Grand City Properties S.A.

Annual Accounts
For the year ended December 31, 2022

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

Table of contents: Page

37, Boulevard Joseph II
L-1840 Luxembourg
R.C.S. Luxembourg: B 165.560
Share Capital: EUR 17,618,789.90

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, 2022.

The Group is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany as well as London.

The Group is focused on assets in densely populated urban locations with robust and sustainable economic and demographic fundamentals, and with multiple value-add drivers that it can pursue using its skills and capabilities such as vacancy reduction, increasing rents to market levels, improving operating cost efficiency, increasing market visibility, identifying potential for high-return capex investments, and spotting potential for significant benefits from the Company's scale.

The Group's well-balanced and diversified portfolio is composed of properties in attractive micro-locations with identified value creation potential primarily located in major German cities and urban centers as well as in London.

CAPITAL MARKET, DEVELOPMENT AND PERFORMANCE

An important component of the Group's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital markets: straight bonds, convertible bonds and perpetual notes via its Euro Medium Term Note ("EMTN") programme, and equity capital. Moreover, the Company's diversity is further improved through issuances in various currencies, issuing straight bonds in CHF, JPY and HKD. The nominal amount of all foreign currency issuances are swapped into Euro until maturity. Issuances in various currencies increase the investor base and provide expansion into a wider range of markets to attract funding.

In addition, the Company maintains lasting relationships with dozens of banks and financial institutions, providing for access to bank financing. These banking relationships also provide access to revolving credit facilities which provides an additional flexible financing source. As of December 2022, the Company holds unused credit line in the amount of EUR 300 million.

During the reporting period the Company repaying its series F convertible bond with 0.25% coupon (due March 2022) amounting to EUR 450 million. For further information see note 10 to the accompanying annual accounts.

Towards the end of 2022, the Company announced its decision not to call the EUR 200 million perpetual notes series which had their first call date in January 2023. The Company continues to see the perpetual notes as an integral part of its capital structure, and would wish to call the notes, as it has done in the past. As the coupon reset price of the notes was lower than the cost of a potential replacement, the Company has decided to not call these notes at that point of time. The Company will continue to assess all the options for the perpetual notes and can call the notes at every interest payment date.

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.

COMPANY'S SHARES

During the reporting period there was no issuance of new ordinary shares.

On June 29, 2022, the Annual General Meeting of the shareholders of the Company has resolved upon a dividend distribution of EUR 0.8340 (gross) per share for the year 2021 with the total gross amount of KEUR 137,580. The Company has also provided shareholders with the option to receive their dividend through a scrip dividend up to 85% of their dividend in the form of shares of the Company, with the remainder paid in cash.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

COMPANY'S SHARES (CONTINUED)

On July 15, 2022, the Company announced that the shareholders of approximately 115 million shares opted to receive their dividend in the form of new ordinary shares of the Company. Accordingly, 7,360,307 Company shares held by Grandcity Holdings Ltd, one of the Company's subsidiaries have been delivered to shareholders in connection with the scrip dividend and the remainder of the dividend for total amount of approximately EUR 56.3 million has been paid in cash.

As at December 31, 2022, Grandcity Holdings Ltd holds Company shares for a total amount of 3,862,089 shares. The voting rights attached to these shares are suspended. For further information see note 8 to the accompanying annual accounts.

LIKELY FUTURE DEVELOPMENTS

Geopolitical situation involving Russia and Ukraine, inflationary environment and interest rates
A deterioration of the economic environment as a result of evolution of the geopolitical situation around the Russia-Ukraine conflict and inflationary pressures which have increased, specifically heating and energy costs, which have an impact on the operating costs of the Group could have an adverse impact on tenants' ability to pay rent and/or for the Group to recover expenses related to recoverable expenses from tenants, which in turn could be a strain on the Group's performance. Furthermore, higher levels of inflation have impacted interest rates and borrowing costs, while increased volatility in the capital markets have reduced the Company's ability to raise capital and unsecured debt or draw secured bank financing at attractive prices, resulting in an increase in its cost of capital and debt and potentially limiting its growth opportunities and reducing the funds from operations.

Climate change impacts
The significant impact of human activity on ecosystems and the climate have become apparent in recent years, with temperatures rising, severe weather events such as drought, floods and wildfires occurring more frequently, changes in rainfall patterns and mean global sea levels rising, as well as increased pressures on biodiversity, among others. As a result, climate risks have increased, and environmental impacts have become more important in the decision making of investors, lenders, regulators and consumers. As a result, the Company does not only face changing physical climate risks but also transitional climate risks resulting from changes in investor and consumer demand, from regulatory changes as well as from other societal factors.

For further information regarding the Ukraine and Russia geopolitical situation, Inflation and Interest rates, and Climate Change impacts see note 21 to the accompanying annual accounts.

FINANCIAL RISK MANAGEMENT
The Company is exposed to liquidity, operating, market risk and other risks.

The inflationary impacts have also had an impact on the operational costs side of the business. Cost inflation has been a factor in increasing personnel expenses, IT costs, external services, and overhead expenses. The Company mitigated some of the impact of these increases by continuing to improve the efficiency of business processes.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT (CONTINUED)

Total construction costs have also increased substantially, which responded by reducing the level of capex undertaken throughout the Group portfolio and only selecting to move forward with capex projects that present the highest returns. Strong inflation in energy costs have also been impacting the Group's tenants with regard to affordability. The Company have taken a proactive approach to responding to this challenge by communicating with tenants and providing resources though a widespread information campaign. The Company increased pre-payments where possible and sent out letters to tenants for voluntary early increases in service charges that have been widely accepted in order to smoothen the impacts of these higher energy prices and mitigate potential high service charge arrears. The Company don't believe there will be a material negative impact on collection rates. For more information see note 21 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. The Group has high interest hedge ratio, with currently 95% of its debt protected against interest rate increases. For more information see note 14 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 2022.

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 10 and note 8 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.

(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, 2022:

Shareholder name	**Numbers of shares**	**Percentage of voting rights**
Aroundtown SA (through Edolaxia Group Ltd)[1]	103,576,492	59 %
Grandcity Holdings Ltd	3,862,089	2%

1) Edolaxia Group Ltd is a wholly owned subsidiary of Aroundtown SA

Total number of Grand City Properties S.A. shares as of December 31, 2022: 176,187,899.

Company's shares voting right held by Grandcity Holdings Ltd. are suspended (see note 8 to the accompanying annual accounts).

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

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

(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. The voting rights attached to shares acquired by the Company, either directly or indirectly through subsidiaries, pursuant to the buy-back-program are suspended.

(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 9 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, 2022, 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 after such term. 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 6 – 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, a Nomination Committee and an ESG Committee. Further details on the powers of the Board are described on page 6 – 7 to the accompanying Corporate Governance Statement.

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. Further details on the Company's share buy-back program are described on note 8 to the accompanying annual accounts.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

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

(j) With regard to article 11 (1) (j) of the Takeover Law, the Company's convertible bond, hybrid bonds and security issuances under the EMTN programme (listed on note 10 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 derivate 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

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, the Remuneration Committee and the ESG Committee.

Furthermore, the Company ensures that its Board of Directors and its senior executives have vast experience and skills in the areas relevant to its business. The Company has quarterly reporting standards and updates its corporation rate presentation on a regular 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 abuse as well as discrimination based on range of factors such as age, gender, ethnicity, race, coulter, 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's Code of Conduct is also available in a specific section on the Company's website.

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, apart from for recommendations C.10 (with sole reference to its applicability to the Chair of the Audit Committee), D.3, D.9 and D.11 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex). The Company has therefore issued a declaration that it does not deviate from the aforementioned recommendations of the German Corporate Governance Code. In general, the Company already complies with most of the principles and continues to take steps to implement environmental, social and corporate governance best practices throughout its business.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the shareholders of Grand City Properties S.A. was held on June 29, 2022 in Luxembourg. All of the items on the agenda were carried by a great majority, including the approval of the statutory annual accounts of the Company and the consolidated financial statements of the Group for the year ended December 31, 2021.

The AGM approved the distribution of a dividend in the amount of EUR 0.8340 (gross) per share for the holders of record in the security settlement systems on July 1, 2022.

The AGM for 2023 is intended to place on June 28, 2023, in Luxembourg.

COMPLIANCE, CODE OF CONDUCT AND DATA PROTECTION

The Company considers reputational risk as a significant risk and has therefore incorporated a high compliance with statutory laws as well as Company guidelines into the corporate management and culture. Employees are provided with initial as well as on-going training related to issues connected with the Code of Conduct. The GCP compliance and risk management framework includes the corresponding internal audit procedures and covers all areas of the business including acquisitions, asset management, administrative and operative functions.

Internally, the Company's Code of Conduct for Employees is a mandatory component for all employment contracts and includes policies such as, Anti-Corruption Policy, Anti-discrimination Policy, Whistle-blowing Policy, Data Protection Declaration, User Policy for dealing with digital content & devices as well as a Green Procurement Policy. Externally, business partners are required to adhere to the strict Code of Conduct for Business Partners. This Code of Conduct lays out the legal and ethical framework to be followed and includes references to a number of important issues such as prohibition of corruption and bribery, conflicts of interest, health and safety of employees, environmental protection, money laundering practices, respect of basic human rights of employees, prevention of child labour as well as forced labour, data protection and recognition of employees' rights pertaining to freedom of association.

The Company´s Code of Conduct includes the prohibition of insider dealing. The Company is subject to several obligations under Regulation (EU) No. 596/2014 (Market Abuse Regulation, "MAR"), as amended. Therefore, it has set up a company´s insider register and a process to ensure that persons on such list acknowledge their duties and are aware of sanctions. The Company notifies pursuant to Article 19 para. 5 subpara. 1 sentence 1 of MAR all person discharging managerial responsibilities of their obligations in the context of managers' transactions. Memorandums, notifications and information are distributed regularly.

One of the Company's important objectives has been to ensure the best-possible protection of personal data from manipulation or abuse. In this regard, various modern IT systems with high standards of data privacy are a key technical solution utilised by the Company. At the same time, staff are sensitised to the topic of data protection through video training modules as well as seminars with legal experts. Displaying its proactive nature, the Company has also prepared clearly communicated standard operating procedures (SOPs) which assist all stakeholders in their daily operations involving data as well as ensure the effective protection of data.

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.

Grand City Properties S.A.
MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

The Board of Directors represents the shareholders as a whole and makes decisions solely in the Company's best interests and independently of any conflicts of interest. The Board of Directors and senior management regularly evaluate the effective fulfilment 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 AGM for a term not exceeding six years and are eligible for re-election after such term. 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, resolves on matters on the basis of a simple majority, in accordance with the articles of association. The Board of Directors chooses amongst the directors a chairperson who shall have a casting vote.

The renewal of the mandates of Ms. Simone Runge-Brandner and Mr. Daniel Malkin as independent directors has been approved at the AGM in 2021 until the AGM in 2023. Mr. Christian Windfuhr, has been appointed and confirmed as executive director at the AGM in 2021 until the AGM in 2023.

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 2020, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period.

CFO

The Board of Directors resolved to delegate the daily management of the Company to Mr. Idan Hadad as Daily Manager (administrateur-délégué) of the Company since January 2023 under the endorsed denomination (Zusatzbezeichnung) Chief Financial Officer (CFO).

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.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The Audit Committee shall be composed by at least two members who shall be independent non-executive directors.

The responsibilities of the Audit Committee relate to the integrity of the annual accounts 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 annual accounts 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 AND RISK OFFICER

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 processes, as well as assess and monitor effectiveness of the overall risk management to ensure that main risks are properly identified.

The Risk Committee shall be composed of at least two members of the Board, of which at least half shall be independent, and is supported by the Risk Officer. The Risk Officer’s responsibilities are determined and monitored by the Risk Committee and are guided by the Risk Committee as part of its oversight role pursuant to the Rules of Procedure of the Risk Committee, with the objective of bringing a systematic and disciplined approach to evaluate and improve the culture, capabilities, and practices integrated with strategy-setting and execution.

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 systems 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 be composed exclusively by Non Executive directors. 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 majority of the members of the Nomination Committee shall be 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 of Directors.

ESG COMMITTEE

The Board of Directors established an ESG Committee to supervise the Company´s ESG processes. In addition the Committee reviews and assesses the Company's contribution to sustainable development. The ESG Committee shall be composed by at least two members of the Board. The chairman of the Committee shall be independent.

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, supported by the Risk Officer, 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 the contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INTERNAL RISK MITIGATION (CONTINUED)

- **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.

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.

For information regarding the external risks please see note 21 to the accompanying annual accounts.

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. Share held and/or acquired by the Company, either directly or through subsidiaries, pursuant to its buy-back program, are suspended from their voting rights.

The shareholders of the Company exercise their voting rights at the AGM of the shareholders, whereby each share is granted one vote. The AGM of the shareholders takes place within 6 months after the end of the financial year 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 AGM of the shareholders shall be held on the next following business day. At the AGM of the shareholders the Board of Directors presents, among others, the management report as well as the annual accounts and consolidated financial statements to the shareholders.

The AGM resolves, among others, on the annual accounts 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 AGM of the shareholders contains the agenda and is publicly announced in the Recueil électronique des sociétés et associations in Luxembourg (RESA), in a Luxembourg newspaper and on the Company's website at least thirty days before the AGM and in accordance with applicable Luxembourg law.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company's goals and targets are intertwined with the health and viability of local communities, its employees, and the avoidance of the worst impacts of climate change. As a result, the Company prioritises improving the sustainable nature of its operations and properties and maintains 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. One of the Company's core principles is to create affordable communities where people wish to live and stay. By acting on core ESG principles to improve social, institutional, and environmental conditions in its portfolio locations, the Company can make positive impacts while also supporting the Company's long-term business interests.

The Company considers ESG to be pivotal to the overall success of the organisation and as a result has created and integrated wide reaching ESG policies into the different functions of the Company. The various efforts and initiatives undertaken in 2022, as well as the Company's future targets are extensively displayed in sustainability reporting that consists of an externally assured non-financial report as well as topic-specific sustainability documents that cover all material issues. These will be available for download later in 2023 under the sustainability section of the Company's website. The Company maintains its reporting processes in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and has the published non-financial data also externally assured under the ISAE 3000 standard.

The Group commitment to sustainability measures was recognised in February 2022 by Sustainalytics, a leading sustainability rating agency, which ranked the Company in the top 93rd percentile of the global universe of companies and in the 78th percentile of real estate peers. The Company ranked by S&P Global's corporate sustainability assessment (CSA), in the top 93rd percentile on real estate companies globally and was rated industry-best in the sub-category "Customer Relationship Management", reflecting the strong focus on tenant satisfaction.

Furthermore, for the sixth year in a row, in September 2022, the Company 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.

ESG/CSR STEERING COMMITTEE

The Company's ESG Steering Committee is made up of the heads of all relevant departments and is chaired by the Chairman of the Board of Directors, Mr Christian Windfuhr. The committee is responsible for providing oversight and strategic guidance with regards to ESG topics and discusses developments in regular committee meetings and provides direction to the Sustainability Department.

Grand City Properties S.A.

MANAGEMENT REPORT (CONTINUED)

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	**SIGNATURE**
Mr. Christian Windfuhr, Chairman	
Mr. Daniel Malkin, Director	
Mrs. Simone Runge-Brandner, Director	

Date: March 16, 2023

To the Shareholders of
Grand City Properties S.A.
37, Boulevard Joseph II,
L-1840 Luxembourg.
Grand Duchy of 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, 2022, 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, 2022 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 as adopted for Luxembourg by the CSSF 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (“IESBA Code”) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Valuation of shares in affiliated undertakings

We refer to note 5 and to the corresponding accounting policy in note 2.6 to the annual accounts.

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

As at December 31, 2022 shares in affiliated undertakings represent 98.8% of the total assets of the Company.

Recoverability of shares in affiliated undertakings depends on the performance of the subsidiaries, thus management performs an impairment assessment at each reporting date.

The identification of durable impairment indicators and the determination of the impairment charge requires application of judgment by management.

Due to the significance of the amount and the required application of judgement by management, the valuation of shares in affiliated undertakings is identified as a key audit matter.

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 tested the design and implementation of the key controls around the identification of triggers and assessment of impairment;

— 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 annual report including 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.

The Board of Directors is responsible for presenting the annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format (“ESEF Regulation”).

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.

Our responsibility is to assess whether the annual accounts have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

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 judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the “réviseur d'entreprises agréé” to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the “réviseur d'entreprises agréé”. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable 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 Shareholders on June 29, 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is eleven 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 N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the annual accounts of the Group as at December 31, 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

- Annual accounts prepared in a valid xHTML format.

In our opinion, the annual accounts of Grand City Properties S.A. as at December 31, 2022, identified as 5299002QLUYKK2WBMB18-2022-12-31.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the annual accounts of Grand City Properties S.A. as at December 31, 2022, identified as 5299002QLUYKK2WBMB18-2022-12-31.xhtml, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, March 16, 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

Alessandro Raone
Partner

Annual Accounts Helpdesk :

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

CDVXWAP20230119T13290001_002 Page 1/5

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

BALANCE SHEET

Financial year from 01 01/01/2022 **to** 02 31/12/2022 (in 03 EUR)

Grand City Properties S.A.
37, Boulevard Joseph II
L-1840 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 9.545,00	108 11.755,00
C. Fixed assets	1109	109 6.991.615,00	110 7.065.181,00
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	125 107,00	126 11,00
1. Land and buildings	1127	127	128
2. Plant and machinery	1129	129	130

		Reference(s)		Current year		Previous year
3. Other fixtures and fittings, tools and equipment	1131		131	107,00	132	11,00
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135		135	6.991.508,00	136	7.065.170,00
1. Shares in affiliated undertakings	1137	5	137	6.980.252,00	138	7.053.291,00
2. Loans to affiliated undertakings	1139	6	139		140	
3. Participating interests	1141		141		142	
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143		144	
5. Investments held as fixed assets	1145		145	11.254,00	146	11.879,00
6. Other loans	1147		147	2,00	148	
D. Current assets	1151		151	66.061,00	152	150.936,00
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163		163	59.803,00	164	76.464,00
1. Trade debtors	1165		165		166	
a) becoming due and payable within one year	1167		167		168	
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171		171		172	
a) becoming due and payable within one year	1173		173		174	
b) becoming due and payable after more than one year	1175		175		176	
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177	120,00	178	120,00
a) becoming due and payable within one year	1179		179	120,00	180	120,00
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183		183	59.683,00	184	76.344,00
a) becoming due and payable within one year	1185		185	366,00	186	270,00
b) becoming due and payable after more than one year	1187	7	187	59.317,00	188	76.074,00

RCSL Nr. : B165560	Matricule : 2011 2227 262

	Reference(s)		Current year		Previous year
III. Investments	1189	189		190	
1. Shares in affiliated undertakings	1191	191		192	
2. Own shares	1209	209		210	
3. Other investments	1195	195		196	
IV. Cash at bank and in hand	1197	197	6.258,00	198	74.472,00
E. Prepayments	1199	199		200	5,00
TOTAL (ASSETS)		201	7.067.221,00	202	7.227.877,00

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301		301	226.032,00	302	326.106,00
I. Subscribed capital	1303	8	303	17.619,00	304	17.619,00
II. Share premium account	1305	8	305	323.303,00	306	460.883,00
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309		310	
1. Legal reserve	1311		311		312	
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429		429		430	
a) other available reserves	1431		431		432	
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319		319	-152.396,00	320	-161.523,00
VI. Profit or loss for the financial year	1321		321	37.506,00	322	9.127,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331		332	
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335		335		336	
3. Other provisions	1337		337		338	
C. Creditors	1435		435	6.841.189,00	436	6.901.771,00
1. Debenture loans	1437	10	437	5.017.728,00	438	5.451.348,00
a) Convertible loans	1439	10.a	439		440	450.370,00
i) becoming due and payable within one year	1441		441		442	450.370,00
ii) becoming due and payable after more than one year	1443		443		444	
b) Non convertible loans	1445	10.b	445	5.017.728,00	446	5.000.978,00
i) becoming due and payable within one year	1447		447	39.454,00	448	39.006,00
ii) becoming due and payable after more than one year	1449		449	4.978.274,00	450	4.961.972,00
2. Amounts owed to credit institutions	1355		355		356	
a) becoming due and payable within one year	1357		357		358	
b) becoming due and payable after more than one year	1359		359		360	

		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		367	533,00	368	884,00
a) becoming due and payable within one year	1369		369	533,00	370	884,00
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379		379		380	
a) becoming due and payable within one year	1381		381		382	
b) becoming due and payable after more than one year	1383		383		384	
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	13	385	1.822.834,00	386	1.449.494,00
a) becoming due and payable within one year	1387		387	1.475.511,00	388	1.449.494,00
b) becoming due and payable after more than one year	1389		389	347.323,00	390	
8. Other creditors	1451		451	94,00	452	45,00
a) Tax authorities	1393		393	67,00	394	25,00
b) Social security authorities	1395		395	27,00	396	20,00
c) Other creditors	1397		397		398	
i) becoming due and payable within one year	1399		399		400	
ii) becoming due and payable after more than one year	1401		401		402	
D. Deferred income	1403		403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	7.067.221,00	406	7.227.877,00

Annual Accounts Helpdesk :

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

CDVXWAP20230119T13290001_003 Page 1/2

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

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2022 **to** 02 31/12/2022 (in 03 EUR)

Grand City Properties S.A.

37, Boulevard Joseph II
L-1840 Luxembourg

	Reference(s)	Current year	Previous year
1. Net turnover	1701 15	701 700,00	702 700,00
2. Variation in stocks of finished goods and in work in progress	1703	703	704
3. Work performed by the undertaking for its own purposes and capitalised	1705	705	706
4. Other operating income	1713	713	714
5. Raw materials and consumables and other external expenses	1671	671 -2.638,00	672 -7.963,00
a) Raw materials and consumables	1601	601 -3,00	602 -2,00
b) Other external expenses	1603 16	603 -2.635,00	604 -7.961,00
6. Staff costs	1605	605 -236,00	606 -269,00
a) Wages and salaries	1607	607 -210,00	608 -240,00
b) Social security costs	1609	609 -26,00	610 -29,00
i) relating to pensions	1653	653 -17,00	654 -19,00
ii) other social security costs	1655	655 -9,00	656 -10,00
c) Other staff costs	1613	613	614
7. Value adjustments	1657	657 -2.825,00	658 -5.198,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	659 -2.825,00	660 -5.198,00
b) in respect of current assets	1661	661	662
8. Other operating expenses	1621 18	621 -941,00	622 -1.686,00

RCSL Nr. : B165560	Matricule : 2011 2227 262

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715	178.312,00	716	184.124,00
a) derived from affiliated undertakings	1717	19	717	178.312,00	718	184.124,00
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	48,00	728	4.889,00
a) derived from affiliated undertakings	1729	6	729		730	479,00
b) other interest and similar income	1731		731	48,00	732	4.410,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665		665		666	
14. Interest payable and similar expenses	1627	20	627	-134.834,00	628	-165.470,00
a) concerning affiliated undertakings	1629	13	629	-387,00	630	-56,00
b) other interest and similar expenses	1631		631	-134.447,00	632	-165.414,00
15. Tax on profit or loss	1635		635		636	
16. Profit or loss after taxation	1667		667	37.586,00	668	9.127,00
17. Other taxes not shown under items 1 to 16	1637		637	-80,00	638	
18. Profit or loss for the financial year	1669		669	37.506,00	670	9.127,00

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022

Note 1. General

Grand City Properties S.A. (“the Company”) was incorporated in Grand Duchy of Luxembourg on December 16, 2011 as a “Société Anonyme” (public limited liability company) in accordance with the Luxembourg Law of August 10, 1915, as amended, on Commercial Companies (the “Law”) for an unlimited period of time. Its registered office is at 37, Boulevard Joseph II, L-1840 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, predominantly in Germany and in London.

The Company did not operate any branch in 2022 and 2021.

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.

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, Germany.

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

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 1. General (continued)

Since July 1, 2021 the Group is consolidated in Aroundtown SA's, a public limited liability company ("Société Anonyme"), incorporated under the laws of the Grand Duché de Luxembourg. Aroundtown SA is a real estate company with a focus on income generating quality properties with value-add potential in central locations in top tier European cities.

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).

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 KEUR 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 going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

2.2 Comparative figures

The presentation of the annual accounts has been modified following the changes made to the standard chart of account and mapping table, when compared to the presentation used in respect of the financial year ended December 31, 2021. Consequently, and in order to ensure adequate comparability across both financial years, certain comparative figures in respect of the financial year ended December 31, 2021, have been reclassified.

2.3 Foreign currency transactions

Formation expenses, fixed assets in foreign currencies are kept at historical exchange rates at the Balance Sheet date.

Monetary assets and liabilities in foreign currencies are revalued at the exchange rate prevailing at the Balance Sheet date. Exchange gains and losses are recorded in the Profit and Loss account.

Other non-monetary assets and non-monetary liabilities in foreign currencies are kept at historical exchange rates or revalued at exchange rates prevailing at the Balance Sheet date, respectively if the latter rate is lower or higher. Accordingly, exchange losses are recognized immediately in the Profit and Loss account. Exchange gains are recorded in the Profit and Loss account at the moment of their realization.

2.4 Formation expenses

Formation expenses consist of share capital increase costs, credit facility costs and bonds subscription fees. They are amortized on a straight-line basis over a period of 5 years or over the lifetime of the related financial facility respectively.

Note 2. Summary of Significant Accounting Policies (continued)

2.4 Formation expenses (continued)

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/repurchase/redemption/conversion.

2.5 Tangible assets

Tangible assets are valued at purchase price including the expenses incidental thereto. They are depreciated over their estimated useful economic lives.

2.6 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.

2.7 Debtors

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

2.8 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 securitized 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.

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.

2.9 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 unrealized losses resulting from their revaluation.
In case of hedging an asset and/or a liability that is not recorded at fair value, unrealized gains or losses are deferred until the recognition of the realized losses or gains on the hedged items.

Commitments on those derivative financial instruments are disclosed in note 14.

Note 2. Summary of Significant Accounting Policies (continued)

2.10 Prepayments

The asset item includes expenditures incurred during the financial year but relating to subsequent financial year.

2.11 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.

Provisions may also be created to cover charges which have their origin in the financial year or in a previous financial year, the nature of which is clearly defined and which at the Balance Sheet date 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.

2.12 Creditors

Creditors are recorded at their nominal value.
Where the amount repayable on account is greater than the amount recived, the difference is shown as an asset and is amortized on a straight-line basis over the period of the debt.

2.13 Income and charges

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

2.13.1 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.

2.13.2 Dividend income

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

2.14 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.

2.15 Taxation

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

2.16 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.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 3. 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 estimation of the recoverable amount of the potentially impaired financial assets.

Note 4. Formation expenses

Formation expenses consist of share capital increase costs, credit facility costs and bonds subscription fees:

	2022	(*) 2021
	KEUR	
Gross book value - opening balance	**52,434**	**50,852**
Additions for the year	600	1,582
Gross book value - closing balance	**53,034**	**52,434**
Amortisation - opening balance	**(40,679)**	**(35,493)**
Amortisation for the year	(2,810)	(5,186)
Amortisation - closing balance	**(43,489)**	**(40,679)**
Net book value - opening balance	**11,755**	**15,359**
Net book value - closing balance	**9,545**	**11,755**

(*) reclassified

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 5. Shares in affiliated undertakings

On April 6, 2012, the Company acquired 94.80% of the shares of Grandcity Property Ltd ("GCP LTD") (formerly: Adminond Trading & Investments Ltd) from its shareholders.

The Company beneficially owns the following shares in affiliated undertakings:

Affiliate	Country	Percentage Holding	Acquisition Cost	Equity as at December 31, 2022 (*)	Profit (loss) for the year ended December 31, 2022 (*)
				KEUR	
Grandcity Property Ltd (With registered office at 54B Artemidos Avenue & Nikou Demetriou Corner, Scanner Avenue Tower, 2nd floor, 6031 Larnaca, Cyprus)	Cyprus	94,80%	(a) 6,604,153	7,656,083	97,265
Grandcity Holdings Ltd (ex: Tespomo Limited, With registered office at 54B Artemidos Avenue & Nikou Demetriou Corner, Scanner Avenue Tower, 2nd floor, 6031 Larnaca, Cyprus)	Cyprus	100%	(b) 357,395	246,857	(99,228)
Grand City Properties Holdings B.V. (With registered office at H.J.E. Wenckebachweg 123, 1096 AM Amsterdam)	The Netherlands	100%	2,383	2,359	(1)
Grand City Properties Holdings S.à r.l (37, Boulevard Joseph II, L-1840 Luxembourg)	Luxembourg	100%	16,321	4,146	(6)
			6,980,252	**7,909,445**	**(1,970)**

(*) Based on unaudited individual financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union as of December 31, 2022.

(a) As at December 31, 2022, the acquisition cost include an investment of KEUR 2 in ordinary shares and an investment of KEUR 6,604,151 in Redeemable Preference Shares.

(b) As at 31 December 2022, the acquisition cost include an investment of less than KEUR 1 in ordinary shares and an investment of KEUR 357,395 in 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 the affiliate.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 5. Shares in affiliated undertakings (continued)

On September 30, 2021, Grandcity Holdings Ltd ("GC Holdings LTD") issued 10 Redeemable Preference Shares to the Company for a total amount of KEUR 446,743. The consideration payable was assigned and fully offset by GCP LTD.

On August 16, 2022 GC Holdings LTD , redeemed 2 Redeemable Preference Shares that were held by the Company. The Redemption amount was KEUR 44,674 per Redeemable Preference Share for a total amount of KEUR 89,348 ("the Redemption Amount"). Following the redemption, GC Holdings LTD issued to the Company 2 new ordinary shares of EUR 1 each.

In the opinion of the Board of Directors, no value adjustments were required in respect of shares in affiliated undertakings as of December 31, 2022.

Note 6. Loans to affiliated undertakings

There is no outstanding principal and accrued interest as of December 31, 2022, and December 31, 2021.

The Company did not record any interest income related to loans to affiliated undertakings for the year ended December 31, 2022 (2021: KEUR 479).

Note 7. Other debtors becoming due and payable after more than one year

Other debtors consist of discount on straight bonds and Perpetual notes as disclosed below:

	2022	**(*) 2021**
	KEUR	
Opening balance	**76,074**	**81,499**
Additions for the year	-	22,396
Redemption/ buy-back for the year	-	(11,213)
Amortisation for the year	(16,805)	(16,684)
Foreign currency exchange losses (gain) and other finance expense	48	76
Gross book value - closing balance	**59,317**	**76,074**

(*) reclassified

Note 8. Capital and Reserves

Subscribed capital

	2022		2021	
	Number of shares	KEUR	Number of shares	KEUR
Authorized				
Ordinary shares of EUR 0.10 each (issued and fully paid)	400.000.000	40.000	400.000.000	40.000
Balance as of January 1,	**176,187,899**	**17,619**	**171,864,050**	**17,186**
Issuance of new ordinary share as part of scrip dividend	-	-	4,323,849	433
Balance on December 31,	**176,187,899**	**17,619**	**176,187,899**	**17,619**

There are no uncalled and called but not paid share capital.

Issued capital during 2021-2022

On July 26, 2021, the Company issued 4,323,849 new shares in connection with the scrip dividend.

During the reporting period the Company had not issued any new shares.

Company's shares held by Grandcity Holdings Ltd

(a) 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 of EUR 21.25 per share in total amount of KEUR 71,628. The settlement was completed on February 23, 2021. The Company has transferred the shares to its fully owned subsidiary GC Holdings LTD.

(b) On March 15, 2021 the Board of Directors resolved on share buy-back program on the stock exchange by the Company or a subsidiary of the Company. The volume of the proposed buy-back program amounted to up to EUR 200 million and was limited to a maximum of 10 million shares in the Company. The program started on March 16, 2021 and was valid until December 31, 2021.
During the period, GC Holdings LTD bought 8,973,809 Company's shares in total amount of KEUR 200,153 (including transaction costs).

(c) 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 distributions the strike price has been adjusted to 15.549.

On May 26, 2021, the option holder exercised the call option. As a result, the Company received the aggregate strike price of KEUR 17,104 and delivered 1.1 million of its shares held by GC Holdings LTD. For the shares delivered by GC Holdings LTD, the Company paid KEUR 26,356, and thus, a loss of KEUR 2,235 has been recorded.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 8. Capital and Reserves (continued)

Company's shares held by Grandcity Holdings Ltd (continued)

(d) On July 15, 2022 in connection with the scrip dividend, 7,360,307 shares held by GC Holdings LTD have been delivered to shareholders who opted to receive their dividend in the form of new ordinary shares of the Company (2021: nil). For the shares delivered, the Company paid KEUR 99,216, and thus, a loss of KEUR 17,976 has been recorded.

As a result of the scrip dividend and the delivery of the Company's own shares held by GC Holding LTD to the Company's shareholders and the offset of the Redemption Amount of KEUR 89,348 (see note 5), the outstanding payable amount to GC Holdings LTD as of December 31, 2022 amounted to KEUR 9,868 (2021: nil).

The voting rights of the Company's shares held by GC Holdings LTD are suspended.

As at December. 31, 2022 the Company shares held by GC Holdings LTD amounted to 3,862,089 shares (2021: 11,225,841).

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.

	2022	2021
	KEUR	
Balance as of January 1,	**460,883**	**514,911**
Dividend distribution	(137,580)	(136,433)
Issuance of new ordinary shares	-	82,405
Balance on December 31,	**323,303**	**460,883**

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
2020	82.32	136,433	July 01, 2021	July 20, 2021
2021	83.40	137,580	June 30, 2022	July 19, 2022

Note 8. Capital and Reserves (continued)

Share premium account (continued)

On June 29, 2022, the Annual General Meeting of the shareholders of the Company has resolved upon a dividend distribution of EUR 0.8340 (gross) per share for the year 2021 (2021: 0.8232 (gross) per share for the year 2020). The total gross amount of the dividend amounted to KEUR 137,580 (2021: KEUR 136,433) and was deducted from the share premium account.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. 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. On 15 July 2022, the Company announced that the shareholders of approximately 115 million shares opted to receive their dividend in the form of new ordinary shares of the Company. Accordingly, 7.3 million shares held by GC Holdings LTD (2021: 4.3 million new shares) have been delivered to shareholders in connection with the scrip dividend and the remainder of the dividend in total amount of approximately EUR 56.3 million (2021: EUR 53.7 million) has been paid in cash.

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.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 9. Share-based payment agreements

A. Description of share-based payment arrangements

As of December 31, 2022, the Company had the following share-based payment arrangements:

Incentive share plan

On June 25, 2014, 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 target 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 the Net Asset Value ("NAV") per share and Funds from Operations ("FFO") per share.

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, 2019 – June 30, 2026	434 thousand	2.59 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:

	2022	2021
	Number of shares	Number of shares
	In thousands	
Outstanding on January 1	413	297
Granted during the year, net	32	232
Exercised during the year (*)	(11)	(116)
Outstanding on December 31	**434**	**413**

(*) In accordance with the terms and conditions of the incentive share plan, the Group withheld 4 thousand (2021: 46 thousand) shares equal to the monetary value of the employee's tax obligation from the total number of shares exercised. In addition, 4 thousand (2021: 51 thousand) shares have been settled in cash. As a result, only 3 thousand (2021: 19 thousand) shares were transferred from the Company's shares held by GC Holdings LTD.

Grand City Properties S.A.

Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 10. Convertible bond, Straight bond and Perpetual notes

	Note	Nominal amount outstanding	Effective coupon	Placement	Maturity/ First call	As at December 31 2022	As at December 31 2021
		In thousands				KEUR	
10a. Convertible bond							
becoming due and payable within one year							
Convertible bond series F	(f),(h),(j)	EUR 450,000	0.25%	Mar-16	Mar-22	-	450,000
Accrued interest on convertible bond						-	370
						-	**450,370**
10b. Straight bonds and perpetual notes							
becoming due and payable after more than one year							
Straight bond series E	(a),(e),(i)	EUR 205,600	1.50%	Apr-15	Apr-25	205,600	205,600
Straight bond series G		EUR 600,000	1.38%	Aug-17	Aug-26	600,000	600,000
Straight bond series H		EUR 255,000	2.00%	Oct-17	Oct-32	255,000	255,000
Straight bond series I	(l)	HKD 900,000	(*) 1.00%	Feb-18	Feb-28	108,221	101,887
Straight bond series J		EUR 667,600	1.50%	Feb-18	Feb-27	667,600	667,600
Straight bond series K		CHF 125,000	0.96%	Mar-18	Sep-26	126,942	120,995
Straight bond series L		JPY 7,500,000	1.40%	Jun-18	Jun-38	53,320	57,524
Straight bond series M	(m)	EUR 47,000	(*) 1.70%	Jul-18	Jul-33	47,000	47,000
Straight bond series N		EUR 88,000	(*) 1.71% + 3M Euribor	Feb-19	Feb-39	88,000	88,000
Straight bond series O		EUR 15,000	(*) 1.68% + 3M Euribor	Feb-19	Feb-34	15,000	15,000
Straight bond series P		HKD 290,000	(*) 1.38% +3M Euribor	Mar-19	Mar-29	34,871	32,831
Straight bond series Q		CHF 130,000	0.57%	Jun-19	Jun-24	132,020	125,835
Straight bond series R		EUR 40,000	2.50%	Jun-19	Jun-39	40,000	40,000
Straight bond series U		EUR 80,000	0.75%	Jul-19	Jul-25	80,000	80,000
Straight bond series V	(n)	EUR 70,000	(*) 1.50%	Aug-19	Aug-34	70,000	70,000
Straight bond series W	(a),(e),(i)	EUR 204,700	1.7%	Apr- 20	Apr- 24	204,700	204,700
Straight bond series X	(a)	EUR 1,000,000	0.125%	Jan- 21	Jan- 28	1,000,000	1,000,000
Perpetual Notes 2	(k)	EUR 200,000	2.75%	Sep-16	Jan-23	200,000	200,000
Perpetual Notes 3		EUR 350,000	2.5%	Apr-18	Oct-23	350,000	350,000
Perpetual Notes 4		EUR 700,000	1.5%	Dec-20	Jun-26	700,000	700,000
						4,978,274	**4,961,972**
becoming due and payable within one year							
Accrued interest straight bonds						26,758	26,310
Accrued interest perpetual notes						12,696	12,696
						39,454	**39,006**
Total straight bond, convertible bond, perpetual notes and accrued interest						**5,017,728**	**5,451,348**

(*) Including hedging impact

Grand City Properties S.A.

Notes to the annual accounts
For the year ended December 31, 2022 (continued)

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

As of December 31,2022, the Company has established a EUR 10 billion EMTN programme. Notes issued under the EMTN programme are guaranteed by the Company.

<u>Movement during 2021-2022</u>

(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 (due April 2025) and W (due April 2024) 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 redeemed EUR 60.5 million principal amount of straight bond series S.

(c) 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.

(d) On April 5, 2021 the Company redeemed EUR 25 million principal amount of straight bond series D.

(e) On May 14, 2021 the Company bought back additional EUR 39.6 million and EUR 100.4 million principal amount of straight bond series E and W for a purchase price of 106.325% and 105.436% of the nominal amount respectively, excluding any accrued interest.

(f) On July 8, 2021, as a result of the dividend distribution, the conversion price of the convertible bond series F has been adjusted from EUR 23.9270 to EUR 23.1391.

(g) On July 26, 2021 the Company redeemed EUR 52 million principal amount of straight bond series T.

(h) On September 29, 2021, the Company has entered into agreement with its parent company, Edolaxia Group Ltd. (“Edolaxia LTD”), in which the Company sold EUR 169.2 million principal amount of its convertible bond series F with Euro coupon 0.25% (due March 2022), previously held in treasury, to Edolaxia LTD for a total consideration of EUR 172.7 million, reflecting the bonds’ fair value based on the quoted price as at the transaction date, including accrued interest. The Company accounted for the transaction as an issuance of convertible bond and recognized a convertible bond liability of EUR 169.2 million (reflecting the fair value of bonds with similar characteristics, without the conversion feature), and the remainder of the consideration of EUR 3.5 million was recognized as one-off gain.

(i) On November 15, 2021 the Company bought back additional EUR 32 million and EUR 74.9 million principal amount of straight bond series E and W for a purchase price of 105.221% and 104.487% of the nominal amount respectively, excluding any accrued interest.

(j) On March 2, 2022, the Company redeemed EUR million 450 principal amount of convertible bond series F with 0.25% coupon (due March 2022) of which EUR 186.7 million of principal amount were held by subsidiaries of Aroundtown S.A (“the ultimate controlling party”).

(k) At the end of 2022, the Company announced its decision not to call the EUR 200 million of perpetual notes 2 which had its first call date on January 2023.

(l) The effective coupon rate for straight bond series I until 2023 is 1.00%; starting February 2023, 6M Euribor + 1.1725%.

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

(m) The effective coupon rate for straight bond series M until 2023 is 1.70%; starting July 2023, 6M Euribor + 1.39%.

(n) The effective coupon rate for straight bond series V until 2024 is 1.50%; starting August 2024, 1.472%+ 6M Euribor.

Note 11. Security, negative pledge

The Company's outstanding series of bonds contain a customary negative pledge clause that prohibits the Company, so long as any of the Senior Notes remain outstanding, from creating or having outstanding any Security Interest (other than a Permitted Security Interest) upon any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Capital Markets Indebtedness, unless the Company promptly takes any and all action necessary to ensure that:

(i) all amounts payable by it under the Senior Notes and the Trust Deed are secured by the Security Interest equally and rateably with the Capital Markets Indebtedness to the satisfaction of the Trustee; or
(ii) such other Security Interest or other arrangement is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Senior Noteholders or (ii) as is approved by an Extraordinary Resolution of the Senior Noteholders. The Company's Series E bonds contain a substantially similar negative pledge.

Note 12. Covenants in accordance with the bonds' terms and conditions

Under its outstanding bond series, the Company has covenanted, among other things, the following (capitalised terms have the meanings set forth in the relevant bond series):

1. The Company undertakes that it will not, and will procure that none of its subsidiaries will, up to (and including) the Final Discharge Date, incur any Indebtedness (other than Refinancing Indebtedness) if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence:

    a. The sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) ((in case of bonds other than the series E bonds) the value of all assets acquired or contracted for acquisition by the Group as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Company in the latest Financial Statements as certified by the auditors of the Company, since the Last Reporting Date)/ ((in case of the Series E bonds) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date); and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);) and

Note 12. Covenants in accordance with the bonds' terms and conditions (continued)

b. The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series E Bonds and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series E Bonds and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) ((in case of bonds other than the Series E bonds) the value of all assets acquired or contracted for acquisition by the Group as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Company in the latest Financial Statements as certified by the auditors of the Company, since the Last Reporting Date/ ((in case of Series E bonds) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date); and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);

2. The Company undertakes that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125% of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date.

3. Up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 1.8 (excluding the Series E bonds, for which the Consolidated Coverage Ratio will be at least 2.0).

As at 31 December 2022 under its outstanding bond series the Group is fully compliant with its covenants.

Note 13. Related parties

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

	2022	**2021**
	KEUR	
Dividend income from affiliated undertakings (note 19)	178,312	184,124
Consultancy services fees income- GCP LTD (note 15)	700	700
Interest income from loans to affiliated undertakings (note 6)	-	479
Profit from disposal of convertible bond F (note 10(h))	-	3,551
Brokerage fees expenses- GCP LTD (note 16)	-	(3,500)
Consultancy services fees expenses- ATCP management GmbH (note 18)	(500)	(500)
Director fees (note 18)	186	323
Interest expenses on convertible bond F (note 10(h))	(79)	(111)
Interest expenses on loans from affiliated undertakings (note 20)	(387)	(56)

As at December 31, 2022 the Company had no outstanding payable amount to ATCP management GmbH (Aroundtown SA's subsidiary) (2021: KEUR 250).

As at December 31, 2022 the Company had outstanding payable to GCP LTD in the amount of KEUR 1,812,966 (2021: KEUR 1,449,244).

As at December 31, 2022 the Company had outstanding payable amount to GC Holdings LTD in the amount of KEUR 9,868 (2021: KEUR nil) (see also note 8 and note 9B).

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, 8, 9, 10, 13 and 19.

Grand City Properties S.A.

Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 14. 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, 2022	Unrealized gains (losses) not recorded in profit or loss account	Realized gains (losses) recorded in profit or loss account
					in KEUR	in KEUR	in KEUR
Currency risk	Forward	KEUR 1,745,403	KGBP 1,565,000	2023-2024	1,430	70,002	(17,127)
Currency risk	Swap	KCHF 130,000	KEUR 119,441	2024	15,173	8,051	-
Currency risk	Swap	KCHF 125,000	KEUR 116,233	2026	15,652	9,706	-
Currency risk	Swap	KHKD 900,000	KEUR 92,631	2028	9,612	(3,943)	2,513
Currency risk	Swap	KHKD 290,000	KEUR 32,768	2029	(183)	(2,021)	807
Currency risk	Swap	KJPY 7,500,000	KEUR 75,500	2038	(365)	11,188	-

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, unrealized losses and realized gains as at December 31, 2022 are KEUR 37,951 liability, KEUR 38,005 and KEUR 1,839 respectively (2021: fair value, unrealized losses and realized gains are KEUR 1,893, KEUR 9,785 and KEUR 2,015 respectively).

In 2022, total realized losses in the amount of KEUR 11,968 (2021: KEUR 1,975 realized gain) were disclosed in note 20 as part of other finance costs. For additional info see also note 10.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 15. Turnover

The net turnover concerns consultancy services (see note 13).

Note 16. Other external expenses

	For the year ended December 31,	
	2022	**(*) 2021**
	KEUR	
Insurance, telephone and other administrative expenses	553	479
Legal and professional fees	624	895
Advertising and marketing expenses	173	132
Bank fees, bank interest and other financial transaction costs	914	2,632
Brokerage fees from services rendered by affiliated undertakings	-	3,500
Audit and non-audit service fess (note 17)	371	323
Total	**2,635**	**7,961**

(*) reclassified

Note 17. Audit and non-audit services

	For the year ended December 31,	
	2022	**2021**
	KEUR	
Audit fees	345	283
Audit related fees	22	36
Tax related and other fees	4	4
Total	**371**	**323**

Note 18. Other operating expenses

	For the year ended December 31,	
	2022	**(*) 2021**
	KEUR	
Director fees	186	323
Consultancy services fees expenses	500	500
Non-deductible VAT expenses and other tax and duties	255	863
Total	**941**	**1,686**

(*) reclassified

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 19. Dividend income from affiliated undertakings

Grandcity Property Ltd

On December 31, 2022, GCP LTD distributed a preferred dividend to the Redeemable Preference Shares' holders. The dividend has been calculated at a rate of 2.7% (2021: 2.7%) 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 178,312 (2021: KEUR 178,312).

Grand City Properties Holdings B.V

On July 1, 2021, Grand City Properties Holdings B.V ("GCP Holdings B.V"), distributed dividend in kind in total amount of KEUR 5,812.

During the reporting period no dividend was distributed from GCP Holdings B.V.

Note 20. Interest payable and similar expenses

Interest payable and similar expenses consist of the following:

	For the year ended December 31,	
	2022	**(*) 2021**
	KEUR	
Straight and convertible bonds (note 10)	45,999	48,479
Perpetual notes (note 10)	24,750	25,042
Other finance costs (**)	63,698	91,893
Interest expenses on loan from affiliated undertakings (note 13)	387	56
Total	**134,834**	**165,470**

(*) reclassified

(**) Other finance cost includes straight and convertible bonds foreign currency exchange differences, amortization of discount (note 7), derivatives financial instruments realized results (note 14) and results from disposal of financial assets.
In addition, other finance costs in 2021 included results on buy-back of straight bond series E and W of KEUR 27,796 and KEUR 27,481 respectively.

Note 21. 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.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2022 (continued)

Note 21. Financial risk management (continued)

(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.

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 rate risks, liquidity risks, credit risks, regulatory and legal risks, collection and tenant deficiencies, the need for unexpected capital investments, and market downturn risk.
Grand City Properties S.A. sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default

Geopolitical situation involving Russia and Ukraine

On 24 February 2022, following several months of increasing escalation, Russia announced the beginning of a “special military operation” in Ukraine. Following the announcement, Russia started moving military forces into Ukraine and launched missile strikes and air-strikes at targets across Ukraine, initiating a full-scale invasion of Ukraine (the Invasion) and hostilities have continued since then. The Invasion has received widespread international condemnation and in reaction to Russian hostilities many nations and organisations, including Germany and the European Union, have announced sanctions against Russia, Russian companies, and individuals in and from Russia. These sanctions, as well as increased uncertainty resulting from the Invasion, have so far resulted in increased volatility in financial markets and increases in prices for a range of commodities, particularly in energy prices, among others.
The Group is not directly impacted by the Invasion, as neither its portfolio nor its operations have direct exposure to Ukraine or Russia. However, the Group is impacted by the indirect consequences of the Invasion. As a result of the Invasion, inflationary pressures have increased, specifically heating and energy costs, which have an impact on the operating costs of the Group. Such pressures may also have an impact on the ability of the Group’s tenants to pay rent and/or for the Company to recover expenses related to recoverable expenses from tenants. Furthermore, higher levels of inflation have impacted interest rates and borrowing costs, while increased volatility in the capital markets have reduced the Company’s ability to raise capital at attractive prices, resulting in an increase in its cost of capital and potentially limiting its growth opportunities.
As a result of the large number of refugees that have entered and are expected to continue enter the European Union and Germany following the Invasion. This is has resulted in an increased strain on the residential real estate market in Germany. This further exacerbates the supply and demand mismatch, increase political pressure for home construction and lead to higher utilisation of already limited construction capacity, which may result in increased construction costs and delays, particularly in the event that the crisis is prolonged.
While the Invasion is currently limited to Ukraine on one side and Russia and several of its allies on the other, continued escalation may result in other countries joining the conflict and at this stage the Company is unable to assess the full impact of such a scenario on the Company, and the likelihood of its occurrence.

Note 21. Financial risk management (continued)

Inflation environment

The COVID-19 pandemic, supply chain disruptions, the high amount of cash injected into the market as a monetary response and the geopolitical situation around Russia and Ukraine, have further resulted in a high inflationary environment. Inflationary pressure has been particularly strong in energy prices, in particular for oil and gas, caused by the Invasion, and material prices, and there is much uncertainty as to the development of prices in the near future. This may also result in tenant's inability to bear the costs that are passed through to them as part of the lease agreements. It cannot be ruled out that losses of rent will occur in the future or that the Group will be unable to collect operating costs from tenants and that the Group will lose considerable rental income.
Higher levels of inflation particularly for energy and materials may have an impact on the Company's ability to acquire materials for capex measures at a reasonable price and increase utility costs or result in delays across the Group's operations. Furthermore, higher levels of inflation across the economy result in higher personnel expenses and expenses related to external services, which could have a negative impact on the Group's profitability. In addition, higher levels of inflation resulted in increases in interest rates and volatility in capital markets, which has a negative impact on the cost of new financing for the Company on one hand and may put further upward pressure on discount rates and cap rates if prolonged, which could consequently have a further adverse impact on the fair value of the Group's assets and share price performance.

Interest rates
In order to battle the increased inflation levels, the European Central Bank has raised interest rate levels rapidly, and has declared that it would continue to do so until inflation slows down and it reached the desired level. This has led to a significant rise in interest rates in Germany and throughout the Eurozone and could result in a decrease in the attractiveness of real estate investments, resulting in lower demand for real estate and broad declines in real estate valuations, among other effects. This could lead to an increased default on loan repayments, which also could cause banks to increase their interest rates. An increase in interest rates could adversely impact the Group's business in a number of ways, including:

- The discount and cap rates used to calculate the value of the Group's properties recorded on the Company's balance sheet in accordance with International Accounting Standard ("**IAS**") IAS 40 tends to increase in an environment of rising interest rates, which in turn could result in the Group's properties having a lower fair value.

- Although the Company's current debt structure primarily involves debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest rate hedging agreements, the increase in interest rates may have a negative impact on the Groups's ability to refinance existing debt or incur additional debt on favourable terms. Financial institutions such as banks may also be subject to increased equity requirements and balance sheet regulations resulting in restraints to lend out money to customers which could make it more difficult for the Company to obtain bank financing at desired terms. In general, rising interest rates (or market expectations regarding future increases in interest rates) would make financing required by the Company for its refinancing acquisition, capital expenditure and/or other real estate activities more expensive, which could reduce the Company's profits.

Note 21. Financial risk management (continued)

Interest rates (continued)

- When negotiating financing agreements or extending such agreements, the Company depends on its ability to agree to terms and conditions that will provide for interest payments that will not impair its profit targets, and for amortisation schedules that do not restrict its ability to pay intended dividends. Further, the Company may be unable to enter into hedging instruments that may become necessary if variable interest rates are agreed upon or may only be able to do so at significant costs. If the current environment in which high rates prevail will remain for a prolonged period, the Company's financing costs, including costs for hedging instruments, may increase, which would likely reduce GCP's profits.

- The Company's equity includes a material amount of perpetual notes. Such notes include in their terms a reset of their respective interest rates every five years ("reset date"), starting from the first call date, based on a specified margin plus a 5-year swap rate ("reset rate"). If a reset date falls in a period of high interest rates it is likely that such notes will carry a materially higher interest going forward, thereby reducing the profits available to shareholders. Furthermore, the Company generally aims to replace its perpetual notes issues on their first voluntary call date by a new issue. In times of high market uncertainty, the rates that the Company would pay on a new issuance may differ materially from the reset rate, it may therefore be uneconomical for the Company to call the respective notes and issue new notes, as has been the case with its notes with the first call date in January 2023, which may impact market expectations and the Company's access to capital.

- The willingness of purchasers to acquire real estate in an environment of rising interest rates may be negatively affected, thereby restricting the Groups's ability to dispose of its properties on favourable terms when desired. Most purchasers finance their acquisitions with lender provided financing through mortgages and comparable security (in Germany so-called land charges). Lack of availability of such financing at attractive rates therefore reduces demand for properties.

Any of the foregoing factors may have a material adverse effect on the Group's business, net assets, financial condition, cash flows and results of operations.

Climate related risks

The significant impact of human activity on ecosystems and the climate have become apparent in recent years, with temperatures rising, severe weather events such as drought, floods and wildfires occurring more frequently, changes in rainfall patterns and mean global sea levels rising, as well as increased pressures on biodiversity, among others. As a result climate risks have increased and environmental impacts have become more important in the decision making of investors, lenders, regulators and consumers. As a result, the Company does not only face changing physical climate risks but also transitional climate risks resulting from changes in investor and consumer demand, from regulatory changes as well as from other societal factors.

The Company faces several physical climate-related risks. As a result of changing climate patterns severe weather events in the Group's regions become more likely, which may result in more frequent flooding or other weather-related damages. The Company actively attempts to identify these risks and implement measures to mitigate the impact of such risks to the Company, for example through insurance.

Note 21. Financial risk management (continued)

Climate related risks (continued)

However, it cannot be guaranteed that the Company correctly identifies all risks and therefore may under- or over insure against such risk. Furthermore, increased occurrence of severe weather events will likely result in higher insurance premiums. In addition, increased flood risk as well as increasing sea levels put increased stress on dikes, levees and related infrastructure which will likely result in higher costs for such infrastructure which in turn may lead to higher fees and taxes to fund the increased costs, particularly impacting the Group's assets situated in regions affected by increased flood risk and/or rising sea levels. While the above-mentioned insurance costs, taxes and fees can generally be passed on to tenants through the service charges, in case of vacancies such costs are carried by the Company.

In addition to physical climate-related risks the Company also faces transitional risks. As a result of the more apparent impact of climate changes in recent years regulators have increased their efforts to mitigate current as well es expected future impacts of climate change through a wide range of regulations.

As part of its Climate Action Programme 2030, the German federal government has introduced a fixed price for carbon dioxide emissions in the transport and real estate sectors as from January 2021. The price per metric ton of carbon dioxide emitted as heating or fuel emissions (CO2 and CO2 levy) was set at an initial price of EUR 25.00 per metric ton of carbon dioxide and will, based on the current regime, gradually increase to EUR 45.00 per metric ton until 2025 and increase further thereafter. On 1 January 2023 the Carbon Dioxide Cost Sharing Act came into effect, according to which the landlord will be obliged to bear part of the costs (previously carried in full by tenants). For residential buildings, a 10-step tiered model is introduced that splits the CO2 costs based on the emissions of the building. For residential buildings with a particularly poor energy balance (>=52 kg CO2/m2/a), landlords shall bear 95 percent and tenants five percent of the CO2 costs. However, if the building meets at least the very efficient standard (EH 55; <12 kg CO2/m2/a), landlords do not have to bear any CO2 costs. For non-residential buildings, a 50-50 solution is regulated. The CO2 costs will be divided equally between tenant and landlord, unless another split is negotiated in the lease agreement. From 2025 a similar tiered model is planned also for non-residential buildings. The shifting of some or all of the relevant costs to landlords will have a negative effect on the Company's operating margins and financial results.

Emerging regulations in the Group's regions pursuing a phase-out of fossil fuels and improved energy efficiency present technological risks to the company which requires careful attention when planning maintenance and capex measures. Some examples are Germany's Building Energy Act (GEG), which bans the installation of new oil heating systems in 2026 and the UK's Heat and Buildings Strategy banning gas boilers from new builds in 2026 and then entirely banning installation of gas boilers starting in 2035. At the EU level, the Energy Performance of Buildings Directive was updated in 2021, and national-level iterations are rolling out. In the UK the Domestic Minimum Energy Efficiency Standard limits letting of properties with EPC ratings F or G, with a bill proposal under review which would prohibit lettings in buildings with EPC ratings D or lower from 2025 for new lettings and 2028 for existing leases.

Note 21. Financial risk management (continued)

Climate related risks (continued)

The increased focus of regulators and market participants has additionally resulted in increased reporting and transparency requirements for companies. Higher reporting and transparency requirements result in increased administrative hurdles and costs for the Company, negatively impacting its efficiency and financial results. Furthermore, the Group's sustainability strategy incorporates self-set targets for material environmental, social and corporate governance matters (ESG). If any of these self-set ESG goals are not met, this could damage the Company's reputation.

Considering the increasing focus of market participants and lenders on sustainability and "green financing", this could have a negative impact on the Company's refinancing and access to further financing, for example, via the capital market or by taking out loans, at all or on attractive terms. If the Company fails to meet expectations and trends related to sustainability aspects in a timely manner or at all, there could be a decline in demand from tenants. Furthermore, this could also lead to investors not investing or no longer investing in the Company's bonds or shares, as they also expect ESG goals to be met. From a regulatory perspective, failure to achieve the sustainability goals may also have a negative impact on the Company. For example, the introduction of the CO2 levy, minimum energy performance standards or further tightening of regulatory requirements to achieve alignment with the targets of the Paris Agreement could directly or indirectly increase the Group's costs or decrease rental income. To take on a proactive approach, the Company has developed a CO2 pathway to guide the investment in on-site renewable energy and building energy efficiency improvements needed to achieve it's 2030 emission reduction target while enabling further emission reductions down the line.

In order mitigate risks related to CO2 emissions, and in order to reach the Company's environmental targets, the Group is developing an investment program, which covers a wide variety of activities involving both energy efficiency improvements and renewable energy projects. The size and scope of the investment program depends on the availability of governmental subsidies and grants, as is also subject to increasing cost of material. Furthermore, potential new requirements set by the regulators or set as a market standard, could increase the amount the Company would need to invest and potentially accelerate the execution time of the investment program.

In order to align with best practices on assessing, responding to, and reporting on climate-related risks, the Company has committed to begin the process of aligning to the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations framework. As part of this process, the Company launched a climate-related risk assessment in 2022, with the most prominent climate-related risks already integrated into the enterprise risk management system. The Building Resilience Task Force was also launched to further develop control mechanisms and risk mitigation measures for climate-related risks. To better understand the Company's exposure to physical risks, an analysis was commissioned involving the development of physical risk trends in four climate change scenarios through 2100. This analysis will inform the Company in determining which risks are material in order to begin developing adaptation solutions.

Note 22. Staff

The Company employed an average of 3 persons (2021: 3) during the financial year.

Note 23. Taxation

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

Note 24. Commitment and contingencies

The Company has no material commitments as at December 31, 2022 and 2021, except for the commitments detailed in note 14.

Note 25. Subsequent events

(a) During the first quarter of 2023 the Company signed a new unsecured bank loan for an amount of euro 60 million.