2014 H1

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2014

GRAND CITY
Properties S.A.

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CONTENT

IMPRINT

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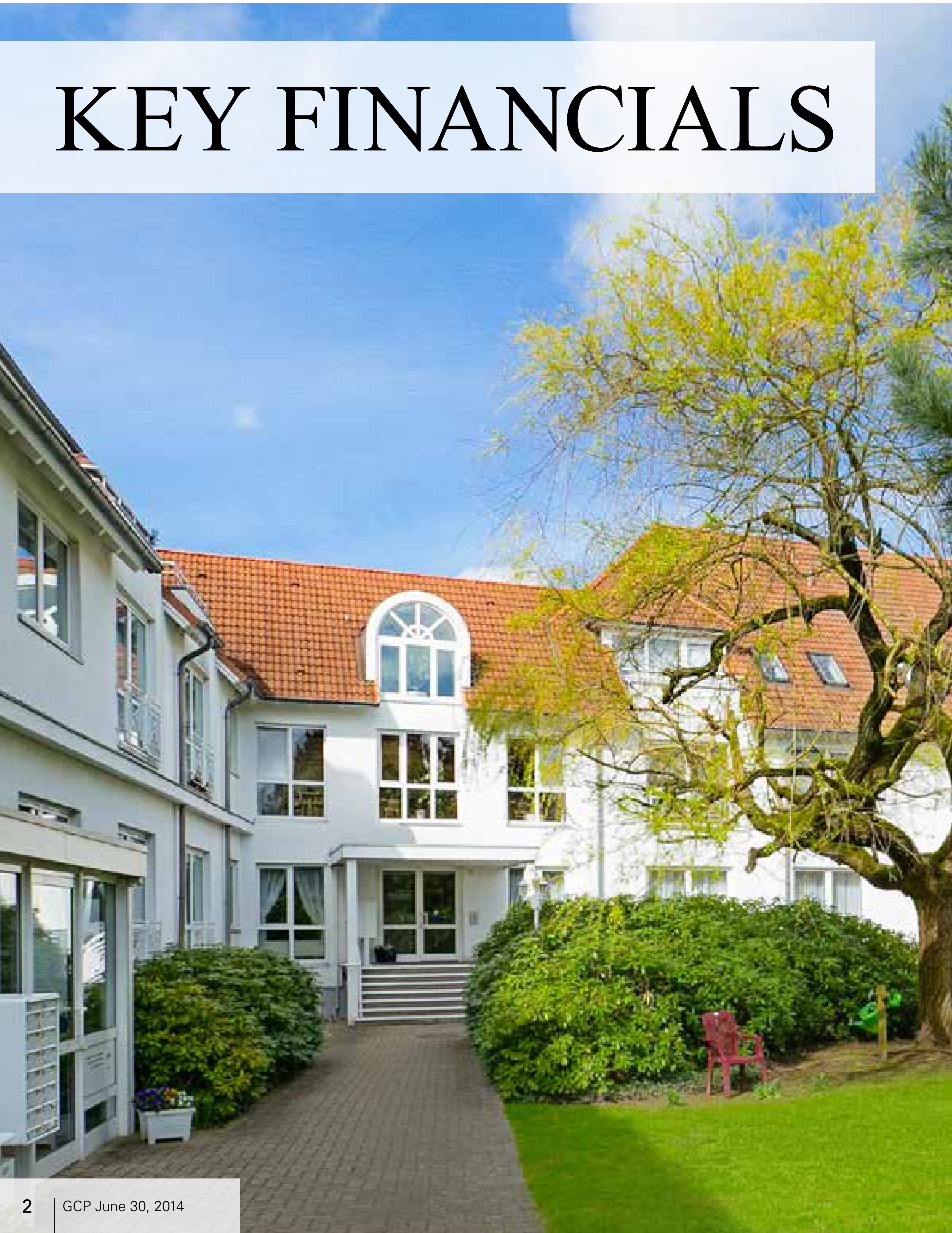
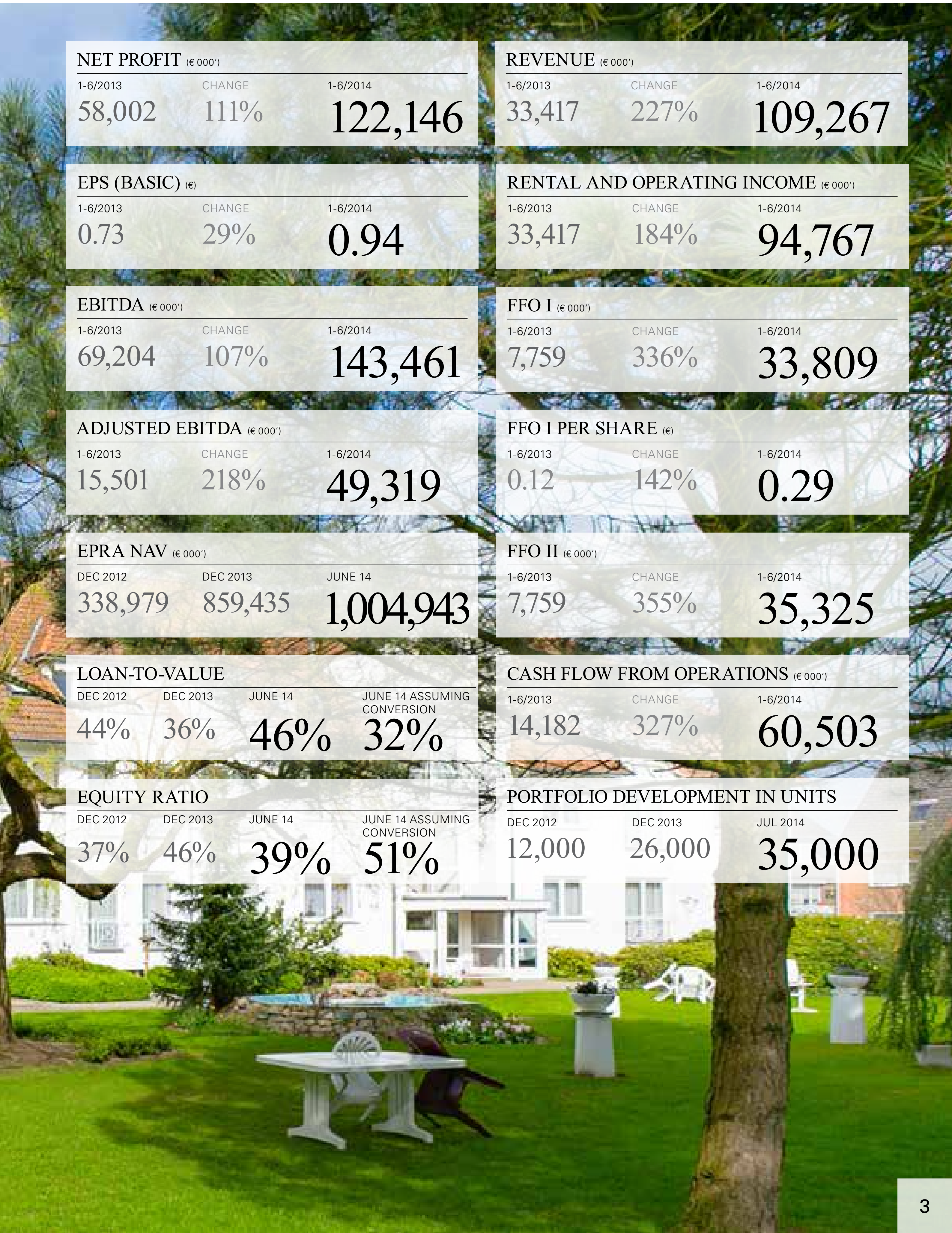
KEY FINANCIALS





NET PROFIT (€ 000')

1-6/2013	CHANGE	1-6/2014
58,002	111%	122,146

REVENUE (€ 000')

1-6/2013	CHANGE	1-6/2014
33,417	227%	109,267

EPS (BASIC) (€)

1-6/2013	CHANGE	1-6/2014
0.73	29%	0.94

RENTAL AND OPERATING INCOME (€ 000')

1-6/2013	CHANGE	1-6/2014
33,417	184%	94,767

EBITDA (€ 000')

1-6/2013	CHANGE	1-6/2014
69,204	107%	143,461

FFO I (€ 000')

1-6/2013	CHANGE	1-6/2014
7,759	336%	33,809

ADJUSTED EBITDA (€ 000')

1-6/2013	CHANGE	1-6/2014
15,501	218%	49,319

FFO I PER SHARE (€)

1-6/2013	CHANGE	1-6/2014
0.12	142%	0.29

EPRA NAV (€ 000')

DEC 2012	DEC 2013	JUNE 14
338,979	859,435	1,004,943

FFO II (€ 000')

1-6/2013	CHANGE	1-6/2014
7,759	355%	35,325

LOAN-TO-VALUE

DEC 2012	DEC 2013	JUNE 14	JUNE 14 ASSUMING CONVERSION
44%	36%	46%	32%

CASH FLOW FROM OPERATIONS (€ 000')

1-6/2013	CHANGE	1-6/2014
14,182	327%	60,503

EQUITY RATIO

DEC 2012	DEC 2013	JUNE 14	JUNE 14 ASSUMING CONVERSION
37%	46%	39%	51%

PORTFOLIO DEVELOPMENT IN UNITS

DEC 2012	DEC 2013	JUL 2014
12,000	26,000	35,000

ACHIEVEMENTS

OPERATIONAL HIGHLIGHTS – PORTFOLIO GROWTH WELL ON TRACK WITH SUCCESSFUL TURNAROUND STRATEGY

- Total portfolio exhibited continuous growth to approx. 35,000 units in comparison to 26,000 in Dec 2013.
- Proportion of the stabilized portfolio increased from 33% as of December 2013 to 37% as of July 2014
- Rental and operating income increased in H1 2014 by 184% YOY to Euro 94.8 million
- "Run rate" of rental and operating income (monthly annualized), representing the July 2014 portfolio, increased to approx. Euro 205 million
- Takeover of properties in H1 2014 of approx. Euro 350 million
- As of July 2014 the in-place rent reached 5.05 €/m^2 and vacancy at 14.5%

FINANCIAL HIGHLIGHTS

- Maintaining a healthy debt structure and leverage with 46% LTV (32% assuming convertibles conversion) and 39% equity ratio (51% assuming conversion)
- Financial headroom remains high for further growth with 43% unencumbered assets
- Robust debt-cover ratios in line with Company's strategy to keep a strong financial profile, achieving ICR of 4.19 and DSCR of 3.25. Well maintained bank covenants with significant headroom going forward

CAPITAL MARKETS HIGHLIGHTS

- In February 2014, GCP issued a 5 year convertible bond series C of Euro 150 million, bearing a coupon rate of 1.5% with J.P. Morgan, Berenberg and Deutsche Bank as bookrunners
- In June 2014, GCP carried out a tap issue of convertible bonds Series C with gross proceeds of Euro 140 million, at 111.25% of their principle amount reflecting an effective yield-to- maturity of below 0.5%
- In April 2014, GCP carried out a tap issue of its straight bonds Series B with gross proceeds of Euro 160 million. The additional bonds were issued at 107.25% with a yield-to-call (YTC) of 3.85% with Morgan Stanley as bookrunner
- S&P rating as of February 2014 BB+ with a stable outlook upgraded twice within one year from BB- in February 2013 and BB in November 2013. Their rating applies to both the Company and bonds

LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We are pleased to present you another successful report with strong numbers. GCP's growth continues in 2014 with additional 9,000 units to 35,000 units in July 2014. We have reached a rental income run rate, annualizing of our July 2014 portfolio, of Euro 205 million, with further acquisitions in the pipeline. Increasing the stabilized portion is picking up pace in every aspect. As of July 2014 around 13,000 units (37%) of our portfolio are in stabilized stage with vacancy rates below 5% compared to 33% in December 2013.

The real estate management company we acquired this year is in the process of integration into our management platform. Due to the similar locations with the focus on turnaround and optimization, GCP is able to implement synergies. Cost saving measures are starting to materialize already, and we expect to realize the potential by next year. After the implementation, the Company employs approx. 350 employees. The management company is an integral part in managing the acquired units and supports the value creation process.

Since inception of GCP our acquisition team has focused on fast and smooth transaction closing. We believe our deal sources prefer us as counterparty as we provide professional and secure offers. Financing of the deals is executed through our liquidity positions and is not subject to bank financing. Our high rate of unencumbered asset of 43% reflects this strategy. In addition, due to our exceptional growth in 2013 our deal sources have widened.

In February 2014 GCP achieved an upgraded rating from S&P to BB+, the second upgrade within 12 months from the initial rating. Due to our efforts in strengthening the capital structure S&P has upgraded our financial risk profile to "intermediate" which coincides with an investment grade rating. The Board of Directors' strategic goal is to reach investment grade rating. As part of this strategy GCP is keeping conservative financial policy and discipline and is implementing the guidelines from S&P to reach BBB- rating.

In the last year we have doubled our acquisition team to manage high capacities with the same level of proficiency. At the due diligence process, our operational departments lay down a specific turnaround strategy, supporting the ability to screen and cherry-pick the portfolios with the highest potential. The close involvement of the teams in the due diligence phase accelerates the implementation of each asset into our IT systems and the fulfilment of the specific turnaround strategy.

The sales department optimized its operations in 2014 by centralizing operations into two regional centers to adjust to the size of our portfolio and for further growth. The marketing strategy is steered towards a more appealing advertising to strengthen branding which distinguishes us from local competitors. We have widened and further diversified our marketing channels and focused efforts on channels which proved to be very successful. We follow our policy of "no lead gets lost", resulting in a high rate of success in renting apartments. The new strategy's potential will more substantially unfold in 2015.

GCP is actively interacting with municipalities, social associations, and local stakeholders in order to increase communi-

ty involvement and pave direct communication channels. We have built a new upgraded website for our existing and potential tenants, furthermore, we have created a mobile application, a unique tool in the real estate market, which provides tenants with an accessible communication platform to our service center along with other services for improving neighborhood community and tenant satisfaction.

We improve our tenant's dwelling standards through targeted CapEx, both in renovating units and investing in the living environment and neighborhood. The operations and maintenance team was upgraded by additional workforce, alongside the service center which is operating 24/7, providing shorter response time and covering more service areas. GCP's Customer Relationship Management system connects between the service call and the on-site service teams through a mobile application, providing swift and efficient service to our tenant while saving time and costs.

On the corporate level we accomplished important achievements. As part of our capital structure improvements we are currently prolonging bank loans to extend our maturity schedule and benefit from the favorable financing conditions leading to lower cost of debt.

For our capital market activities we are honored that, among others, Berenberg, J.P. Morgan, Morgan Stanley, Deutsche Bank, Credit Suiss, Kempen and Anoa have served as our managers and bookrunners. We have placed a convertible bond in February, raising Euro 150 million with a coupon of only 1.5%, which was tapped up in June by additional Euro 140million at a premium of 111.25% and an effective yield of 0.5%. In April the existing straight bond Series B was tapped up as well by Euro 150 million and a yield-to-call of 3.85%.

We participate in many investor conferences, active roadshows internationally and various investor Q&A's. We constantly engage the capital market research teams in order to increase research coverage of GCP. As of August 2014, there are 9 institutions that cover GCP, in comparison to 4 covers in Dec 2013.

Looking forward GCP carries significant internal growth potential as a large portion of our portfolio is still in the early and advanced turnaround stage. With a current FFO I run rate of Euro 70 million GCP has the potential to grow its FFO I significantly in the next years through further improving the properties and increasing occupancy and rent, without additional external growth. Additional external growth will further accelerate the increase in FFO I.

Christian Windfuhr CEO	Simone Runge-Brandner Director	Refael Zamir Director, CFO	Daniel Malkin Director

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	1-6/2014 €'000	1-6/2013 €'000
Revenue	109,267	33,417
Rental and operating income	94,767	33,417
EBITDA	143,461	69,204
Adjusted EBITDA	49,319	15,501
Profit for the period	122,146	58,002
EPS (basic) in €	0.94	0.73
FFO I	33,809	7,759
FFO I per share in €	0.29	0.12
FFO II	35,325	7,759

FINANCIAL POSITION HIGHLIGHTS

AS OF	Jun 2014 €'000	Dec 2013 €'000
Cash and liquid assets	273,459	166,800
Total Assets	2,296,727	1,651,087
Investment Property (including advanced payment)	1,873,500	1,375,450
Total Equity	896,497	767,925
EPRA NAV	1,004,943	859,435
Loans and borrowings	522,924	472,316
Bond Series B	344,367	194,676
Convertible bond Series C	270,985	-
Loan To Value	46%	36%
Loan To Value assuming conversion	32%	36%
Equity Ratio	39%	46%
Equity Ratio assuming conversion	51%	46%

KEY LOCATIONS

THE COMPANY

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors hereby submits their interim report as of June 30, 2014.

The figures presented in this Board of Directors' Report are based on the condensed consolidated interim financial statements as of June 30, 2014, unless stated otherwise.

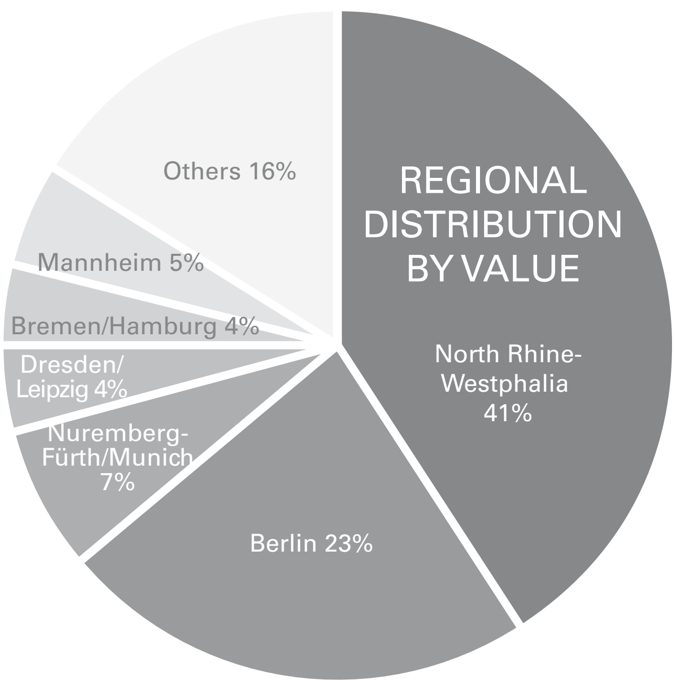
Grand City Properties S.A. is a specialist real estate company focused on investing in and managing turnaround opportunities in the German real estate market. The Group's total portfolio as of July 2014 consisted of approx. 35,000 units (hereinafter "GCP portfolio") located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin, Germany's capital, and other densely populated areas. In addition, the Company manages a portfolio of approx. 18,000 units owned by third parties.

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

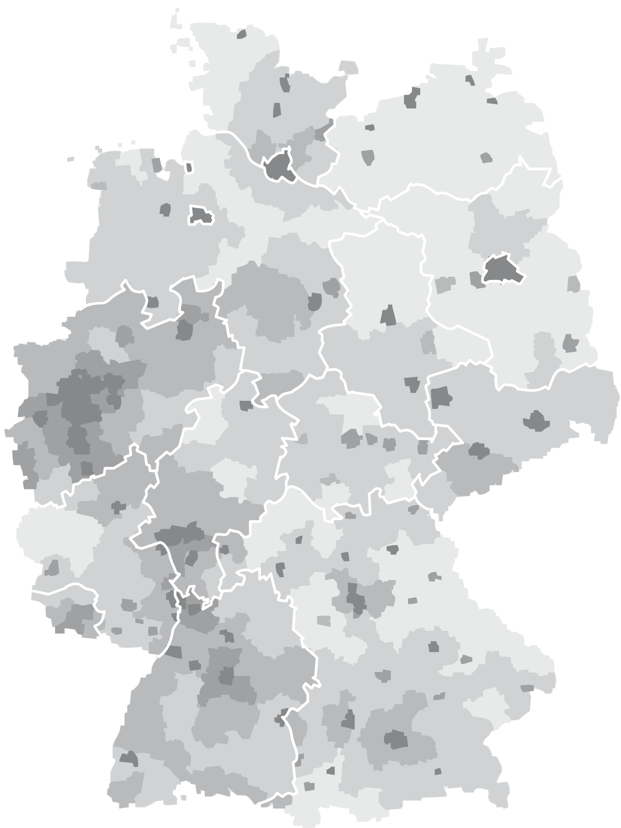
KEY STRENGTHS

ATTRACTIVE PORTFOLIO WITH DEFENSIVE CHARACTERISTICS AND SIGNIFICANT REPOSITIONING POTENTIAL

GCP's portfolio is made up of a well-balanced mix of properties that are attractively located and have been specifically selected because of their significant potential for value creation The Group's portfolio is located mainly in North Rhine-Westphalia, one of Germany's most productive and populous federal states, and in Berlin, the country's capital. GCP's properties are typically rented at affordable rent levels.



POPULATION DENSITY



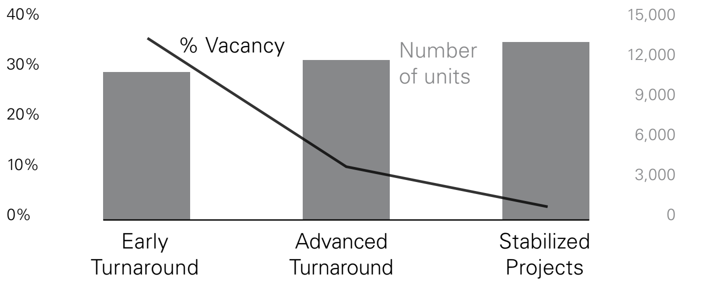
Population per sqkm (2010)

- < 100
- 100 - 200
- 200 - 500
- 500 - 1000
- >1000

The Group holds 41% of its portfolio in NRW, 23% in Berlin, 7% in Nuremberg-Fürth/Munich, has significant holdings in other major cities e.g. Mannheim, Dresden, Leipzig, Bremen and Hamburg. GCP also seeks to expand in additional attractive main German cities. The current regional distribution structure enables the Company on the one hand to benefit from economies of scale, and on the other hand provides a diverse, well allocated and risk averse portfolio. Since March 2014, GCP has increased its real estate portfolio through additional takeovers of approx. 5,000 units.

GCP has grouped the investment property of its real estate portfolio into three stages allowing the effective management and constant monitoring on the progress of its turnaround and repositioning activities: stabilized properties which have lower vacancy rates than 5%; advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties, which generally, when acquired, provide vacancy rates higher than 15%.

Applying this definition, as of July 2014 approx. 37% of the total units are in the stabilized stage, approx. 33% of the total units are in the advanced turnaround stage and approx. 30% of the total units are in the early turnaround stage. The current spread of the Group's portfolio throughout the various stages, provides on the one hand stable cash flow and on the other, embeds further growth and value creation potential in the existing portfolio.



The monthly in-place net rent of GCP's portfolio as of July 2014 amounted to approx. Euro 5.05 per square meter with a portfolio vacancy rate of 14.5%.

KEY STRENGTHS

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

GCP has developed a platform that provides efficient in-house management of its existing real estate portfolio and support for the execution of its expansion plans. The Group has approx. 350 experienced staff members working in its central and regional offices. This team covers the full spectrum of the real estate value chain from acquisition to construction and refurbishment, sales and marketing, and key support functions such as finance, accounting, legal and IT. In particular, its advanced proprietary IT system enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. The focus on cost extends to the entire operations of GCP, including those that are chargeable to its tenants.

The implementation of the asset and property management company acquired this year supports GCP's growth strategy with the quick and rapid takeover of the current pipeline and further property acquisitions, combined with its owned portfolio GCP manages over 50,000 units in Germany.

Our management structure, led by our Board, is allocated to over a dozen different departments which all take an important component in the value creation cycle from acquisition over turnaround to fully stabilized portfolio. Each department is managed by an experienced senior executive handling a team of up to 50 employees.

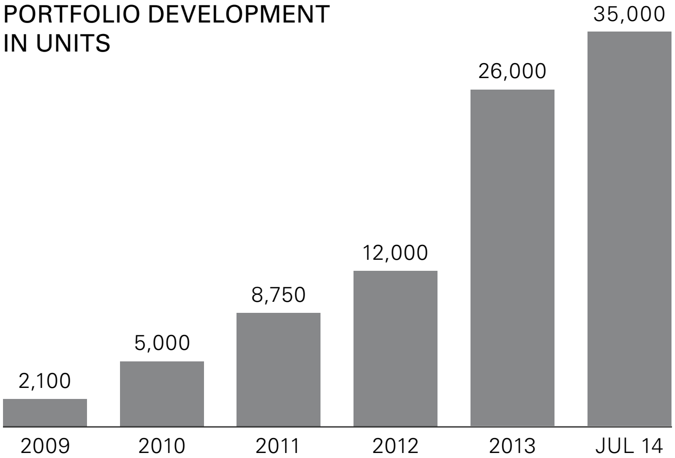
Management believes that the portfolio today has the capacity to grow at a marginal cost to the platform, and further create economies of scale. The integrated nature of its platform also means that GCP is well positioned to make important decisions swiftly and efficiently when required, for instance with acquisitions.

DEMONSTRATED ABILITY TO SOURCE PROPERTIES AND BUILD A STRONG PORTFOLIO

GCP's established reputation provides local and national level access to multiple investment opportunities often before they are widely promoted or publicized, reflecting GCP's perceived quality as counterparty. The advantage has also extended to improved access to financing and helped create strong relationships with debt providers. GCP operates in an attractive market niche where the typical properties it acquires are either too large for private individuals or too small and difficult for institutional investors. GCP's know-how in taking over mismanaged properties with high vacancy and turning them around to stabilized and well managed properties is unique in the German real estate market and is a sustainable competitive advantage of the Company.

From March 2014 to July 2014 GCP's portfolio increased by 5,000 units to 35,000. GCP has reached size and scalability which enables the Company to benefit from economies of scale, creating value throughout all of the Company's value chain: from higher efficiency at takeover stage to stronger bargaining power with suppliers.

PORTFOLIO DEVELOPMENT IN UNITS

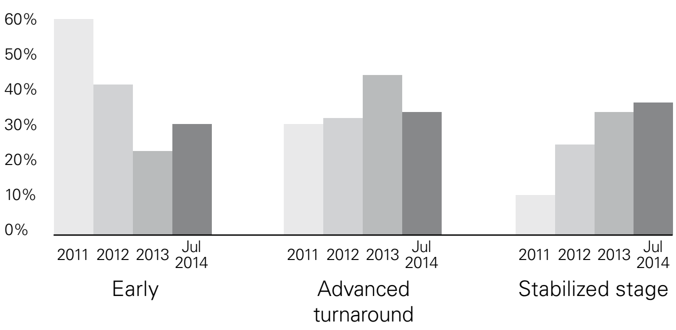


STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING ASSETS

GCP's skill is not only in identifying properties with significant potential but also in constructing and executing tailor made strategies for each asset to optimally improve its operating performance, which reflects in significant increase of its value.
GCP's continuous asset management effort results not only in improved yield on its portfolio, but also in tangible value creation that is immediately captured in the Group's financial performance. GCP's experience also allows it to maximize returns after repositioning.

Due to GCP's unique business strategy the overall portfolio's vacancy rate is higher than market average and thus the life cycle of our assets shows the success of the strategy. The portion of stabilized units has steadily increased over time, providing a balanced mix of stability and further potential growth.

PORTFOLIO STAGES

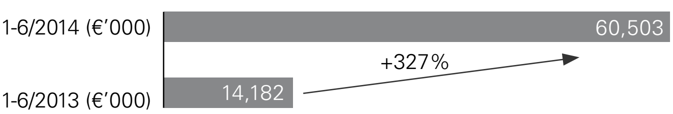


Decreasing vacancy rates from earlier to later stages proves the competency of the management team and validates the effectiveness of the business model. GCP's stabilized portfolio ratio is continuously growing, and has increased from 33% as of December 2013 to currently 37%. Over the same period, the early turnaround portfolio ratio has increased from 23% to 30%, through the large scale acquisitions of new properties, offset by the successful turnaround process of previously acquired properties. Such transition results in more recurring and constant cash flows through higher revenues, lower costs and higher profit margins while the stabilized assets still provide a substantial upside potential for rent increase.

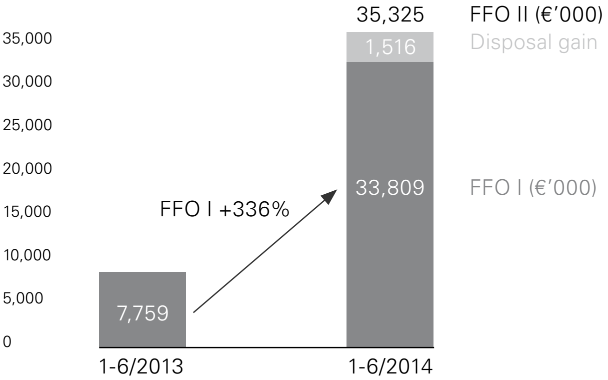
STRONG AND GROWING CASH FLOWS WITH HIGH RETURN POTENTIAL

The cash flows GCP generates from its current portfolio are growing. GCP's subsequent active management focuses on increasing initial cash flows through increasing rents, decreasing vacancy levels as well as maintaining strict cost discipline. In addition to its existing portfolio of properties, the Group is expanding through the acquisition of additional properties which it will seek to reposition and create significant value.

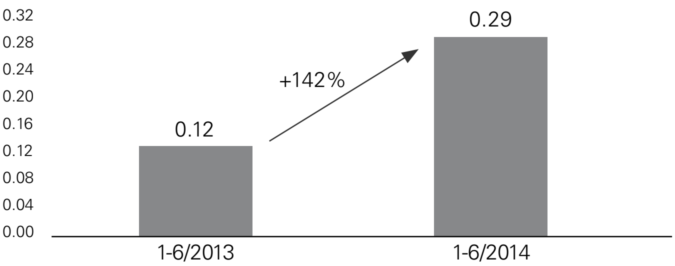
CASH FLOW FROM OPERATIONS



FFO I+II



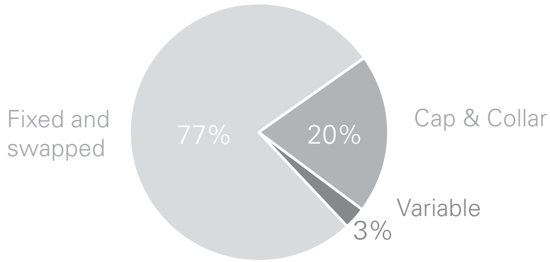
FFO I PER SHARE



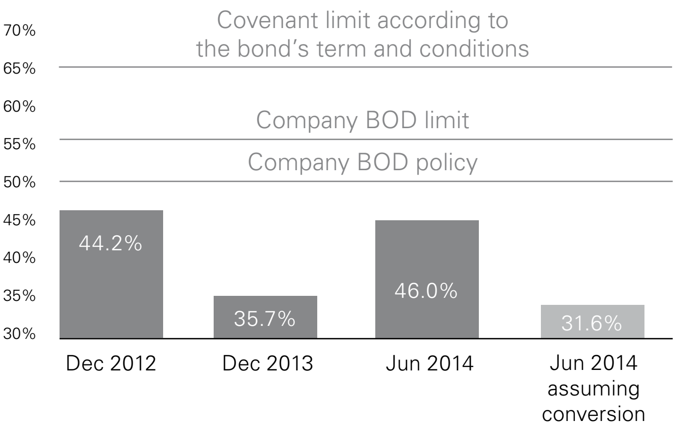
KEY STRENGTHS

CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

With a high financial flexibility of Euro 273 million in cash and traded securities as of June 2014, GCP has a substantial amount of liquid assets, which on the one hand enables it to pursue attractive deals, and on the other provides sufficient head room and comfort for the debt holders. GCP's disciplined approach is also reflected in its conservative capital structure which is characterized by long term maturities, hedged interest rate and low LTV of 46% as of June 30, 2014 (LTV is 32% assuming conversion of Series C bond). The Company's internal target is to maintain an LTV of below 50% and set itself a limit at 55%. The Company has a strong financial profile, which it is further strengthening each year. Part of GCP's strategy is to achieve the investment grade rating.



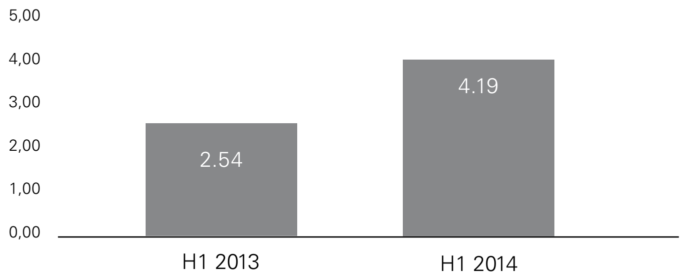
LOAN TO VALUE



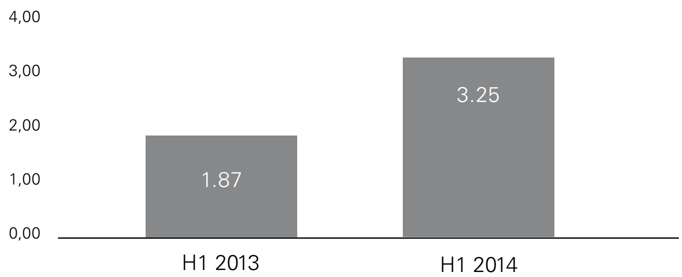
As of June 30, 2014, the bank loans are spread over 27 separate loans from 14 different financial institutions that are non-recourse and have no cross collateral or cross default provisions. The senior debt schedule has maturities ranging up to 13 years with no material maturities until 2017. The weighted average interest is 3% and almost all of the Company's debt is hedged.

As part of GCP's strategy for a healthy and conservative debt structure and although no significant maturities arise until 2017, the Company is currently extending some of its 2017/2018 bank debt, taking advantage of margin pressure in the lending environment, resulting in lower cost of debt and longer debt duration.

INTEREST COVERAGE RATIO (ADJ. EBITDA/INTEREST)

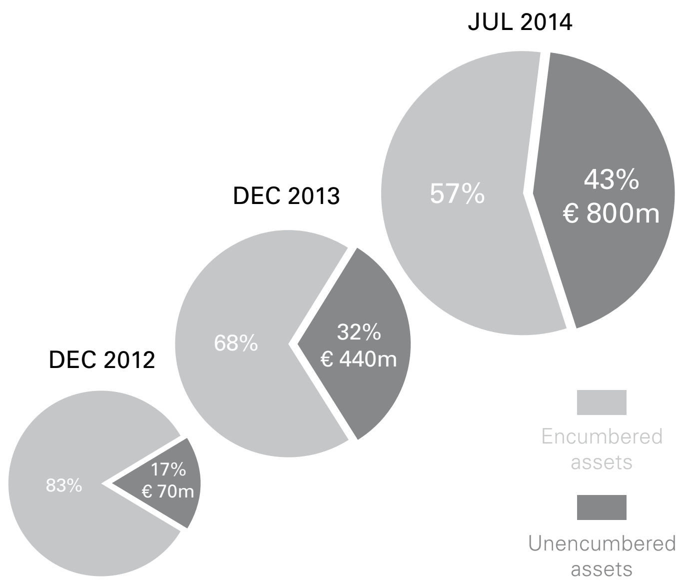


DEBT SERVICE COVER RATIO (DSCR)*)



*) also called fixed charge coverage ratio [adj. EBITDA / (interest+loan amortization)]

Long maturities enable the Company to focus on core business without the pressure to refinance and exit from projects prematurely. The considerable portion of GCP's unencumbered assets gives the Company further financial flexibility. As of July, 2014 approx. Euro 800 million of the held assets are free of lien which accounts for 43% of the total portfolio.



STENGTHENING THE CAPITAL STRUCTURE

In addition to bank loans GCP has successfully accessed the capital markets in the recent years.

On February 24, 2014, GCP successfully placed a Euro 150 million convertible Series C bond. The Series C bond bears a coupon rate of 1.50% with redemption at 106.65% of the principal and maturing after 5 years. The bookrunners were J.P. Morgan together with Berenberg and Deutsche Bank.

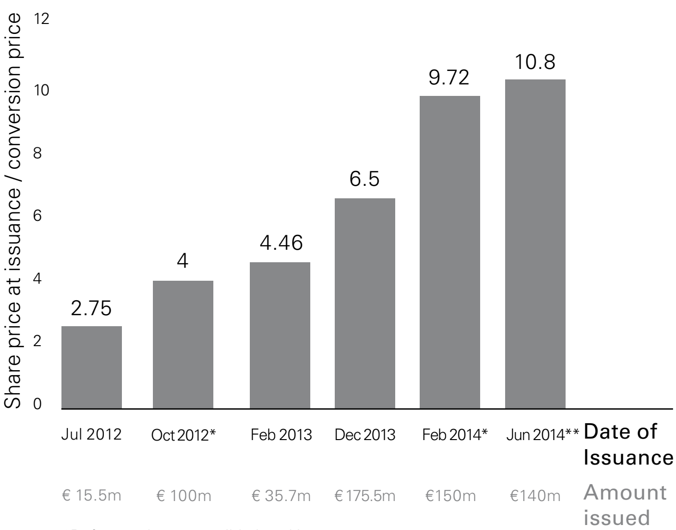
In April 2014, GCP carried out a tap issue of its straight Series B bond with the amount of Euro 160 million. The additional bonds were issued at 107.25% of their principal amount with a yield-to-call (YTC) of 3.85%. Morgan Stanley acted as a sole underwriter.

In June 2014, GCP tapped up additional Euro 140 million of the convertible bond priced at 111.25%, effective yield-to-maturity at 0.5%. The issuance was done by J.P. Morgan and Berenberg as bookrunners.

Additionally, in 2013 GCP was able to raise more than Euro 210 million gross proceeds in successful and oversubscribed capital increases, supported by Bernberg and JP Morgan as bookrunners.

The transactions crystallized GCP's ability to access resources in various channels, enabling the Company to tailor fit its needs. Grand City Properties has achieved a healthy capital and debt structure laying solid fundamentals for its future development.

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



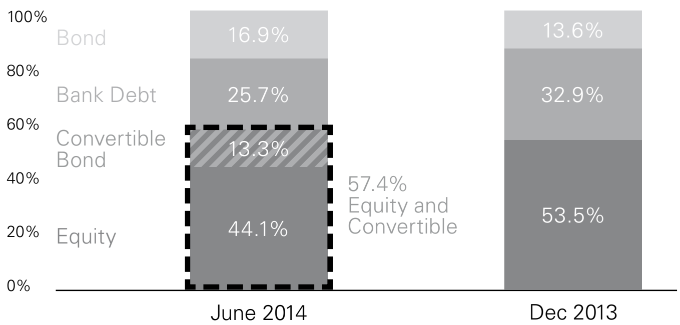
*Refers to the convertible bond issuances

**Effective conversion price 10.8 (9.72 conversion at 111.25% of par)

The stronger capital structure was also assessed by Standard & Poor's Ratings Services by upgrading GCP's rating twice within one year since the initial rating from 'BB-' to 'BB+' with a stable outlook on its long-term corporate credit rating and on the Company's bonds. The financial risk profile is assessed as "intermediate", which coincides with investment grade rating. According to S&P, GCP should further improve its general business profile in order to achieve its strategic target of investment grade rating.

The rating upgrade is the result of S&P's revised assessment of GCP's improved financial risk profile and a stronger capital structure. S&P provides a stable outlook reflecting their opinion that the Company's steady tenant demand in its main locations should continue to support rental income growth resulting in steady recurring cash flow. Additionally, S&P highlights in their research update the significant portfolio growth GCP has made and the improvement of the assets and tenant diversity.

The Group will seek to maintain adequate liquidity so that it has the necessary flexibility to finance on-going investments without limiting its ability to react quickly to attractive market opportunities.



COMPANY STRATEGY

FOCUS ON TURNAROUND OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN REAL ESTATE MARKET

GCP concentrates its activities on German real estate markets that it believes benefit from favorable fundamentals that will last for the foreseeable future. The Group's current portfolio is predominantly focused on North Rhine-Westphalia, Berlin and other major cities. GCP believes its platform has the right abilities and systems to continue to perform strongly and to further expand in the German market. The Group also believes that there are enough acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

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

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

INCREASE CASH FLOWS THROUGH FOCUS ON RENTAL INCOME, INVESTMENT AND STRICT COST DISCIPLINE

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

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

GCP seeks to provide a high quality service to its tenants as part of its strategy, with the objective to minimize tenant churn across its portfolio. The Group methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. The Group also focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, adding sport facilities or improving aged facades.

In various locations GCP is improving neighborhoods and helps communities to build community spirit. We are providing rent free units for institutions in designated locations which help school children with their homework, offer recreational activity to keep the kids off the street. In a different location we have rebuilt a vacant unit in a neighborhood into an art space. In other locations we are organizing summer events, more than two dozen in 2014 alone, for our tenants, children and friends, focusing on family friendly activities.

OPERATIONS SUPPORTED BY ADVANCED AND CENTRALIZED IT SYSTEM

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

BUSINESS MODEL

CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

GCP intends to expand its portfolio via acquisitions. The Group will seek to identify specific opportunities for value creation. The Group constantly evaluates opportunities to identify suitable targets for its existing portfolio and management platform.

MAINTAIN A CONSERVATIVE CAPITAL STRUCTURE

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

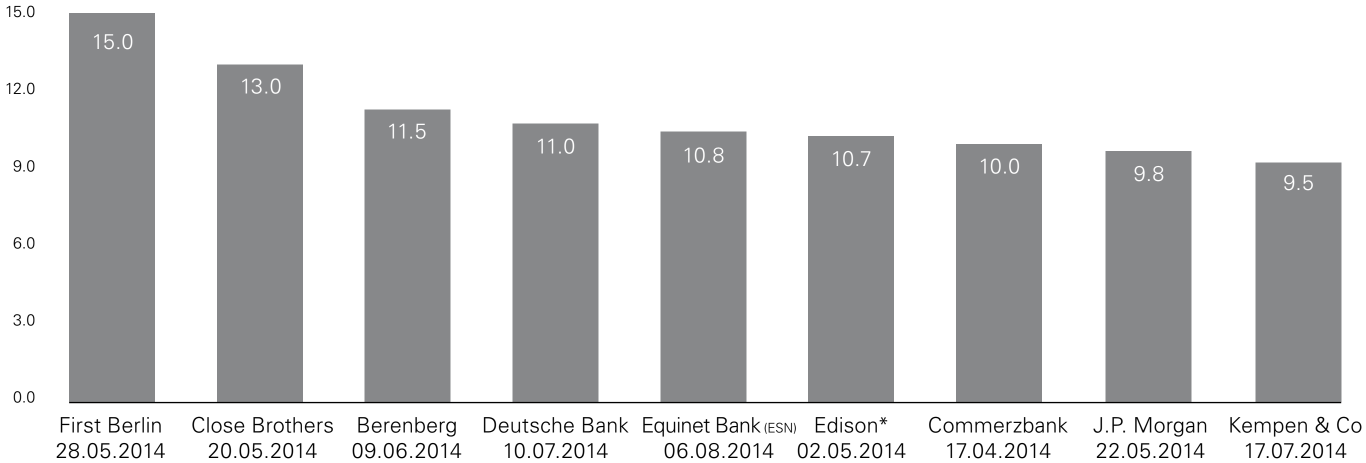
INVESTOR RELATIONS ACTIVITIES

GCP is proactively presenting its business strategy and thus enhancing perception as well as awareness of the Company among the different actors of the capital market through targeted and manifold investor relations activities over the year. In 2014 until the publication date of this report GCP presented its successful business strategy in 5 roadshows, 18 investor conferences and many visits at GCP's offices and property tours.

Grand City Properties seizes these opportunities to create transparency and present a platform for open dialogue. The improved perception leads to a better understanding of GCP's competitive advantage, its business model and hence to a higher demand among the capital market actors for participation in its success.

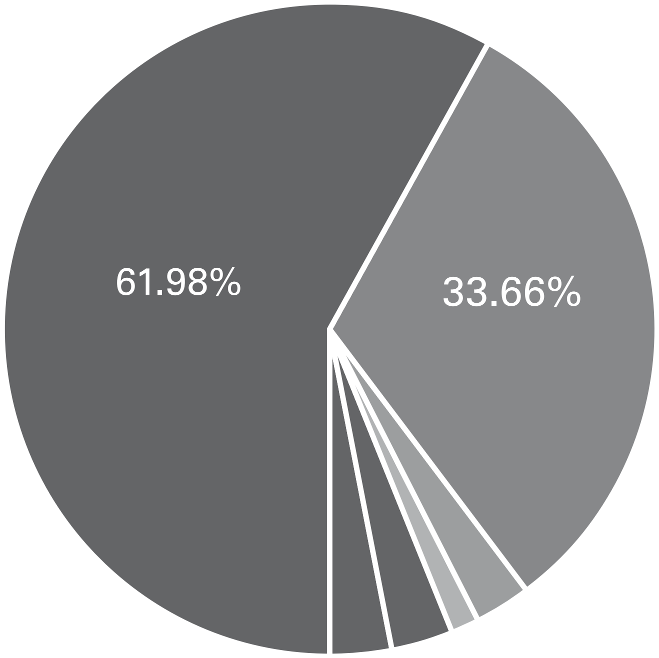
Currently GCP is being covered on an ongoing basis by 9 different equity analysts, who published their latest reports over the last quarter.

ANALYST RECOMMENDATIONS



*Valuation range average

Placement	Frankfurt Stock Exchange
First listing	Q2 2012
Number of shares	115,425,000 ordinary shares with a par value of EUR 0.10 per share
Current Capital	11,542,500 Euro
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market CAP (as of 30 June 2014)	1,059,947,730 Euro



Free float
incl. Merrill Lynch 3.42 % and Odey Asset Management LLP 3.02%

Edolaxia Ltd.

ANNUAL GENERAL MEETING

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

All of the items on the agenda were carried by a great majority, including the approval of the consolidated financial statements of the Group for the year ended 31 December 2013. The agenda has been confirmed by 100% of the capital represented.

The Annual General Meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive plan for the Board of Directors and the senior management. The incentive plan has 4 years vesting period with specific milestones to enhance management long term commitment to GCP strategic targets. Main strategic targets are long term improvement in operational and financial targets such as LFL vacancy reduction and rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share and EPS. Management will be incentivized for keeping conservative financial ratios, with the strategic target to achieve investment grade rating.

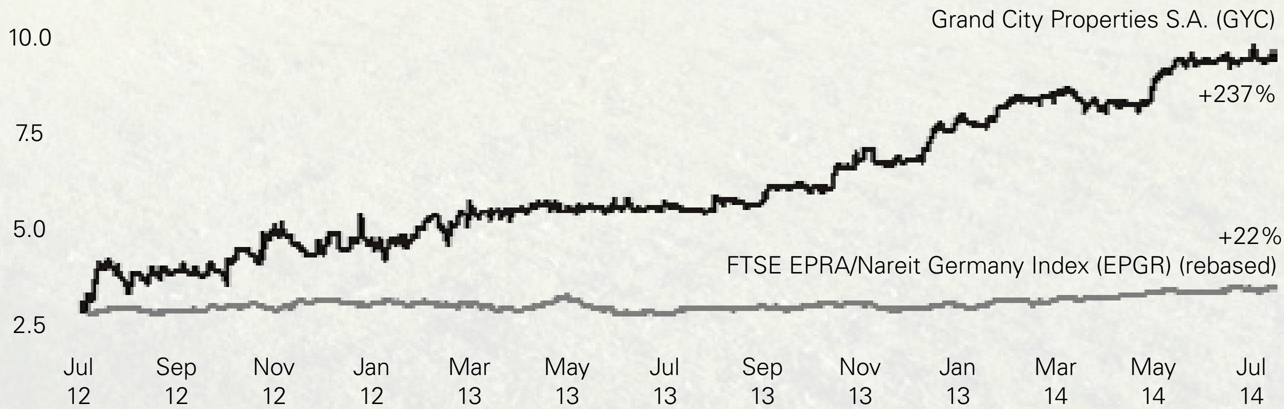
Furthermore, the Annual General Meeting resolved the renewal of the mandate the Board of Directors up until the date of the Annual General Meeting to be held in 2016. This enables the Company to provide continuity and expresses shareholder´s satisfaction of the activities and confidence in their future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

CORPORATE GOVERNANCE:

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

Our Board of Directors and Management team is composed of senior executives who have vast experience and demonstrated skills and abilities in the relevant areas such as real estate operations and development, acquisition, financing and financial management. The decision making is based on very clear defined business strategy and vision. With the growth of GCP and in line with good corporate governance guidelines, the top management team is composed and able to provide and execute the strategy and lend their expertise to the Company without dependence on any single key executive.

GCP SHARE PRICE PERFORMANCE COMPARISON



NOTES ON BUSINESS PERFORMANCE

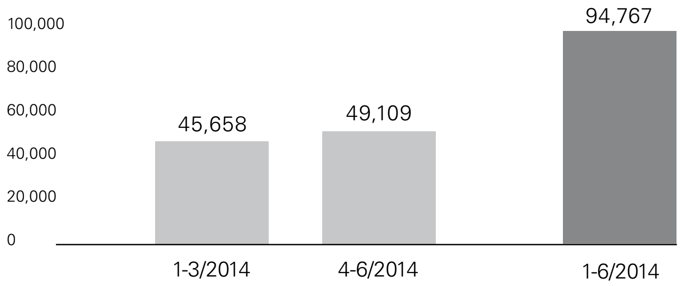
SELECTED CONSOLIDATED INCOME STATEMENT DATA

for the six months ended June 30	2014 €'000	2013 €'000
Revenue	**109,267**	**33,417**
Capital gains, property revaluations and other income	93,892	53,703
Property operating expenses	(43,278)	(16,704)
Cost of buildings sold	(14,250)	-
Administrative & Other expenses	(2,667)	(1,345)
EBITDA	143,461	69,204
Operating profit	143,058	69,169
Net finance expenses	(6,459)	(2,723)
Tax and deferred tax expenses	(14,453)	(8,444)
Profit for the period	**122,146**	**58,002**

REVENUE

for the six months ended June 30	2014 €'000	2013 €'000
Rental and operating income	94,767	33,417
Revenue from sales of buildings	14,500	-
Revenue	**109,267**	**33,417**

RENTAL AND OPERATING INCOME H1 2014



The June 30, 2014 revenue increased by 227% to Euro 109.3 million compared with the first half of 2013 (Euro 33.4 million) which is the result of an increase in rental and operating income and the revenue from sales of buildings.

The rental and operating income, excluding the revenue from sales of buildings affect, amounted to Euro 94.8 million in the first half of 2014, reflecting a 184% increase. The increase in the ongoing component of rental and operating income in the first half 2014 compared with the first half of 2013 is due to operational improvements of the existing properties services provided to third parties and due to the income from newly acquired properties. The portfolio has increased significantly by approx. 120% in terms of units between the end of 2012 and 2013. The portfolio growth, having a full effect on both periods, together with further operational improvements since acquisition impacted the increase between the two periods. Additionally the portfolio further grew in size during the first half of 2014. As properties were acquired during the first half of 2014 they did not contribute their full potential, and thus the revenue does not reflect the full six months income of all properties. The annual run rate of the rental income of the July 2014 portfolio amounts to over Euro 205 million.

In the first half of 2014 GCP sold assets for gross proceeds at the amount of Euro 15.8 million. The profit of the sales amounted to Euro 1.5 million, whereas the net cash in over the loan totaled to approximately Euro 6 million.

CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

for the six months ended June 30	2014 €'000	2013 €'000
Change in fair value in investment property	78,725	47,728
Profit arising from business combination (bargain purchase)	13,901	5,975
Capital gains and other income	1,266	-
Capital gains / profit from investment activities	**93,892**	**53,703**

The property revaluations reflect changes in the fair value of properties, which have been determined based on external valuation reports performed by independent professionally qualified valuators.
The Company recognized as of the end of June 2014 capital gains, property revaluation and other income at the amount of Euro 93.9 million compared to Euro 53.7 million in the comparable period in 2013. The profit mirrors the ability of the Company to reach high profitability, increase rental income and the occupancy resulting in significant value creation to its properties.
Profit arising from business combinations refers to negative goodwill recorded through purchases at the amount of Euro 13.9 million in the first six months of 2014 and described in detail in note 4 of the condensed consolidated interim financial statements as of June 30, 2014. In case the fair value of the total identifiable net assets exceeds the purchase price of a business acquisition, the excess amount is recognized in the consolidated income statement as a bargain purchase gain.
Capital gains refer to gains where GCP effectively sold assets above their book value.

PROPERTY OPERATING EXPENSES

for the six months ended June 30	2014 €'000	2013 €'000
Property operating expenses	**(43,278)**	**(16,704)**

The total property operating expenses increase by 159% from Euro 16.7 million in the first half of 2013 to Euro 43.3 million in the first half of 2014 reflecting the growth of the portfolio.
Property operating expenses are costs mainly related to ancillary cost recoverable by the tenants, such as heating cost and water and also include maintenance costs, personnel expenses and other operating expenses.
The total spending has increase in accordance with the significant growth of the Company between the two periods. Due to economies of scale, and synergies with acquisition of an asset management company in the beginning of 2014, the property operating expenses are additionally mitigated, increasing by 159% whereas revenue excluding sales of buildings increased by 184%.

NOTES ON BUSINESS PERFORMANCE

MAINTENANCE AND CAPITAL EXPENDITURES

As part of the Company's turnaround strategy and efforts to maintain a high quality of assets and high quality of dwelling, GCP focuses on providing its tenants with high level of investments in maintenance and refurbishment. GCP has invested in the first half of 2014 Euro 14.2 million in capex and maintenance (Euro 7.6 in H1 2013), reflecting at total amount of Euro 6.3 per average sqm, Euro 3.7 per sqm in capex and Euro 2.6 in maintenance. We expect that as the portfolio will shift further towards the stabilized stage, and vacancy will be reduced, the ratio between the capex and maintenance will stabilize on an equal expenditure portion.

ADMINISTRATIVE & OTHER EXPENSES

for the six months ended June 30	2014 €'000	2013 €'000
Administrative & Other expenses	**(2,667)**	**(1,345)**

Administrative and other expenses amounted in the first six months of 2014 to Euro 2.7 million in comparison with Euro 1.3 million in the first half of 2013. The item includes costs related to director fees, professional services such as accounting and audit costs, legal and professional fees as well as marketing fees. The 98% increase between the comparable periods is significantly lower than the 184% rental and operating income increase, demonstrating the good foundations laid for future growth with marginal cost.

NET FINANCE EXPENSES

for the six months ended June 30	2014 €'000	2013 €'000
Finance expenses	(11,775)	(6,099)
Other finance results	5,316	3,376
Net finance expenses	**(6,459)**	**(2,723)**

The net finance expenses amounted in the first half of 2014 to Euro 6.5 million compared with Euro 2.7 million in the first half 2013.

The increase in finance expenses results from the increase in the financial debt over the period. The finance expenses have increased marginally compared to the growth of the Company's debt due to the improvement in the financial position of the Company, reflected in the S&P credit rating upgrade and resulting in a decrease of the weighted average cost of debt to 3%.

The increase in finance expenses is offset by the positive result of other financial results, which compared to the first half of 2013 increased by Euro 1.9 million. The other finance result is mainly comprised of the changes in financial derivatives values, profit from traded securities and others.

TAX AND DEFERRED TAX EXPENSES

for the six months ended June 30	2014 €'000	2013 €'000
Tax and deferred tax expenses	**(14,453)**	**(8,444)**

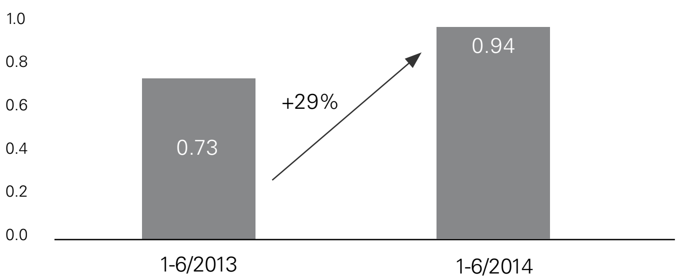
The tax and deferred tax expenses for all periods have increased mainly from the deferred tax provisions on the revaluations of the investment property.

PROFIT FOR THE PERIOD

for the six months ended June 30	2014 €'000	2013 €'000
Profit for the period	**122,146**	**58,002**
Basic earnings per share	0.94	0.73
Diluted earnings per share	0.86	0.64

Compared to the first six months in 2013, profit in the first half of 2014 increased by 111% to Euro 122 million as a result of a significant increase in profits from operations and due to revaluation uplifts and capital gains, the outcome of the Company's long term value creation focus. The EPS in the first half of 2014 increased by 29% compared to first half of 2013. The per share profitability increase alongside the offsetting effect of the new issuances exhibits GCP's ability to maintain high profitability per share. Over 35 million shares were issued during the last 12 months, through a capital increase as well as through the conversion of the Series A convertible bonds, reflecting over 85% increase in the average amount of shares during the period.

BASIC EARNINGS PER SHARE



NOTES ON BUSINESS PERFORMANCE

CASH FLOW

for the six months ended June 30	2014 €'000	2013 €'000
Net Cash provided by operating activities	**60,503**	**14,182**
Net cash used in investing activities	(386,811)	(122,253)
Net cash provided by financing activities	402,529	125,797
Asset held for sale – Cash	-	11
Net increase in cash and cash equivalents	**76,221**	**17,737**

The strong operational improvement is also presented in the net cash provided by operating activities with a 327% increase to Euro 61 million in the first half of 2014. The increase is derived mainly due to the significant increase in rental and operating income, which reflects the growth of the portfolio as well as the increase in rents and decrease in vacancy rates, and from the sale of the property held as inventory. Net cash used in investing activities amounted in the first half of 2014 to Euro 387 million compared with Euro 122 million in the first half of 2013. The cash was used mainly for acquisition of investment property of Euro 345 million. The net cash provided by financing activities of Euro 403 million derives to a large extent from the issuance and tap up of series B and C.

ASSETS

As of	Jun 14 €'000	Dec 13 €'000
Non-current assets	**1,898,315**	**1,402,495**
Current assets	**398,412**	**248,592**
Assets	**2,296,727**	**1,651,087**

Total assets increased from end 2013 to June 2014 by 39%, from Euro 1,651 million to Euro 2,297 million.
This increase of Euro 646 million is expressed mainly in Euro 498 million increase in investment property, offset by a decrease in inventories – trading property due to the sale in January 2014. This increase is in line with the Group's objective for 2014 to significantly increase and diversify its portfolio.
Asset increase is expressed also in Euro 107 million increase in cash and traded securities, providing firepower to materialize further acquisitions going forward.

LIABILITIES

As of	Jun 14 €'000	Dec 13 €'000
LT Loans and borrowings	515,787	461,753
Bond Series B	344,367	194,676
Convertible bond Series C	270,985	-
Other long term liabilities	54,812	35,287
Deferred tax liabilities	102,329	80,169
Current liabilities	111,950	111,277
Liabilities	**1,400,230**	**883,162**

GCP is financing its external growth by balancing between equity and debt instruments, aiming to achieve an optimized structure under the low leverage environment in which the Group operates. Acquisitions in 2014 were mainly financed by the issuance and tap-ups of the Series B straight and Series C convertible bonds, as well as the cash balance at the end of 2013, including the Euro 175.5 million cash received from the equity issuance in December 2013, and the Group's ongoing profitability. The mix of these action results in a well-balanced and conservative debt structure. During the first six months of 2014 the long term loans and borrowings increased by Euro 54 million and a total of Euro 425 million principle value bonds were placed, with proceeds amounting to approximately Euro 450 million.
For its deferred taxes GCP takes a conservative approach assuming the sale of properties with a full real estate German tax effect as asset deal (15.825%).
The Company holds additionally liquid assets at the amount of Euro 273 million to finance its current pipeline resulting in a net debt Euro 865 million as of June 30, 2014.

As of	Jun 14 €'000	Dec 13 €'000
Total bank debt and bonds	867,291	666,992
Cash and liquid assets	273,459	166,800
Total net debt without convertible bond	**593,832**	**500,192**
Convertible bond Series C	270,985	-
Total net debt with convertible bond	**864,817**	**500,192**

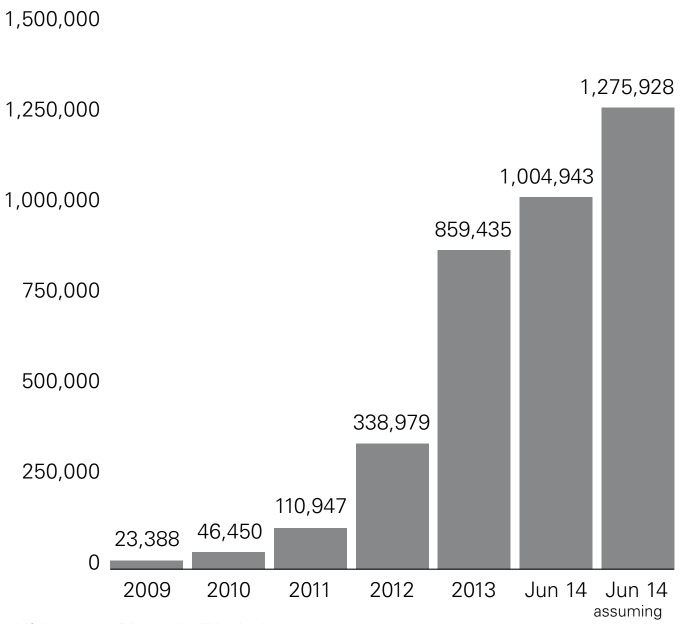
NOTES ON BUSINESS PERFORMANCE

EPRA NAV

	Jun 14 €'000	Dec 13 €'000
Total Equity	896,497	767,925
Fair Value measurements of derivative financial instruments	11,034	13,832
Net Deferred Tax	97,412	77,678
EPRA NAV	**1,004,943**	**859,435**
Convertible bond series C *)	270,985	-
EPRA NAV assuming conversion	**1,275,928**	**859,435**

*) Series C is as of June 30, 2014 out of the money

The EPRA NAV of the Company amounted as of June 30, 2014 to Euro 1,005 million compared to Euro 859 million as of December 31, 2013. The increase is mainly due to the profit for the period of Euro 122 million, along with the added effect of changes in deferred tax, which is not factor in the EPRA NAV result.
Assuming full conversion of the convertible bond Series C the EPRA NAV amounts to approximately Euro 1.3bn.



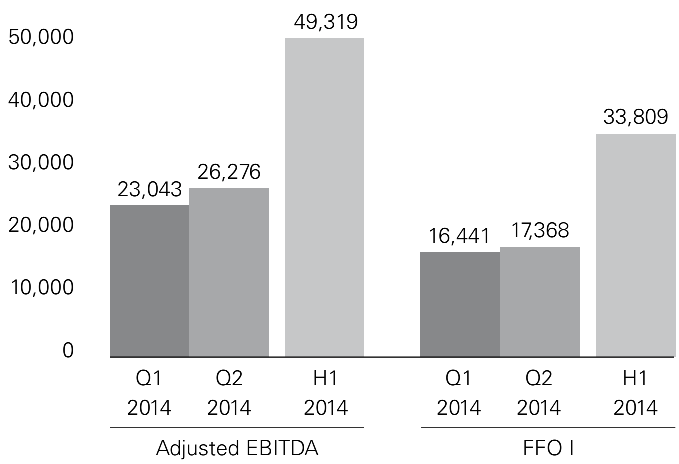
*) if the convertible bond will be in the money

FFO I (FUNDS FROM OPERATION) AND ADJUSTED EBITDA

for the six months ended June 30	2014 €'000	2013 €'000
EBITDA	143,461	69,204
Capital gains, property revaluations and other income	(93,892)	(53,703)
Result on disposal of Inventories – trading property	(250)	-
Adjusted EBITDA	**49,319**	**15,501**
Finance Expense	(11,775)	(6,099)
Tax	(3,735)	(1,643)
FFO I	**33,809**	**7,759**
FFO I per share in €	**0.29**	**0.12**

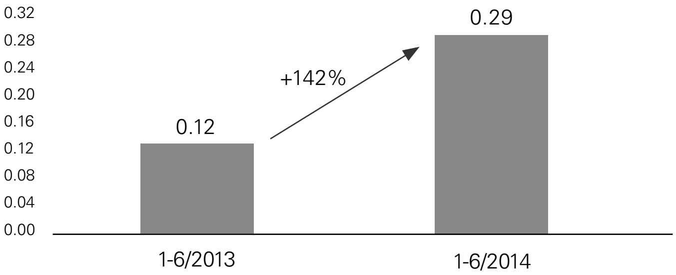
Funds From Operation I (FFO I) provides an indication of materialized profit from operation, and is calculated deducting tax and interest expenses from the Adjusted EBITDA, not taking into account the effect of capital gain and revaluations.
FFO I in the first six months of 2014 amounted to Euro 33.8 million, reflecting an increase of 336% compared with the first half 2013.
The result reflects the operational growth and the tangible immediate results of the successful turnaround of properties.
The increase of Euro 61 million in rental and operating income year-over-year is reflected in a higher adj. EBITDA by Euro 34 million and higher FFO by Euro 26 million.

ADJUSTED EBITDA AND FFO I IN H1 2014 (€ 000')



NOTES ON BUSINESS PERFORMANCE

FFO I PER SHARE



for the six months ended June 30	2014 €'000	2013 €'000
FFO I	33,809	7,759
Result from capital gain *)	1,516	-
FFO II	**35,325**	**7,759**
FFO II per share in €	**0.31**	**0.12**

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

In the first half on 2014 the FFO II, including the results from capital gains, amounted to Euro 35.3 million, reflecting an increase of 355% compared with the first half in 2013.

LOAN-TO-VALUE

The loan-to-value ("LTV") as of June 30, 2014 of 46% demonstrates GCP's conservative approach on financial leverage. The LTV as of June 30, 2014 assuming conversion of the convertible bond is 32%. The Group kept its LTV since 2011 below its self-set long-term policy of 50%.

LTV is calculated as the sum of the bonds, loan and borrowings and other loans, offset by cash and traded securities, and divided by the sum of investment property (including advanced payments), assets held for sale, investments in equity accounted investees and inventories -trading property.

DISCLAIMER

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report.

By order of the Board of Directors,

Luxembourg, August 18, 2014

Simone Runge-Brandner Director	Refael Zamir Director, CFO	Daniel Malkin Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended June 30,		For the three months ended June 30,	
		2014	2013	2014	2013
	Note	€'000	€'000	€'000	€'000
Revenue		**109,267**	**33,417**	**49,109**	**17,566**
Capital gains, property revaluations and other income	4, 5	93,892	53,703	36,134	40,481
Share of profit from investments in equity accounted investees		94	98	-	31
Property operating expenses		(43,278)	(16,704)	(21,705)	(8,134)
Cost of buildings sold		(14,250)	-	-	-
Administrative and other expenses		(2,667)	(1,345)	(1,362)	(370)
Operating profit		**143,058**	**69,169**	**62,176**	**49,574**
Finance expenses		(11,775)	(6,099)	(6,598)	(2,459)
Other financial results		5,316	3,376	2,530	2,471
Net finance expenses		(6,459)	(2,723)	(4,068)	12
Profit before tax		**136,599**	**66,446**	**58,108**	**49,586**
Tax and deferred tax expenses	6	(14,453)	(8,444)	(6,287)	(5,136)
Profit for the period		**122,146**	**58,002**	**51,821**	**44,450**
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		**122,146**	**58,002**	**51,821**	**44,450**
Profit attributable to:					
Owners of the Company		108,277	45,240	47,128	37,253
Non-controlling interests		13,869	12,762	4,693	7,197
		122,146	**58,002**	**51,821**	**44,450**
Net earnings per share attributable to owners of the Company		€	€	€	€
Basic earnings per share		0.94	0.73	0.41	0.57
Diluted earnings per share		0.86	0.64	0.36	0.51

The notes on pages 34 to 41 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		June 30	December 31
		2014	2013
		Unaudited	Audited
ASSETS	Note	€'000	€'000
Equipment and intangible assets		7,416	4,383
Investment property	5	1,844,024	1,368,281
Advanced payment for investment property		29,476	7,169
Equity-accounted investees		-	7,354
Deferred tax assets		4,917	2,491
Other long-term assets		12,482	12,817
Non-current assets		**1,898,315**	**1,402,495**
Cash and cash equivalents		208,763	132,542
Traded securities at fair value through profit and loss		64,696	34,258
Inventories – Trading property		5,547	19,949
Trade and other receivables		119,406	61,843
Current assets		**398,412**	**248,592**
Total assets		**2,296,727**	**1,651,087**

The notes on pages 34 to 41 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		June 30	December 31
		2014	2013
		Unaudited	Audited
EQUITY	Note	€'000	€'000
Share capital	8	11,543	11,543
Other reserves		22,206	14,211
Share premium		305,029	305,029
Retained earnings		482,419	374,141
Equity attributable to the owners of the Company		**821,197**	**704,924**
Non-controlling interests		75,300	63,001
Total equity		**896,497**	**767,925**
LIABILITIES			
Loans and borrowings	7A	515,787	461,753
Bond series B	7B	344,367	194,676
Convertible bond series C	7C	270,985	-
Derivative financial instruments		11,034	13,832
Deferred tax liabilities		102,329	80,169
Other long-term liabilities		43,778	21,455
Non-current liabilities		**1,288,280**	**771,885**
Current portion of long-term loans	7	7,137	6,986
Other bank loans	7	-	3,577
Trade and other payables		93,980	92,357
Accrued interest related to bonds	7	2,451	1,005
Tax payable		2,719	3,298
Provisions for other liabilities and charges		5,663	4,054
Current liabilities		**111,950**	**111,277**
Total liabilities		**1,400,230**	**883,162**
Total equity and liabilities		**2,296,727**	**1,651,087**

The Board of Directors of Grand City Properties S.A. authorized these condensed consolidated interim financial statements for issuance on August 18, 2014

Simone Runge-Brandner (Director) | Refael Zamir (Director, CFO) | Daniel Malkin (Director)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014

	Attributable to the owners of the Company							
	Share capital €'000	Share premium €'000	Equity portion of convertible bond €'000	Other reserves €'000	Retained earnings €'000	Total €'000	Non-controlling interests €'000	Total equity €'000
Balance as at January 1, 2014	**11,543**	**305,029**	**-**	**14,211**	**374,141**	**704,924**	**63,001**	**767,925**
Profit for the period	-	-	-	-	108,277	108,277	13,869	122,146
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	108,277	108,277	13,869	122,146
Equity component of convertible bond	-	-	7,995	-	-	7,995	-	7,995
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	2,279	2,279
Transactions with non-controlling interests	-	-	-	-	1	1	(3,849)	(3,848)
Balance as at June 30, 2014	**11,543**	**305,029**	**7,995**	**14,211**	**482,419**	**821,197**	**75,300**	**896,497**
Balance as at January 1, 2013	**5,550**	**13,391**	**134**	**14,211**	**150,972**	**184,258**	**18,685**	**202,943**
Profit for the period	-	-	-	-	45,240	45,240	12,762	58,002
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	45,240	45,240	12,762	58,002
Issuance of ordinary shares	800	31,459	-	-	-	32,259	-	32,259
Equity component of convertible bond	-	-	(84)	-	-	(84)	-	(84)
Issuance of shares related to convertible bond	1,428	55,340	-	-	-	56,768	-	56,768
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	11,872	11,872
Transactions with non-controlling interests	-	-	-	-	(331)	(331)	(2,540)	(2,871)
Balance as at June 30, 2013	**7,778**	**100,190**	**50**	**14,211**	**(*) 195,881**	**318,110**	**40,779**	**358,889**

(*) Reclassified

The notes on pages 34 to 41 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended June 30,	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	Note	€'000	€'000
Profit for the period		122,146	58,002
Adjustments for the profit:			
Depreciation and amortization		403	35
Share of profit from investments in equity-accounted investees		(94)	(98)
Profit from business combination, other income and sale of investments	4	(15,168)	(5,968)
Change in fair value of investment property	5	(78,724)	(47,728)
Finance expense, net		6,459	(*) 3,932
Tax and deferred tax expense	6	14,453	8,444
		49,475	16,619
Changes in:			
Inventories – trading property		14,402	(504)
Trade and other receivables		(22,475)	(*) (7,454)
Trade and other payables		21,983	7,324
Provisions for other liabilities and charges		478	(511)
		63,863	15,474
Taxes paid		(3,360)	(1,292)
Net cash provided by operating activities		**60,503**	**14,182**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and intangible assets, net		(1,179)	(123)
Investments and acquisitions of investment property and advances paid		(321,878)	(71,663)
Acquisition of subsidiaries, net of cash acquired		(23,503)	(17,515)
Investment in trade securities and other financial assets		(40,251)	(32,875)
Loans granted		-	(77)
Net cash used in investing activities		**(386,811)**	**(122,253)**

(*) Reclassified

The notes on pages 34 to 41 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		For the six months ended June 30,	
CASH FLOWS FROM FINANCING ACTIVITIES	Note	2014 €'000	2013 €'000
Proceeds from issuance of ordinary shares, net	8	-	32,253
Amortization of loans from financial institutions		(3,417)	(2,189)
Proceeds from borrowings		13,255	6,000
Proceeds from bond series B, net	7B	158,718	97,423
Proceeds from Convertible bond series C, net	7C	284,801	-
Repayment of loans from financial institutions		(34,011)	-
Transactions with non-controlling interests		(3,848)	(2,871)
Interest and other financial expenses, net		(12,969)	(4,819)
Net cash provided by financing activities		**402,529**	**125,797**
Assets held for sale – cash		-	11
Net increase in cash and cash equivalents		**76,221**	**17,737**
Cash and cash equivalents at the beginning of the period		132,542	80,977
Cash and cash equivalents at the end of the period		**208,763**	**98,714**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL

a. INCORPORATION AND PRINCIPAL ACTIVITIES

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

The condensed consolidated interim financial statements ("interim financial statements") for the six months ended June 30, 2014 consist of the financial statements of the Company and its subsidiaries ("the Group").

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

b. CAPITAL AND BOND INCREASES DURING 2013 AND 2014

For information about capital and bonds increase, please see note 8 and 7 respectively.

c. LISTING ON THE FRANKFURT STOCK EXCHANGE

On May 28, 2012 the Company was listed on the Frankfurt Stock Exchange in the Entry Standard market segment. The Company has registered 50,000,000 ordinary shares with a par value of euro 0.10 per share.

d. BUSINESS ACTIVITY

From the beginning of the reporting period and until the approval date of these interim financial statements, the Group acquired approx. 9,000 units through asset and share deals in several cities around Germany.

e. GROUP RATING

As at June 30, 2014, the company as an issuer, and its "Series B" straight bonds and "Series C" convertible bonds, are individually assigned with a "BB+" rating with a stable outlook by Standard & Poor's Rating Services. The stable outlook reflects the current liquidity position of the Company and the estimate of cash production capacity from its current operations, among other factors.

f. DEFINITIONS

Throughout these notes to the condensed consolidated interim financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees
Subsidiaries	Companies that are controlled by the Company (as defined in IAS 27) and whose financial statements are consolidated with those of the Group
Associates	Companies over which the Company has significant influence and that are not subsidiaries. The Company's investment therein is included in the condensed consolidated interim financial statements of the Group at equity
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24
The period	The six months ending on June 30, 2014

2. BASIS OF PREPARATION

a. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 interim financial reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2013. These condensed consolidated interim financial statements have not been reviewed by the auditor.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2013, which are the basis for these interim consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on August 18, 2014.

b. JUDGMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, management applies judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

c. OPERATING SEGMENTS

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

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

d. SEASONALITY OF OPERATIONS

Rental income, other revenues and costs are received and incurred smoothly over the accounting period. Therefore no additional disclosures are made in the interim condensed consolidated financial.

e. GOING CONCERN

The condensed consolidated interim financial statements are prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended on December 31, 2013, except for the adoption of new standards and interpretations that became mandatory for the first time in the 2014 financial year and are noted below, yet have no significant effect on the company's consolidated financial statements for the interim period:

(I) IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS
IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group applied IFRS 10, retrospectively, from January 1, 2014.

(II) IFRS 11, JOINT ARRANGEMENTS
IFRS 11 replaces IAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities – Non-monetary Contributions by Venturers. This standard provides for a more consistent reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group applied IFRS 11, retrospectively, from January 1, 2014.

(III) IFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES
IFRS 12 includes all of the disclosure requirements that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint ventures, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group applied IFRS 12, retrospectively, from January 1, 2014.

(IV) IAS 28, INVESTMENT IN ASSOCIATES AND JOINT VENTURES (AS REVISED IN 2011)
As a consequence of IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The standard defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group applied IAS 28 (revised 2011) prospectively from January 1, 2014.

4. ACQUISITION OF SUBSIDIARIES & NON-CONTROLLING INTERESTS

During the reporting period the Group obtained control of several companies through acquisitions in a total consideration of euro 23.5 million, net of cash acquired. The acquired companies are comprised of real estate properties mainly in Cologne and Berlin, and management companies that provide real estate property management services to approximately 18,000 units around Germany. As an outcome of the business combinations, the Group recorded profit arising from bargain purchases at the amount of euro 13.9 million, which was presented in Capital gains, property revaluations and other income within the consolidated statement of comprehensive income, and also recorded Goodwill at the amount of euro 1.9 million. The Group recognized non-controlling interests in the amount of euro 2.3 million.

The above business combinations include obtaining control on joint venture companies that were presented according the equity method.

Since the date whereby the Group obtained control on the above entities and until the end of the reporting period, it recorded aggregated revenue and net profit at the amount of euro 6,898 thousand and euro 655 thousand, respectively.

The aggregated identifiable assets and liabilities acquired as at the date of each transaction are as follows:

	€'000
Equipment and intangible assets	353
Investment property	129,682
Investment in equity-accounted investees	(7,447)
Trade and other receivables	9,570
Loans and borrowings	(69,442)
Deferred tax liabilities	(8,565)
Other long term liabilities, net	(4,262)
Trade and other payables	(11,500)
Provisions for other liabilities and charges	(609)
Total identifiable net assets	37,780
Non-controlling interests arising from initial consolidation	(2,279)
Cash paid regarding acquisition of subsidiary, net of cash acquired	(23,503)
Profit arising from business combinations (bargain purchase)	(13,901)
Equipment and intangible assets – Goodwill recognized	1,903

If all the above purchases were carried out at the beginning of the reporting period, the Group's revenue would have been increased by euro 4,933 thousand, and the Group's net profit would have been increased by euro 929 thousands.

5. INVESTMENT PROPERTY

	Six months ended June 30	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Balance at the beginning of the period	1,368,281	407,086
Additions	267,337	335,752
Additions through business combinations	129,682	425,932
Transfer from assets held for sale	-	10,320
Fair value adjustment	78,724	189,191
Balance at the end of the period	1,844,024	1,368,281

6. TAX & DEFERRED TAX EXPENSES

Tax and deferred tax expenses are recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

The Group tax and deferred tax expenses for the six months ended June 30, 2014, is euro 14,453 thousands (2013: euro 8,444 thousand). The Company recorded euro 750 thousands for corporation tax (2013: euro 351 thousand), euro 10,718 thousands for deferred tax and euro 2,985 thousands for property tax (2013: euro 6,801 thousand and euro 1,292 thousand, respectively).

7. LOANS AND BORROWINGS, BOND SERIES B AND CONVERTIBLE BOND

A. COMPOSITION

	June 30	December 31
	2014	2013
	Unaudited	Audited
	€'000	
Long-term liabilities		
Bank loans	515,787	458,802
Other loans	-	2,951
Total long-term loans	**515,787**	**461,753**
Series B Bond (B)	344,367	194,676
Convertible Bond series C (C)	270,985	-
Total Bonds	**615,352**	**194,676**
Short-term liabilities		
Bank loans	7,137	6,986
Other bank loan	-	3,577
Total short-term loans	**7,137**	**10,563**
Total loans and borrowings	**1,138,276**	**666,992**

B. BOND SERIES B

On June 3, 2013 the Company placed euro 100 million unsubordinated straight bonds maturing in June 2020 with a coupon of 6.25% in a private placement.

On July 24, 2013, the Company successfully increased the corporate bond issued in June by additional euro 100 million.

On April 15, 2014, the Company has successfully completed with the placement of additional euro 150 million (nominal value) of unsubordinated, senior secured straight bonds maturing in June 2020, for a consideration that reflects 107.25% of their principal amount. The total aggregate principal amount of the series B bonds was thereby increased to euro 350 million (nominal value). Morgan Stanley acted as the sole underwriter.

	Six months ended June 30	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Balance at the beginning of the period	195,681	-
Proceeds from issuance of bond during the period (150,000 notes at euro 1,000 par value) (*)	160,875	200,000
Transaction costs	(2,157)	(5,676)
Net proceeds during the period	158,718	194,324
Expenses for the period	8,915	7,607
Expenses paid	(7,521)	(6,250)
Carrying amount of liability at the end of the period	355,793	195,681
Non-current portion of bond series B	344,367	194,676
Accrued interest	1,618	1,005
Total bond series B	345,985	195,681
Deferred income	9,808	-

(*) This amount includes additional euro 10,875 thousand (reflects 7.25% of the par value), allocated as deferred income and presented in other long term liabilities account balance.

7. LOANS AND BORROWINGS, BOND SERIES B AND CONVERTIBLE BOND (CONTINUED)

C. CONVERTIBLE BOND SERIES C

On February 24, 2014, the Company has successfully completed with the placement of euro 150 million convertible bonds, convertible into ordinary shares of the Company. The convertible bonds bear a coupon of 1.50% p.a., payable semi-annually in arrears. The initial conversion price was fixed at euro 9.72. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 106.65% of their principle amount.

On June 16, 2014, the Company resolved to upsize Convertible bond series C by issuing additional euro 125 million Series C bond ("Further Series C Bonds") the total aggregate principal amount of the Series C bonds will thereby increase to euro 275 million. The further Series C bonds were issued at 111.25% of their notional amount.

	Six months ended June 30	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Proceeds from issuance of convertible bond series C (1,500 notes at euro 100,000 par value)	150,000	-
Proceeds from tap issuance of convertible bond series C (1,250 notes at euro 100,000 par value) (a)	139,063	-
Transaction costs	(4,262)	-
Net proceeds during the period	284,801	-
Amount classified as equity (a) (b)	(7,995)	-
		-
Expenses for the period	1,743	-
Carrying amount of liability at the end of the period	278,549	-
Non-current portion of Convertible bond series C	270,985	-
Accrued interest	833	-
Total convertible bond series C	271,818	-
Deferred income	6,731	-

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

(b) The equity component referring to the first placement of convertible bond series C is euro 0.7 million.

D.(1) SECURITY, NEGATIVE PLEDGE

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in Grandcity property Ltd ("Grand City Ltd");
- a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company with Bank Hapoalim (Suisse) S.A., Luxembourg branch;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by Grand City Ltd. with Bank Hapoalim (Suisse) S.A., Luxembourg branch; and
- first-ranking charges, governed by Cypriot law, over each bank account held by Grand City Ltd.

(2) COVENANTS

- procure that Net Debt shall not exceed (i) at any time, 70% of the Portfolio Value and (ii) 65% of the Portfolio Value for a period of more than twelve (12) months;
- Grand City Ltd. will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the charged accounts, unless the Issuer or Grand City Ltd., respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders;
- will not permit any restriction on the ability of any subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's investees or (ii) (a) pay any indebtedness owed to the Company or any of the Company's subsidiaries (b) make loans or advances to the Company or any of the Company's subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's subsidiaries; and
- the total indebtedness incurred by the group in respect of project financing debt shall not exceed the higher of euro 65 million or 25% of the portfolio value.

8. CAPITAL & RESERVES

ISSUANCE OF ORDINARY SHARES

a. On April 12, 2012 the Company increased its share capital to euro 5,000,000 (50,000,000 shares of euro 0.10 per share).

b. On July 19, 2012 the Company received gross proceeds of euro 15.1 million from a capital increase against a cash contribution. A total of 5.5 million new shares were placed at an issue price of euro 2.75 as part of an international private placement to institutional investors.

c. On February 19, 2013 the Company received gross proceeds of euro 35.7 million from a second capital increase against a contribution in cash. A total of 8 million new shares were placed at an issue price of euro 4.46 as part of an international private placement to institutional investors.

d. As at September 30, 2013 a total amount of euro 99.7 million of the convertible bonds 2012-2017 were converted to shares. Accordingly, 24.9 million shares with nominal value of euro 0.1 each per share were issued.

e. On December 3, 2013, the Company received gross proceeds of euro 175.5 million in a capital increase against a contribution in cash. A total of 27 million new shares, with a par-value of euro 0.10 each, were placed at an issue price of euro 6.5 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolios.

SHARE CAPITAL COMPOSITION:

	Six months ended June 30, 2014		Year ended December 31, 2013	
	Unaudited		Audited	
	Number of shares	€'000	Number of shares	€'000
Authorized				
Ordinary shares of euro 0.10 each	200,000,000	20,000	200,000,000	20,000
Issued and fully paid				
Balance as at the beginning of the period	115,425,000	11,542.5	55,500,000	5,550
Issuance of shares on February 19, 2013	-	-	8,000,000	800
Exercise of convertible bond	-	-	24,925,000	2,492.5
Issuance of shares on December 3, 2013	-	-	27,000,000	2,700
Balance at the end of the period	115,425,000	11,542.5	115,425,000	11,542.5

9. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(I) LOANS TO ASSOCIATED UNDERTAKINGS

	June 30 2014	December 31 2013
	Unaudited	Audited
	€'000	
Other associated undertakings	-	153

(II) LOANS FROM ASSOCIATED UNDERTAKINGS

	June 30 2014	December 31 2013
	Unaudited	Audited
	€'000	
Other associated undertakings	169	446

(III) INTEREST ON LOANS FROM RELATED PARTIES

	For the six months ended June 30, 2014	2013
	Unaudited	Audited
	€'000	
Interest expenses	(65)	(221)

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions, are made only if such terms can be substantiated.

10. FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

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

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

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

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

	Level 1	Level 2	Level 3	Total
		€'000		
June 30, 2014				
Traded securities at fair value through profit or loss	64,696	-	-	64,696
Investment in financial long term assets	-	-	2,049	2,049
Total assets	**64,696**	**-**	**2,049**	**66,745**
Derivative financial instruments (a)	-	11,034	-	11,034
Total liabilities	**-**	**11,034**		**11,034**
December 31, 2013				
Traded securities at fair value through profit or loss	34,258	-	-	34,258
Investment in financial long term assets	-	-	2,578	2,578
Total assets	**34,258**	**-**	**2,578**	**36,836**
Derivative financial instruments (a)	-	13,832	-	13,832
Total liabilities	**-**	**13,832**	**-**	**13,832**

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

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

11. CONTINGENT ASSETS & LIABILITIES

The Group had no significant contingent assets and liabilities as at June 30, 2014.

12. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the balance sheet date.

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