.545% of the principal amount with euro coupon 1.7%.
- (k) On April 15, 2020 the Company bought back EUR 8 million principal amount of straight bond series M with effective euro coupon rate of 1.7% for a purchase price of 86% of the nominal amount including swap unwind fee.
- (l) On July 2, 2020, as a result of the dividend distribution, the conversion price of the convertible bond series F has been adjusted from EUR 24.8141 to EUR 23.9270.

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Note 10. Convertible bond, Straight bond and Perpetual notes (continued)

- (m) On December 9, 2020, the Company issued EUR 700 million in aggregate principal amount of perpetual notes. These notes were issued at a price of 98.703% of the principal amount. These Perpetual notes are of unlimited duration and can be called back by the Company only on certain contractually fixed dates or occasions. Up until the first call date in June 9, 2026, the perpetual notes shall bear a coupon rate of 1.5% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (June 2031) shall correspond to the five-year swap rate plus a margin of 218.4 basis points p.a. The mark-up will increase by 25 basis points (to 243.4 basis points p.a.) as of October 2031 and by another 75 basis points (to 318.4 basis points p.a.) as of October 2046.
- (n) On December 11, 2020 the Company bought back EUR 414.6 million principal amount of perpetual notes 1 with coupon rate of 3.75% for a purchase price of 104.635% of the nominal amount, excluding any accrued interest. As a result of the buyback of more than 80% of the principal amount and in accordance with the terms and conditions of the perpetual notes, the Company has the right to redeem the outstanding amount at par value. For additional information see note 20.

Perpetual notes have no maturity date and may be redeemed by the Company, at its sole discretion, on certain dates. The Company may, at its sole discretion, elect to defer the payment of interest on the notes (referred to as Arrears of Interest). Arrears of Interest must be paid by the Company upon the occurrence of certain events, including but not limited to, dividends, distributions or other payments made to instruments such as the Company's ordinary shares, which rank junior to the Perpetual notes. The deferred amounts shall not bear interest.

Note 10.1. Security, negative pledge

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

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in GCP LTD;
- a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company;
- a first-ranking account pledges, governed by Luxembourg law, over each bank account held by GCP LTD; and
- a first-ranking charges, governed by Cypriot law, over each bank account held by GCP LTD;
- a first-ranking account pledge, governed by English law, over the bank account held by the Company.
- The Company's outstanding series of bonds also generally prohibit the Company from issuing additional bonds with the benefit of security interests unless the same security is granted to the Company's outstanding unsecured bonds equally and ratably.

Note 10.2. Covenants in accordance with the bonds' terms and conditions

The Company undertakes to comply with several covenants as defined in the Terms and Conditions of its straight and convertible bonds. During the years ended at December 31, 2020 and 2019, there were no breaches of any of the covenants applicable to the Company.

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Note 11. Derivative financial instruments

The Company uses derivative financial instruments to hedge its foreign exchange and the interest rate risk associated with its straight bonds and to hedge the foreign currency risk derives from its indirectly holding of several subsidiaries which operate in foreign currency.

The Company has entered into foreign exchange and interest rate contracts as detailed below:

Risk hedged	Derivative type	Amount receivable	Amount Payable	Maturity	Fair value as at December 31, 2020	Unrealised gains (losses) not recorded in profit or loss account	Realised gains (losses) recorded in profit or loss account
					in KEUR	in KEUR	in KEUR
Currency risk	Forward	KEUR 2,115,111	KGBP 1,904,479	2022-2024	19,025	33,265	(47,620)
Currency risk	Swap	KCHF 130,000	KEUR 119,441	2024	1,680	(301)	-
Currency risk	Swap	KCHF 125,000	KEUR 116,233	2026	87	(1,313)	-
Currency risk	Swap	KHKD 900,000	KEUR 92,631	2028	12,042	704	2,611
Currency risk	Swap	KHKD 290,000	KEUR 32,768	2029	1,442	457	908
Currency risk	Swap	KJPY 7,500,000	KEUR 75,500	2038	(16,196)	(10,907)	-

In addition, the Company hedged its interest rate risk for straight bonds series O, N, M and V using swap contracts for which their fair value, unrealised gains and realised gains as at December 31, 2020 are KEUR 13,693, KEUR 9,919 and KEUR 2,226 respectively.

In 2020, total realised losses in the amount of KEUR 41,875 (2019: KEUR 2,731 realised gain) were disclosed in note 15 as part of other finance costs.

For additional info see also note 10.

Note 12. Deferred income

On September 29, 2015 the Company received gross proceeds of KEUR 7,017 from a placement of a financial instrument – a 1.1 million Call options convertible to the Company’s shares (in ratio of 1:1) for an additional price of EUR 17.17 per share (the “strike price”) and exercisable in the period between March 2016 to August 2021. The premium has been recorded as deferred income until such time as the option is either exercised or expired. Due to dividend distribution the strike price has been adjusted to 15.549 (2019: EUR 15.992).

Note 13. Turnover

The net turnover concerns consultancy services (see note 9a).

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Note 14. Other operating expenses

	For the year ended December 31,	
	2020	2019
	KEUR	
Insurance, telephone and other administrative expenses	408	657
Legal and professional fees	2,311	2,361
Advertising and marketing	117	209
Audit fees	365	277
Total	3,201	3,504

Note 14.1. Audit and non-audit services

	For the year ended December 31,	
	2020	2019
	KEUR	
Audit fees	310	277
Audit related fees	53	50
Tax related and other fees	2	72
Total	365	399

Note 15. Interest and other financial charges

Interest payable and other financial charges consist of the following:

	For the year ended December 31,	
	2020	2019
	KEUR	
Straight and convertible bonds	55,119	43,859
Perpetual Notes	32,847	33,000
Other finance costs (*)	71,118	27,473
Brokerage fees	4,575	2,000
Loan from affiliated undertakings	131	585
Total	163,790	106,917

(*) Other finance costs in 2020 included one-off loss on buyback of perpetual notes 1 (3.75%) (KEUR 21,796).

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Note 16. Financial risk management

Financial risk factors

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

- Liquidity risk
- Operating risk
- Market risk
- Other risks

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

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

(i) Liquidity risk

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

(ii) Operating risk

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

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and currency risk. The Company enters into hedging transactions to hedge currency and interest risk related to its bonds issued in HKD, CHF and JPY, and to hedge currency risk related to its indirectly investment in foreign operation in the UK.

(iv) Other risks

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

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Note 16. Financial risk management (continued)

Brexit

On March 29, 2017 the United Kingdom (UK) informed the European Council about its intention to withdraw from the European Union (EU). Following extended negotiations between all stakeholders as well as a fresh election in the country, the UK parliament voted in favor of the withdrawal from the EU and officially withdrew from the EU on 31st January 2020 and both the UK and the EU entered a transitional period during which time the future nature of this relationship was under negotiations. These negotiations concluded on 30th December 2020 when the UK and EU signed the EU-UK trade and cooperation agreement, which was subsequently ratified by the UK parliament. Although a trade deal has been agreed upon, uncertainties remain with regards to aspects such as data sharing and more importantly, financial services. Since it has become official, the impacts of Brexit are expected to be seen in the following periods and may have an adverse impact on the economies of the UK and the EU. The current uncertainties could weigh on the Company's operational and financial performance.

The Group maintains a diversified portfolio supported by investments in locations with their own distinct economic drivers. As at December 31, 2020 the London portfolio constitutes of 19% of the investment portfolio, while the remaining portfolio is focused on German densely populated metropolitan regions.

Coronavirus

The Coronavirus (COVID-19) pandemic started in December 2019 and has disrupted the global economy. Due to the focus of the Group on residential properties which has been proven resilient in the pandemic, the Group has not experienced and does not anticipate any significant direct impact to its internal business operations due to the virus. However, a deterioration of the economic environment as a result of the coronavirus pandemic could have an adverse impact on tenants' ability to pay rent, which in turn could be a strain on the Group's performance. The Group's diversified portfolio acts as an effective buffer in this scenario along with the fact that the portfolio is under-rented and thereby relatively lesser of a burden on tenants. Extended periods of lockdowns and additional restrictions could have an adverse impact on the broader economy as well as tenants' incomes.

Regardless of these risks, the Group maintains a conservative financial policy and a strong liquidity position amounting to approx. EUR 1.7 billion as of December 2020, shielding the Group in case of a significant downturn. As a result of this strong liquidity position along with the broad-based access to capital markets, the Group and the Company, together undertake to meet all financial obligations as and when they become due.

Berlin Mietendeckel (Rent-cap)

On January 30, 2020 the Berlin state parliament (Landtag) passed the Berlin Mietendeckel law which effectively not only capped rent levels but also reversed rents based on the age, location and quality of the apartment. The rent levels for different kinds of apartments are specified in a rent table published with the law, which became effective starting February 23, 2020. Most importantly, as per the law, landlords are required to reduce rents that are above 120% of the limits of the rent table. Reletting of new apartments will be carried at 100% of the rent table or previous rent, whichever is lower.

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Note 16. Financial risk management (continued)

Berlin Mitendeckel (Rent-cap) (continued)

These limits may be exceeded if the unit was extensively modernized or if the unit included additional elements such as – elevator, fitted kitchen, low energy consumption, high-quality flooring and/or sanitary equipment. From 2022, the Berlin Senate will be required to adjust the rent table according to real wages, however, rents may increase by no more than 1.3%. The law was implemented beginning from November 2020 and is currently in force. Accordingly, the Company's Berlin rent was reduced to and aligned with the rent cap levels. The rent cap is currently under judicial consideration and a ruling is widely expected during the first half of 2021.

The Group's management shares the opinion of other legal minds with respect to the unconstitutional nature of this law and views such measures as being counterproductive and detrimental to the housing shortage in Berlin. Shortening the building permit approval process, freeing up land and building rights within city limits and introducing incentives to support construction of subsidized units, are measures which the Company considers to be the only solution to Berlin's housing scarcity.

Note 17. Staff

The company employed an average of 3 persons (2019: 2) during the financial year.

Note 18. Taxation

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

Note 19. Commitment and contingencies

The Company has no material commitments as at December 31, 2020 and 2019, except for the commitments detailed in note 11.

Note 20. Subsequent events

- (a) On January 11, 2021 under the EMTN Programme, the Company issued EUR 1 billion straight bond series X due 2028, at an issue price of 98.153% of the principal amount with euro coupon 0.125%. At the same day, the Company bought back EUR 272.8 million and EUR 220 million principal amount of straight bond series E and W for a purchase price of 106.843% and 105.977% of the nominal amount respectively, excluding any accrued interest.
- (b) On January 25, 2021 the Company repaid EUR 60.5 million principal amount of straight bond series S.
- (c) On January 28, 2021 the Board of Directors resolved to utilize the authorization of the Annual General Meeting of June 24, 2020 in order to buy back up to 12,500,000 shares of the Company (corresponding to up to 7.27% of the Company's share capital) by way of a public tender offer with a purchase price in the range of EUR 20.00 to EUR 21.25 per share. On February 17, 2021 the Company announced that 3,370,708 shares of the Company have been validly tendered into the offer. The settlement done on February 23, 2021.
- (d) On February 4, 2021 the Company redeemed EUR 85.4 million principal amount of perpetual notes 1 with coupon rate of 3.75% for a purchase price of 100% of the nominal amount, excluding any accrued interest.