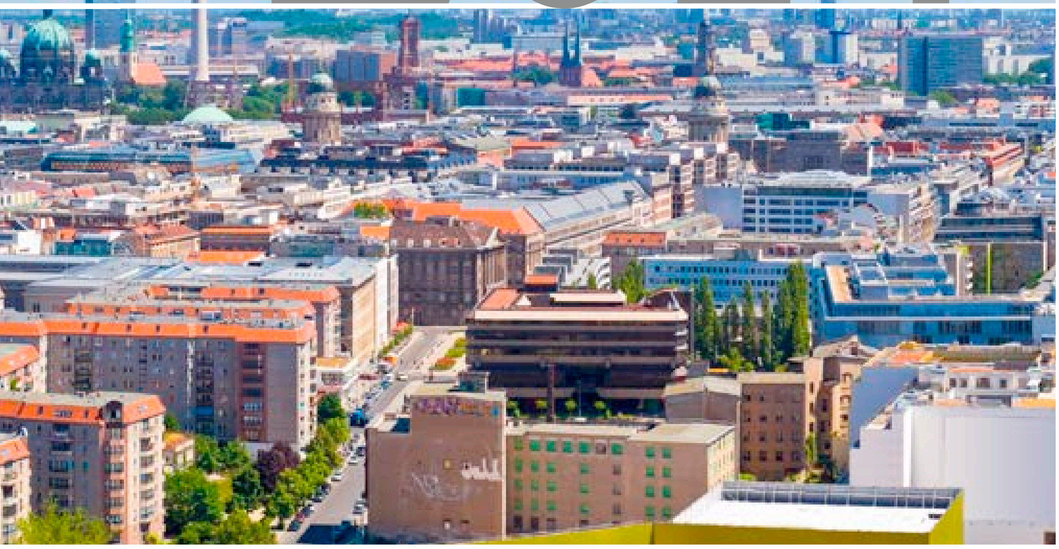
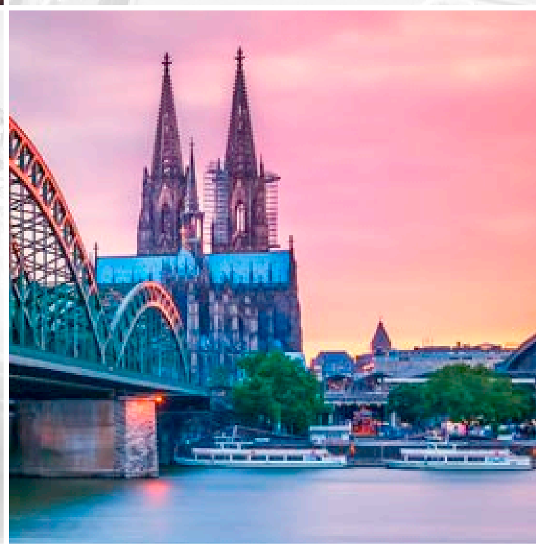
2014 Q1



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2014

GRAND CITY
Properties S.A.



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2014

CONTENT

IMPRINT

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KEY FINANCIALS

NET PROFIT (€ 000')

MAR 2013	CHANGE	MAR 2014
13,552	+419 %	70,323

REVENUE (€ 000')

MAR 2013	CHANGE	MAR 2014
15,852	+280 %	60,158

EPS (BASIC) (€)

MAR 2013	CHANGE	MAR 2014
0.13	+308 %	0.53

RENTAL AND OPERATING INCOME (€ 000')

MAR 2013	CHANGE	MAR 2014
15,852	+188 %	45,658

EBITDA (€ 000')

MAR 2013	CHANGE	MAR 2014
19,617	+313 %	81,049

FFO I (€ 000')

MAR 2013	CHANGE	MAR 2014
1,909	+761 %	16,441

ADJUSTED EBITDA (€ 000')

MAR 2013	CHANGE	MAR 2014
6,396	+260 %	23,043

FFO I PER SHARE (€)

MAR 2013	CHANGE	MAR 2014
0.03	+342 %	0.14

EPRA NAV (€ 000')

DEC 2012	DEC 2013	MAR 2014
338,979	859,435	941,207

FFO II (€ 000')

MAR 2013	CHANGE	MAR 2014
1,909	+841 %	17,957

LOAN-TO-VALUE

DEC 2012	DEC 2013	MAR 2014
44.2 %	35.7 %	38.9%

CASH FLOW FROM OPERATIONS (€ 000')

MAR 2013	CHANGE	MAR 2014
6,575	+465 %	37,185

EQUITY RATIO

DEC 2012	DEC 2013	MAR 2014
36.6 %	46.5 %	43.8 %

PORTFOLIO DEVELOPMENT IN UNITS

DEC 2012	DEC 2013	MAR 2014
12,000	26,000	30,000

ACHIEVEMENTS

OPERATIONAL HIGHLIGHTS

- Total portfolio exhibited continuous growth to over 30,000 units (31,000 units as of May 2014)
- Significant shifting up the proportion of the stabilized portfolio from 27% in March 2013 to 35% in March 2014, with 3.2% like-for-like occupancy increase
- Rental and operating income increased in Q1 2014 by 188% YOY to Euro 45.7 million, with 3% like-for-like increase in rent per sqm
- "Run rate" of rental and operating income (monthly annualized), representing the May 2014 portfolio, increased to over Euro 190 million
- Sale of properties in Q1 2014 for Euro 15.8 million
- Takeover and signed deals in 2014 for approx. Euro 350 million, of which approx. Euro 180 million were taken over by March 31, 2014

CAPITAL MARKETS AND RATING

- In February 2014, GCP issued a 5 year convertible bond of Euro 150 million, bearing a coupon rate of 1.5% with J.P. Morgan, Berenberg and Deutsche Bank as bookrunners
- S&P Rating as of February 2014 BB+, (ilAA-) with a stable outlook upgraded twice within one year from BB- (ilA) in February 2013 and BB in November 2013. The rating applies to both the Company and bonds
- In April 2014, GCP carried out a tap issue of its straight bonds Series B with the nominal value of Euro 150 million. The additional bonds were issued at 107.25% of their principal amount with a yield-to-call (YTC) of 3.85% with Morgan Stanley as bookrunner

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	1-3/2014 €'000	1-3/2013 €'000
Revenue	60,158	15,852
Rental and operating income	45,658	15,852
EBITDA	81,049	19,617
Adjusted EBITDA	23,043	6,396
Profit for the period	70,323	13,553
EPS (basic) in €	0.53	0.13
FFO I	16,441	1,909
FFO I per share in €	0.14	0.03
FFO II	17,957	1,909

FINANCIAL POSITION HIGHLIGHTS

AS OF	Mar 2014 €'000	Dec 2013 €'000
Cash and liquid assets	201,559	166,800
Total Assets	1,917,062	1,651,087
Investment Property (including advanced payment)	1,606,742	1,375,450
Inventories - trading properties	5,547	19,949
Total Equity	839,572	767,925
EPRA NAV	941,207	859,435
Loans and borrowings	491,105	472,316
Bond Series B	194,519	194,676
Convertible bond Series C	146,309	-
Loan To Value	38.9%	35.7%
Loan To Value assuming conversion	29.9%	35.7%
Equity Ratio	43.8%	46.5%
Equity Ratio assuming conversion	51.4%	46.5%

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 March 31, 2014.

The figures presented in this Board of Directors' Report are based on the condensed consolidated interim financial statements as of March 31, 2014.

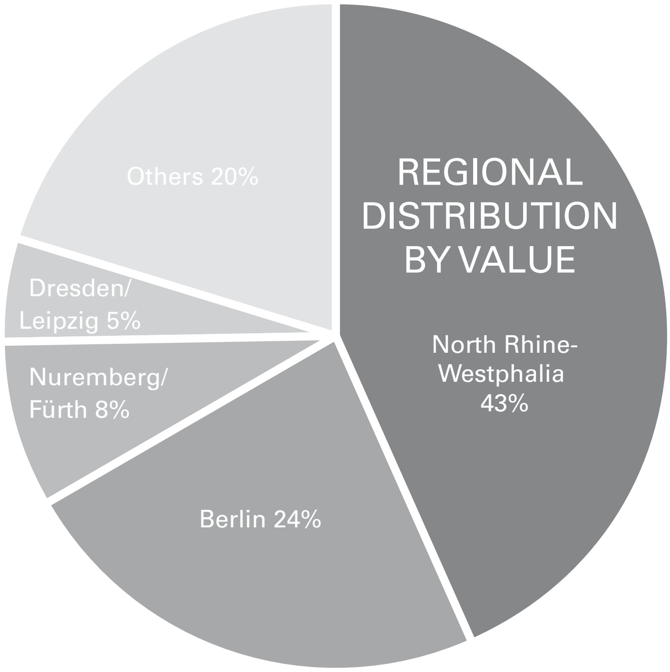
Grand City Properties S.A. is a specialist real estate company focused on investing in and managing turnaround opportunities in the German real estate market. The Group's total portfolio as of May 2014 consisted of approx. 31,000 units (hereinafter "GCP portfolio") located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin, Germany's capital, and other densely populated areas.

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

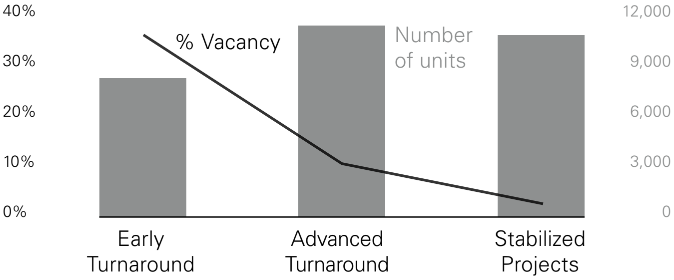
ATTRACTIVE PORTFOLIO WITH DEFENSIVE CHARACTERISTICS AND SIGNIFICANT REPOSITIONING POTENTIAL

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. With a portfolio as of May 2014 of approx. 31,000 units (30,000 units as of March 2014), 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.



The Group holds 43% of its portfolio in NRW, 24% in Berlin and other major cities e.g. Mannheim and Bremen, and seeks to expand in additional attractive main German cities. The current regional distribution enables the Company on one hand to benefit from economy of scale and on the other hand provides a diverse and well allocated portfolio. Since December 2013, GCP has increased its real estate portfolio through additional takeovers of approx. 5,000 units.

GCP has grouped the investment properties 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 March 31, 2014 approx. 35% of the total units are in the stabilized stage, approx. 37% of the total units are in the advanced turnaround stage and approx. 28% of the total units are in the early turnaround stage. The current spread of the Group's portfolio throughout the various stages, provides on 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 March 31, 2014 amounted to approx. Euro 4.95 per square meter with a portfolio vacancy rate of 15%.

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 dedicated and with over 350 experienced staff members located 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, it's 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.

In the beginning of 2014, GCP has completed the full implementation of a management company for real estate properties, providing asset and property management with a large focus on the Company's strategic locations. Combined with its owned portfolio GCP manages around 50,000 units in Germany. The acquisition of the management company is part of the Company`s tailor made strategy, to strengthen the ability to support its fast growth on one hand and to increase the capabilities to generate revenues on the other. The transaction will also support the quick and rapid takeover of the current pipeline and further property acquisitions and therefore will provide a tailwind for the growth strategy of the Company.

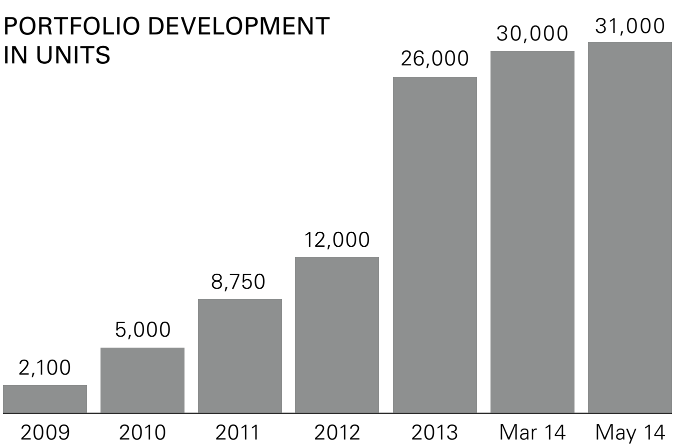
Management believes that the portfolio today has the capacity to grow at a marginal cost to the platform, and further create economies of scale. The integrated nature of its platform also means that GCP is well positioned to make important decisions swiftly and efficiently when required, for instance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

DEMONSTRATED ABILITY TO SOURCE PROPERTIES AND BUILD PIPELINE

GCP's established reputation provides local and national level access to multiple investment opportunities often before they are widely promoted or publicized, and frequently at improved prices to reflect 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 believes it operates in an attractive market segment where the typical properties it acquires are either too large for private individuals or too small and difficult for institutional investors.

From year end 2013 to May 2014 GCP's portfolio increased by 5,000 units to 31,000.

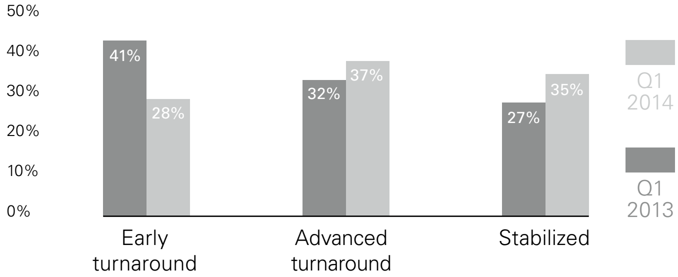
PORTFOLIO DEVELOPMENT IN UNITS



STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING ASSETS

GCP's skill is not only in acquiring properties with significant potential but also in designing and implementing very specific strategies for each asset to significantly improve its operating performance and thus 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.

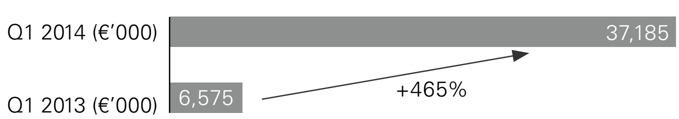


Decreasing vacancy rates from earlier to later stages proves the competency of the management team and validates the effectiveness of the business model. On a like-for-like basis vacancy rates decreased from March 2013 by 3.2%. Since March 2013 the portfolio has substantially shifted into a stabilized portfolio from 27% in March 2013 to currently 35% and for the early turnaround portfolios from 41% to 28% in the same period through the successful turnaround process and acquisitions. Such shifting results in more recurring and constant cash flows through higher revenues, lower costs and higher profit margins.

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. In-place rent increased on a like-for-like basis by 3% from March 2013.

CASH FLOW FROM OPERATIONS



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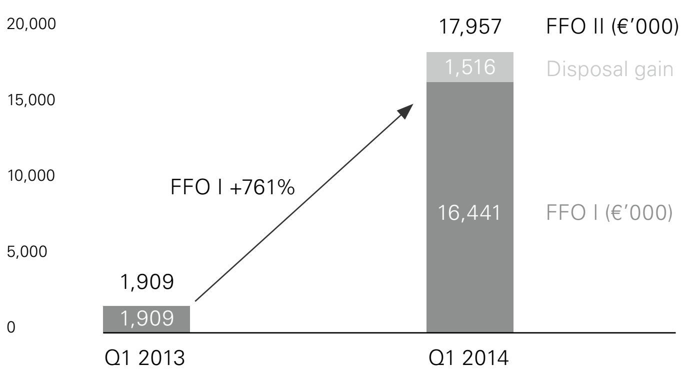
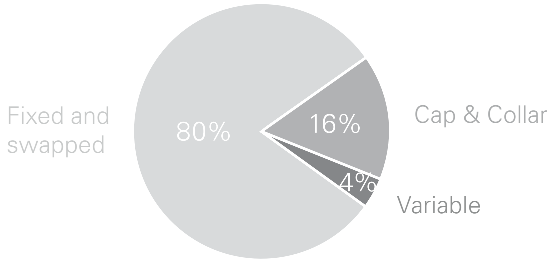


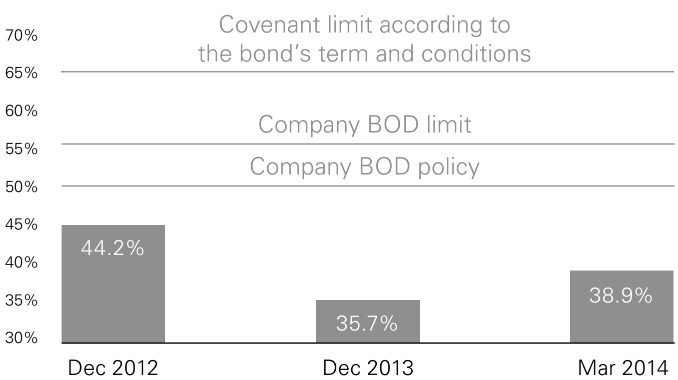
KEY STRENGTHS

CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

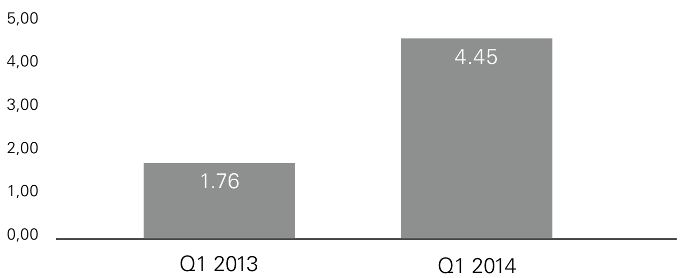
With a high financial flexibility of Euro 202 million in cash and traded securities as of March 2014 and additional Euro 163 million cash reveived from the tap up issuance of the existing Series B straight bonds in April 2014, GCP has a substantial amount of liquid assets, which on the one hand enables it to pursue attractive deals, and on the other to provide 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 38.9% as of March 31, 2014. The Company's internal target is to maintain a 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.



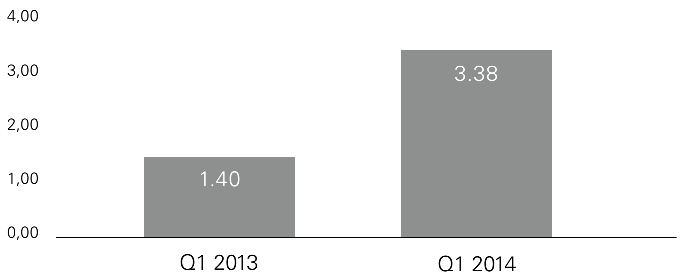
LOAN TO VALUE



INTEREST COVERAGE RATIO (ADJ. EBITDA/INTEREST)



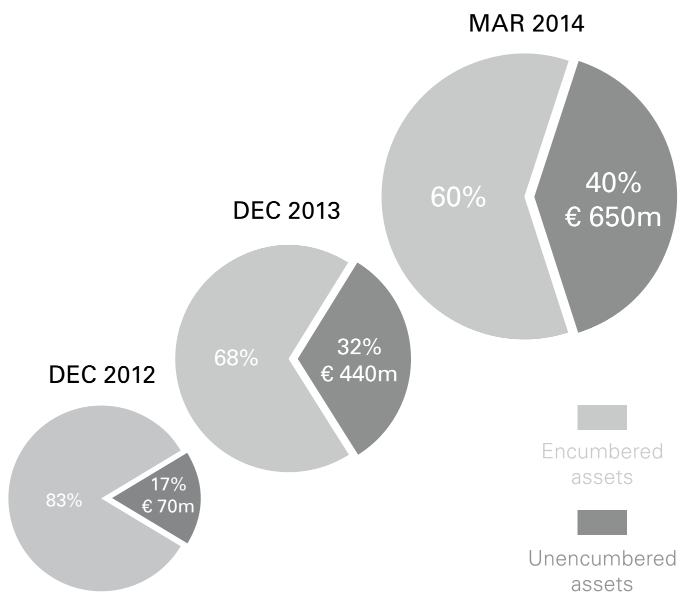
DSCR *)



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

As of March 31, 2014, the bank loans are spread over 28 separate loans from 13 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 an average maturity of 5.5 years, and no material maturities until 2017. The weighted average interest is 3.5% and over 95% of the Company's debt is hedged.

Long maturities offer the Company to focus on core business without the pressure to refinance and exit from projects pre-maturely. The considerable portion of GCP's unencumbered assets gives the Company further financial flexibility. As of March 31, 2014 approx. Euro 650 million of the held assets are free of lien which accounts for 40% of the total portfolio.



STENGTHENING THE CAPITAL STRUCTURE

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

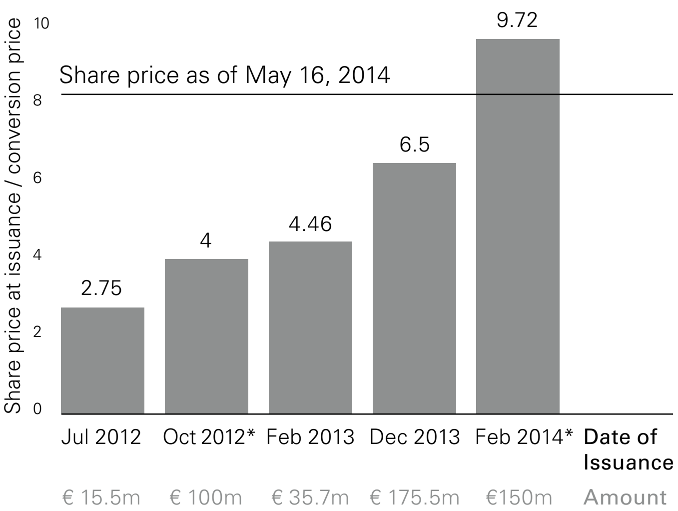
Successful capital increases, especially the last equity raise of Euro 176 million gross in December 2013 with J.P. Morgan and Berenberg as bookrunners.

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

In April 2014, GCP carried out a tap issue of its straight bonds Series B with the nominal value of Euro 150 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.

The last transactions crystallized GCP's ability to access resources in various channels, enabeling 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, where Euro 9.72 per share in February 2014 presents the conversion price of the recent convertible bond issuance.

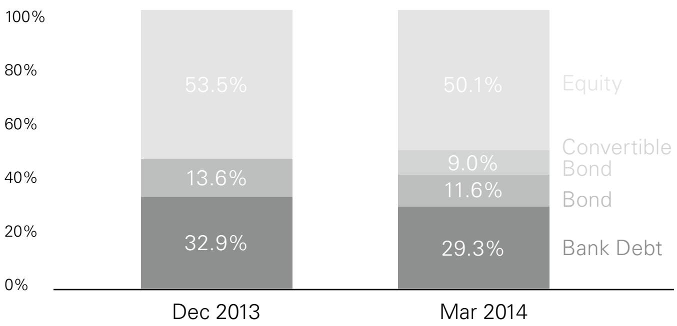


*refers to the convertible bond issuances

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 highlight 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 investment 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.

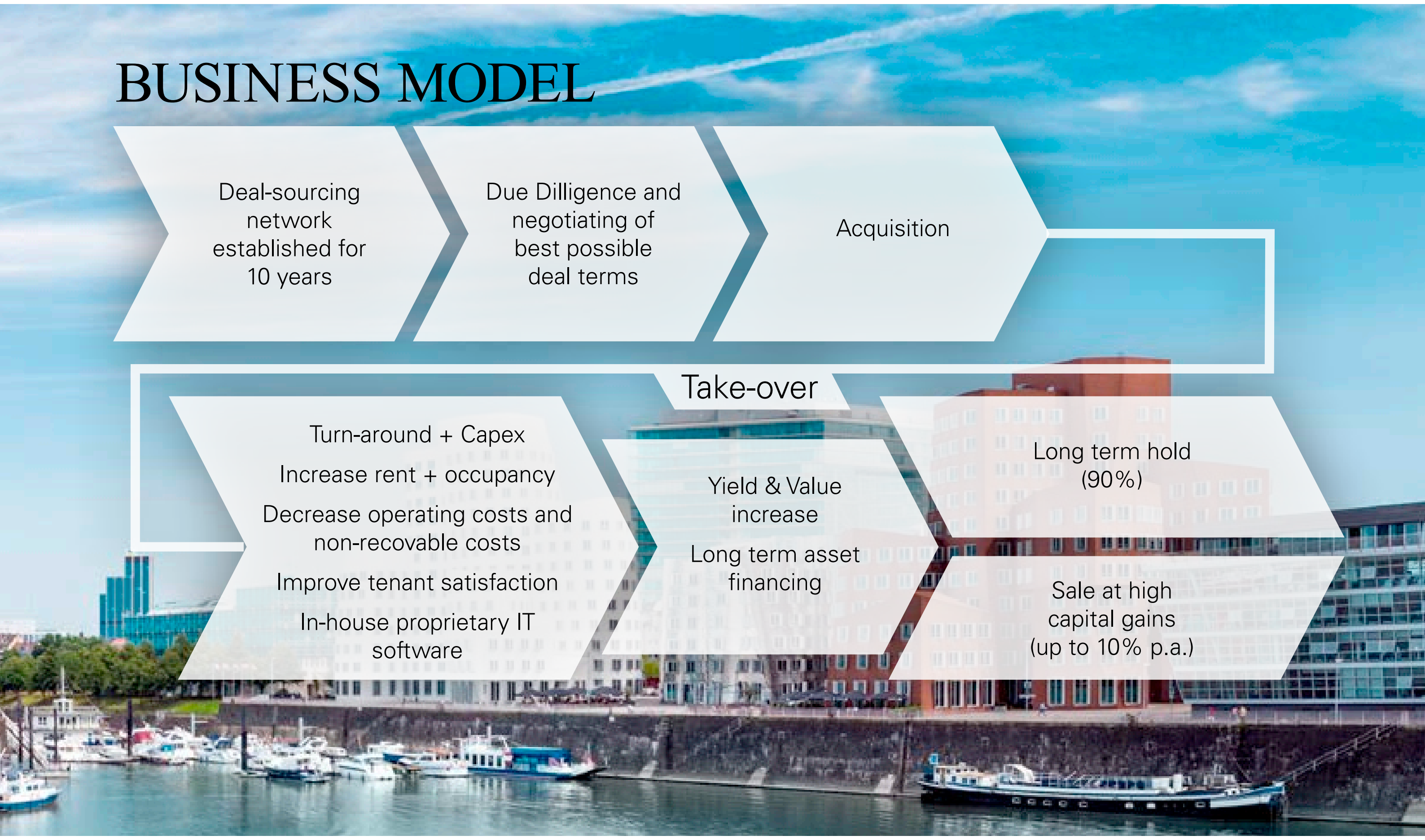
MAXIMIZE TENANT SATISFACTION TO REDUCE RE-LETTING RISK AND TENANT CHURN

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.

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



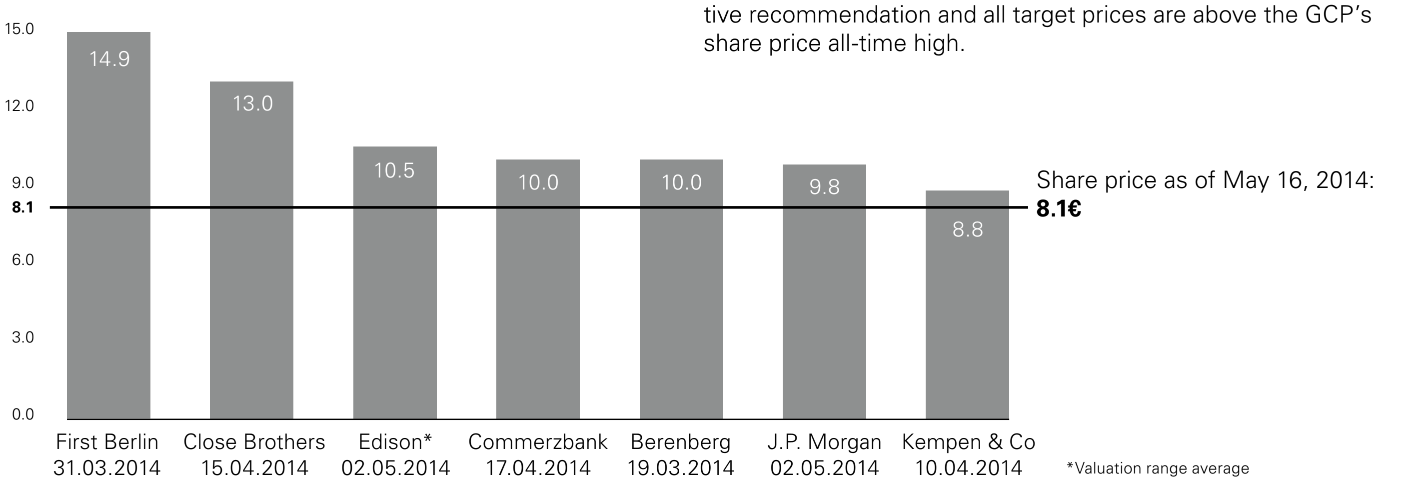
CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

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.

ANALYST RECOMMENDATIONS



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, 8 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 seven different equity analysts, who published their latest reports over the last 2 months. None of the coverages have a negative recommendation and all target prices are above the GCP's share price all-time high.

NOTES ON BUSINESS PERFORMANCE

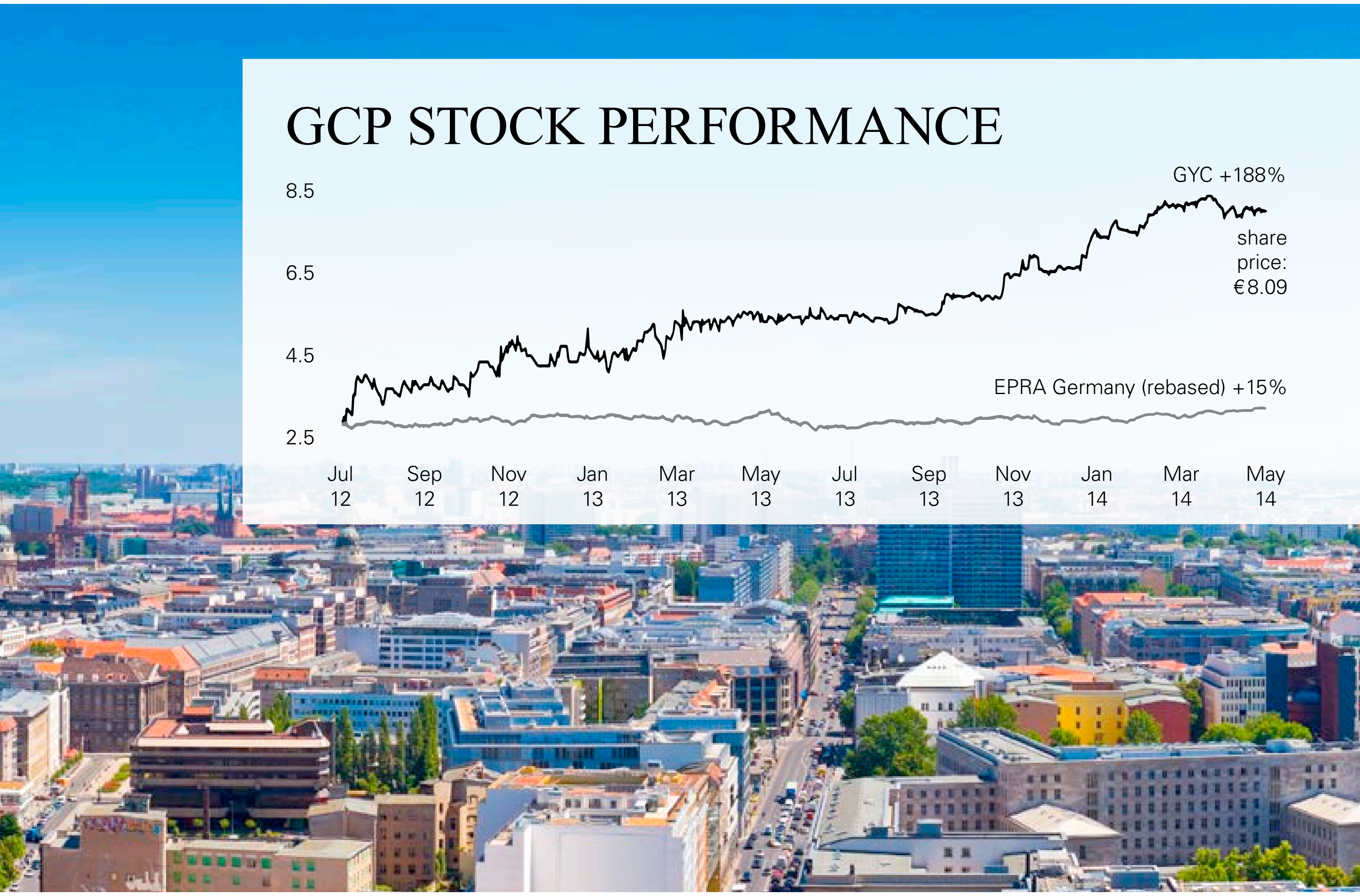
SELECTED CONSOLIDATED INCOME STATEMENT DATA

for the three months ended March 31	2014 €'000	2013 €'000
Revenue	**60,158**	**15,852**
Capital gains, property revaluations and other income	57,756	13,221
Property operating expenses	(21,573)	(8,570)
Cost of buildings sold	(14,250)	-
Administrative & Other expenses	(1,305)	(975)
EBITDA	81,049	19,617
Operating profit	80,880	19,595
Net finance expenses	(2,391)	(2,735)
Tax and deferred tax expenses	(8,166)	(3,308)
Profit for the period	**70,323**	**13,552**

REVENUE

for the three months ended March 31	2014 €'000	2013 €'000
Rental and operating income	45,658	15,852
Revenue from sales of buildings	14,500	-
Revenue	**60,158**	**15,852**

The March 31, 2014 revenue increased by 280% to Euro 60.2 million compared to the comparable period in 2013 (Euro 15.9 million) which is the result of an increase in rental and operating income and the revenue from sales of buildings. In the first quarter of 2013 GCP did not record any revenue from sales of buildings compared to Euro 14.5 million at the end of March 2014.
The increase in rental and operating income in the first quarter 2014 compared to the first quarter of 2013 is mainly an effect of an increase in occupancy and rent in the existing properties and due to income from new acquisitions which were not owned by GCP in the first three months of 2013.
As properties were acquired during the first quarter of 2014 they did not contribute their full potential. Thus the revenue does not reflect the full three months income of all properties. The run rate of the rental and operating income of the May 2014 portfolio amounts to over Euro 190 million.
In the first quarter 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 approx. Euro 6 million.



CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

for the three months ended March 31	2014 €'000	2013 €'000
Change in fair value in investment property	49,663	13,221
Profit arising from business combination (bargain purchase)	6,827	-
Capital gains and other income	1,266	-
Capital gains / profit from investment activities	**57,756**	**13,221**

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 March 2014 capital gains, property revaluation and other income at the amount of Euro 57.8 million compared to Euro 13.2 million in the comparable period in 2013. The profit mirrors the ability of the company to create significant value to its properties.

Profit arising from business combinations refers to negative goodwill recorded through purchases at the amount of Euro 6.8 million in the first three months of 2014 and described in detail in note 4 of the condensed consolidated interim financial statements as of March 31, 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 properties above their book value.

PROPERTY OPERATING EXPENSES

for the three months ended March 31	2014 €'000	2013 €'000
Property operating expenses	**(21,573)**	**(8,570)**

The total property operating expenses increase by 152% from Euro 8.6 million in the first quarter of 2013 to Euro 21.6 million in the first quarter of 2013 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.

Being in accordance with the Group's growth, the property operating expenses are additionally offset by economies of scale thus increasing only by 152% whereas revenue excluding sales of buildings increased by 188%.

NOTES ON BUSINESS PERFORMANCE

MAINTENANCE AND CAPITAL EXPENDITURES

Due to the Company's effort to reduce vacancy, decrease the churn rate and increase the quality of its properties, GCP has invested in the first quarter of 2014 capex and maintenance of Euro 2.9 per average sqm (Euro 3.8 in Q1 2013) totaling to Euro 6.1 million. Of the Euro 2.9 per average sqm, Euro 1.3 per average sqm was invested in maintenance (Euro 1.3 in Q1 2013) and Euro 1.6 per average sqm in capex (Euro 2.50 in Q1 2013).

ADMINISTRATIVE & OTHER EXPENSES

	2014	2013
for the three months ended March 31	€'000	€'000
Administrative & Other expenses	**(1,305)**	**(975)**

Administrative and other expenses amounted in the first three months of 2014 to Euro 1.3 million while for the comparable period in 2013 to Euro 1 million. The increase reflects the growth of the Company which includes costs related to professional services such as accounting and audit costs, legal and professional fees as well as marketing fees.

NET FINANCE EXPENSES

	2014	2013
for the three months ended March 31	€'000	€'000
Finance expenses	(5,177)	(3,640)
Other finance results	2,786	906
Net finance expenses	**(2,391)**	**(2,735)**

The net finance expenses amounted in the first quarter of 2014 to Euro 2.4 million compared to Euro 2.7 million in the comparable period in 2013.

The increase in finance expenses of 42% is a result of an increase in total debt of the Company which increased only disproportionately due to the low cost of debt the Company has achieved.

The decrease in net finance expenses derives to a great extent from the positive result of other financial results compared to the first quarter of 2013 resulting in an increase of Euro 1.9 million.

TAX AND DEFERRED TAX EXPENSES

	2014	2013
for the three months ended March 31	€'000	€'000
Tax and deferred tax expenses	**(8,166)**	**(3,308)**

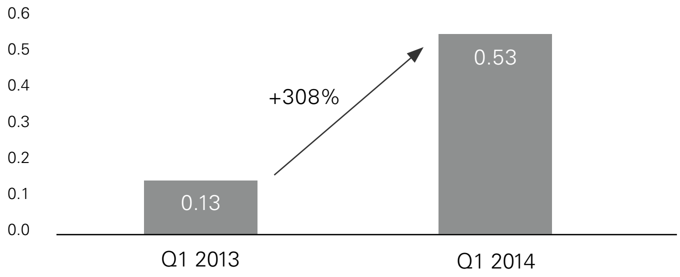
The tax and deferred tax expenses for all periods have increased mainly from the deferred tax provisions on investment property.

PROFIT FOR THE PERIOD

	2014	2013
for the three months ended March 31	€'000	€'000
Profit for the period	**70,323**	**13,553**
Basic earnings per share in €	0.53	0.13
Diluted earnings per share in €	0.51	0.11

Compared to the first three months in 2013, profit in the first quarter of 2014 increased by 419% to Euro 70.3 million as a result of a significant increase in revenues, property revaluation and other income which are based on properties turnaround and improved financial results. Accordingly, the EPS of the first quarter of 2014 increased by 308% compared to first quarter of 2013, considering the EPS was offset by the issuance of over 50 million additional shares in the last 12 months, deriving from the capital increase and the conversion of the bonds.

BASIC EARNINGS PER SHARE



NOTES ON BUSINESS PERFORMANCE

CASH FLOW

for the three months ended March 31	2014 €'000	2013 €'000
Net Cash provided by operating activities	**37,185**	**6,575**
Net cash used in investing activities	(170,276)	(27,612)
Net cash provided by financing activities	146,290	31,468
Asset held for sale – Cash	-	11
Net increase in cash and cash equivalents	**13,199**	**10,442**

The significant increase in net cash provided by operating activities 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 quarter of 2014 to Euro 170 million compared to Euro 28 million in the first quarter of 2013. The cash was used mainly for acquisition of investment property of Euro 149 million. The net cash provided by financing activities of Euro 146 million comes mainly from the successful Euro 150 million bond issuance made in February 2014.

ASSETS

	Mar 14 €'000	Dec 13 €'000
Non-current assets	**1,636,182**	**1,402,495**
Current assets	**280,880**	**248,592**
Assets	**1,917,062**	**1,651,087**

Total assets increased until the end of March 2014 by 16% from Euro 1,651 million in 2013 to Euro 1,917 million.
This increase of Euro 266 million is in line with the Group's growth objectives and is derived mainly from the Euro 231 million increase of investment property, Euro 35 million increase in cash and traded securities and was offset by a decrease in inventories – trading properites due to the sale in January 2014.

LIABILITIES

	Mar 14 €'000	Dec 13 €'000
Loans and borrowings	476,779	461,753
Bond Series B	194,519	194,676
Convertible bond Series C	146,309	-
Deferred tax liabilities	90,176	80,169
Other liabilities	37,495	35,287
Current liabilities	132,212	111,277
Liabilities	**1,077,490**	**883,162**

GCP financed its acquisitions in 2014 mainly through the issuance of the Series C convertible bonds and the cash balance at the end of 2013. The mix of these sources along with the Group's profitability results in a healthy and conservative debt structure. During the first three months of 2014 the loans and borrowings increased by Euro 19 million and Euro 150 million convertible bonds were placed.
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 202 million to finance its current pipeline resulting in a net debt Euro 630 million as of March 31, 2014.

	Mar 14 €'000	Dec 13 €'000
Total bank debt and bonds	685,624	666,992
Cash and cash equivalents, traded securities	201,559	166,800
Total net debt without convertible bond	**484,065**	**500,192**
Convertible bond Series C	146,309	-
Total net debt with convertible bond	**630,374**	**500,192**

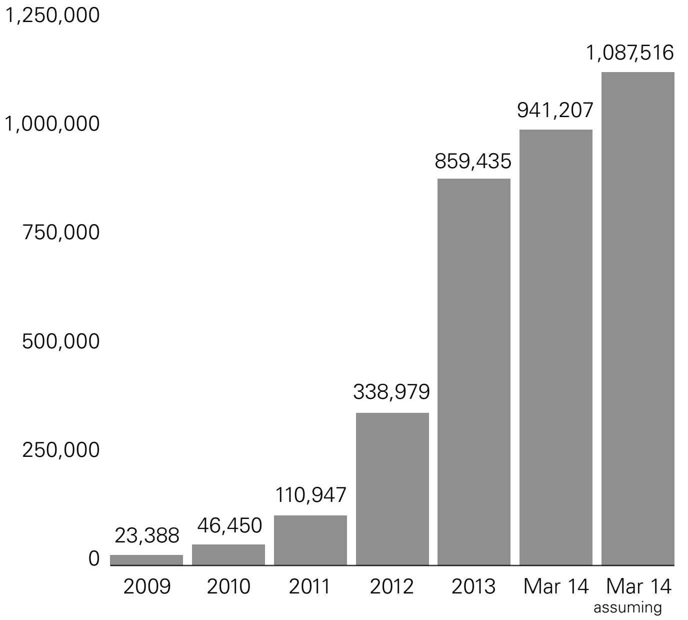
NOTES ON BUSINESS PERFORMANCE

EPRA NAV

	Mar 14 €'000	Dec 13 €'000
Total Equity	839,572	767,925
Fair Value measurements of derivative financial instruments	14,781	13,832
Net Deferred Tax	86,854	77,678
EPRA NAV	**941,207**	**859,435**
Convertible bond *)	146,309	-
EPRA NAV assuming conversion	**1,087,516**	**859,435**

*) Series C is as of March 31, 2014 out of the money

The EPRA NAV of the Company amounted as of March 31, 2014 to Euro 941 million compared to Euro 859 million in 2013. The increase is mainly due to the profit for the period of Euro 70 million.
Assuming full conversion of the convertible bond Series C the EPRA NAV amounts to over Euro 1bn Euro.

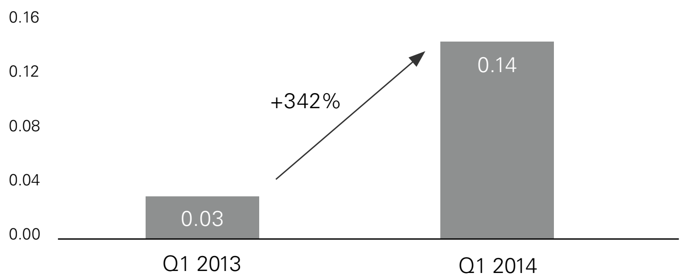


*) if the convertible bond will be in the money

FFO (FUNDS FROM OPERATION) AND ADJUSTED EBITDA

for the three months ended March 31	2014 €'000	2013 €'000
EBITDA	81,049	19,617
Capital gains, property revaluations and other income	(57,756)	(13,221)
Result on disposal of Inventories – trading properties	(250)	-
Adjusted EBITDA	**23,043**	**6,396**
Finance Expense	(5,177)	(3,640)
Tax	(1,425)	(846)
FFO	**16,441**	**1,909**
FFO per share in €	**0.14**	**0.03**

FFO I PER SHARE



FFO resulted in the first three months of 2014 to Euro 16.4 million, reflecting an increase of 761% compared to the first quarter in 2013. The result reflects among others the operational growth and the successful turnaround of properties and a healthy mix between the stabilized properties to the properties in the turnaround stage.

for the three months ended March 31	2014 €'000	2013 €'000
FFO	16,441	1,909
Result from capital gain *)	1,516	-
FFO II	**17,957**	**1,909**
FFO II per share in €	**0.16**	**0.03**

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

FFO II resulted in the first three months of 2014 to Euro 18 million due to a sell of buildings in January 2014, reflecting an increase of 841% compared to the first quarter in 2013 due to the increased FFO I.

NOTES ON BUSINESS PERFORMANCE

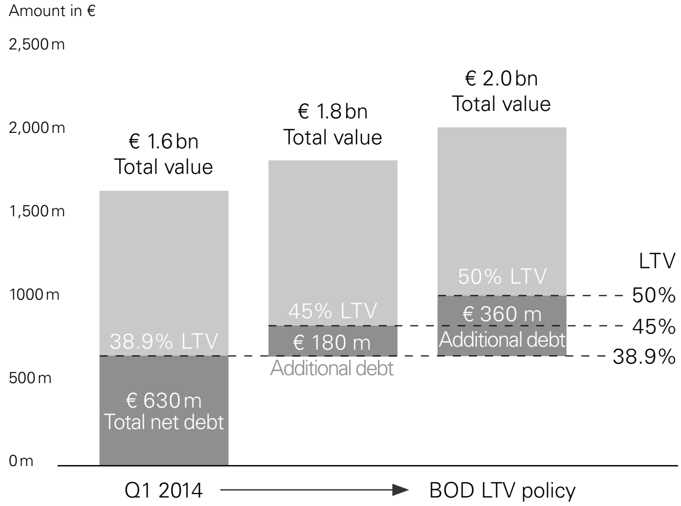
LOAN-TO-VALUE

Loan-to-Value

The loan-to-value ("LTV") as of March 31, 2014 of 38.9% (29.9% assuming conversion) demonstrates GCP's conservative approach on financial leverage. The Group kept its LTV since 2011 below its self set long-term policy of 50% and decreased it since 2013 even below 40%.

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

The current LTV of 38.9% provides financial headroom to raise additional debt and acquire assets of approximately Euro 360 million to reach the conservative Board of Directors company policy of 50%.



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, May 18, 2014

Simone Runge-Brandner
Director

Refael Zamir
Director

Daniel Malkin
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended March 31,	
		2014	2013
		Unaudited	Unaudited
	Note	€'000	€'000
Revenue		**60,158**	**15,852**
Capital gains, property revaluations and other income	4, 5	57,756	13,221
Share of profit from investments in equity accounted investees		94	67
Property operating expenses		(21,573)	(8,570)
Cost of buildings sold		(14,250)	-
Administrative and Other expenses		(1,305)	(975)
Operating profit		**80,880**	**19,595**
Finance expenses		(5,177)	(3,640)
Other finance result		2,786	905
Net finance expenses		(2,391)	**(2,735)**
Profit before tax		**78,489**	**16,860**
Tax and deferred tax expenses	6	(8,166)	(3,308)
Profit for the period		**70,323**	**13,552**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		**70,323**	**13,552**
Profit attributable to:			
Owners of the Company		**61,148**	**7,987**
Non-controlling interests		**9,175**	**5,565**
Profit for the period		**70,323**	**13,552**
Net earnings per share attributable to owners of the Company:		€	€
Basic earnings per share		**0.53**	**0.13**
Diluted earnings per share		**0.51**	**0.11**

The notes on pages 28 to 35 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		March 31	December 31
		2014	2013
		Unaudited	Audited
ASSETS	Note	€'000	€'000
Equipment and intangible assets	4	7,228	4,383
Investment property	5	1,605,324	1,368,281
Advanced payment for investment property		1,418	7,169
Equity-accounted investees		7,447	7,354
Deferred tax assets		3,322	2,491
Other long - term assets		11,443	12,817
Non-current assets		**1,636,182**	**1,402,495**
Cash and cash equivalents		145,741	132,542
Traded securities at fair value through profit and loss	10	55,818	34,258
Inventories – trading properties		5,547	19,949
Trade and other receivables		73,775	61,843
Current assets		**280,880**	**248,592**
Total assets		**1,917,062**	**1,651,087**

The notes on pages 28 to 35 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		March 31	December 31
		2014	2013
		Unaudited	Audited
EQUITY	Note	€'000	€'000
	8		
Share capital		11,543	11,543
Other reserves		14,971	14,211
Share premium		305,029	305,029
Retained earnings		435,289	374,141
Equity attributable to owners of the Company		**766,832**	**704,924**
Non-controlling interests		72,740	63,001
Total equity		**839,572**	**767,925**
LIABILITIES			
Loans and borrowings	7	476,779	461,753
Convertible bond series C	7	146,309	-
Bond Series B	7	194,519	194,676
Derivative financial instruments	10	14,781	13,832
Deferred tax liabilities		90,176	80,169
Other long term liabilities		22,714	21,455
Non-current liabilities		**945,278**	**771,885**
Current term portion of long term loans	7	6,530	6,986
Other bank loans	7	7,796	3,577
Trade and other payables		104,666	92,357
Accrued interest related to Bonds	7	4,615	1,005
Tax payable		3,443	3,298
Provisions for other liabilities and charges		5,162	4,054
Current liabilities		**132,212**	**111,277**
Total liabilities		**1,077,490**	**883,162**
Total equity and liabilities		**1,917,062**	**1,651,087**

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

Simone Runge-Brandner
Director

Refael Zamir
Director

Daniel Malkin
Director

The notes on pages 28 to 35 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 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 at January 1, 2014 (audited)	**11,543**	**305,029**	**-**	**14,211**	**374,141**	**704,924**	**63,001**	**767,925**
Profit for the period	-	-	-	-	61,148	61,148	9,175	70,323
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	61,148	61,148	9,175	70,323
Non-controlling interest arising from initially consolidated companies	-	-	-	-	-	-	564	564
Equity component of convertible bond	-	-	760		-	760	-	760
Balance as at March 31, 2014	**11,543**	**305,029**	**760**	**14,211**	**435,289**	**766,832**	**72,740**	**839,572**
Balance at January 1, 2013 (audited)	**5,550**	**13,391**	**134**	**14,211**	**150,972**	**184,258**	**18,685**	**202,943**
Profit for the period	-	-	-	-	7,987	7,987	5,565	13,552
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	7,987	7,987	5,565	13,552
Issuance of share capital	800	32,330	-	-	-	33,130	-	33,130
Issuance of share capital related to convertible bond	25	975	-	-	-	1,000	-	1,000
Non-controlling interest arising from initially consolidate companies	-	-	-	-	-	-	11,728	11,728
Balance as at March 31, 2013	**6,375**	**46,696**	**134**	**14,211**	**158,959**	**226,375**	**35,978**	**262,353**

The notes on pages 28 to 35 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the three months ended March 31,	
		2014	2013
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES	Note	€'000	€'000
Profit for the period		70,323	13,552
Adjustments for the profit:			
Depreciation and amortization		169	22
Share of profit from investments in equity accounted investees		(94)	(67)
Profit from business combinations, other income and sale of investments	4	(8,093)	(548)
Change in fair value of investment property	5	(49,663)	(12,673)
Finance expense, net		2,391	2,735
Tax and deferred tax expense	6	8,166	3,308
		23,199	6,329
Changes in:			
Inventories – trading properties		14,402	-
Trade and other receivables		(12,952)	(3,844)
Trade and other payables		12,820	4,507
Provisions for other liabilities and charges		1,141	430
		38,610	7,422
Taxes paid		(1,425)	(847)
Net cash provided by operating activities		**37,185**	**6,575**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and intangible assets, net		(791)	-
Acquisition of investment property		(148,821)	(28,020)
Loan granted to investments in equity accounted investees		-	47
Acquisition of subsidiaries, net of cash acquired		(10,648)	32
Investment in trade securities and other financial assets		(10,016)	329
Net cash used in investing activities		**(170,276)**	**(27,612)**

The notes on pages 28 to 35 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

		For the three months ended March 31,	
		2014	2013
		Unaudited	Unaudited
CASH FLOW FROM FINANCING ACTIVITIES	Note	€'000	€'000
Proceeds from issuance of ordinary shares, net	8	-	34,130
Amortizations of loans from financial institutions		(1,633)	(929)
Proceeds from borrowings		12,987	-
Proceeds from Convertible Bond, net		146,824	-
Repayment of loans from financial institutions		(9,763)	-
Expenses related to redeemed convertible bonds		-	(869)
Interest and other financial expenses paid, net		(2,125)	(864)
Net cash provided by financing activities		**146,290**	**31,468**
Assets held for sale – cash		-	11
Net increase in cash and cash equivalents		**13,199**	**10,442**
Cash and cash equivalents at the beginning of the period		132,542	80,977
Cash and cash equivalents at the end of the period		**145,741**	**91,419**

The notes on pages 28 to 35 are an integral part of these condensed consolidated interim financial statements.

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 three months ended March 31, 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. As of March 31, 2014, the Group's portfolio includes approximately 30,000 units over 2.4 million sqm., mainly in Berlin and North Rhine Westphalia.

b. CAPITAL AND BOND INCREASES DURING 2013 AND 2014

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

On June 3, 2013, the Company successfully raised euro 100 million of Series B bonds, unsubordinated straight bonds. On July 24, 2013, the Company successfully completed the increase of its Series B Bond by adding euro 100 million bonds to the existing Series B bond as part of a public placement (See note 7C).

As at September 30, 2013, a total amount of euro 99.7 million of the convertible bonds 2012-2017 were converted to shares. According to the convertible bond terms, 24.925 million shares were issued. Subsequently, in October 2013 the Company has redeemed the remainder of Convertible bond according to the bonds' terms.

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 April 10, 2014, the Company has successfully completed with the placement of additional euro 150 million of series B bonds for a consideration that reflects 107.25% of their principal amount.

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

During the three months ending on March 31, 2014, the Group acquired over 4,000 units in several separate deals in several cities.

e. GROUP RATING

As at March 31, 2014, the company as an issuer, and its "Series B" 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 three months ending on March 31, 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 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 May 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 1 January 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 1 January 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 10,648 thousand, net of cash acquired. The acquired companies are comprised from real estate properties in Cologne and Berlin, and management companies that provide real estate property management services to approximately 18,000 units in Germany.` As a result of the business combinations, the Group recorded profit arising from bargain purchases at the amount of euro 6,827 thousand, 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 1,885 thousand. The Group recognized non-controlling interest at the amount of euro 564 thousand.

Since the date whereby the Group obtained control on the above entities until the end of the reporting period, it recorded aggregated revenue and net profit in the amounts of euro 2,928 thousand and euro 133 thousand, respectively.

Aggregated identifiable assets and liabilities acquired as of the date of the transactions are as follows:

	€'000
Equipment and intangible assets	339
Investment properties	34,730
Other long term assets	65
Trade and other receivables	2,313
Loans and borrowings	(17,198)
Deferred tax liabilities	(1,811)
Other long term liabilities	(92)
Trade and other payable	(2,192)
Total identifiable net assets	16,154
Non-controlling interests arising from initial consolidation	(564)
Cash paid regarding acquisition of subsidiary, net of cash acquired	(10,648)
Profit arising from business combination (negative goodwill)	(6,827)
Equipment and intangible assets - Goodwill	1,885

5. INVESTMENT PROPERTY

	Three months ended March 31	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Balance at the beginning of the period	1,368,281	407,086
Additions	152,650	335,752
Addition through business combinations	34,730	425,932
Transfer from assets held for sale	-	10,320
Fair value adjustment	49,663	189,191
Balance at the end of the period	1,605,324	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 three months ended March 31, 2014, is euro 8,166 thousands (2013: euro 3,308 thousand). The Company recorded euro 218 thousands for corporation tax (2013: euro 271 thousand), euro 6,741 thousands for deferred tax and euro 1,207 thousands for property tax (2013: euro 2,462 thousand and euro 575 thousand, respectively).

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

A. COMPOSITION

	March 31	December 31
	2014	2013
	Unaudited	Audited
	€'000	
Long-term liabilities		
Bank loans	473,828	458,802
Other loans	2,951	2,951
Total long term loans	**476,779**	**461,753**
Convertible Bond series C (B)	146,309	-
Series B Bond (C)	194,519	194,676
Total Bonds	**340,828**	**194,676**
Short-term liabilities		
Bank loans	6,530	6,986
Other bank loan	7,796	3,577
Total short term loans	**14,326**	**10,563**
Total loans and borrowings	**831,933**	**666,992**

B. 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.

	Three months ended March 31	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Proceeds from issue of convertible bond series C (1,500 notes at Euro 100,000 par value)	150,000	-
Transaction costs	(3,176)	-
Net proceeds	146,824	-
Amount classified as equity	(760)	-
Expenses for the period	461	-
Carrying amount of liability the end of the period	146,525	-
Non-current portion	146,309	-
Accrued interest	216	-
	146,525	-

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

C. BOND SERIES B

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

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

On April 15, 2014, the company has successfully completed with the placement of additional euro 150 million of series B bonds at a premium of 107.25% (see note 12).

	Three months ended March 31	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / date of issuance	195,681	200,000
Transaction costs	-	(5,676)
Expenses for the period	3,237	7,607
Expenses paid	-	(6,250)
Carrying amount of liability at the end of the period	198,918	195,681
Non-current portion	194,519	194,676
Accrued interest	4,399	1,005
	198,918	195,681

D.(1) SECURITY, NEGATIVE PLEDGE

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in Grand City 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

- 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:

	Three months ended March 31, 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

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

(II) LOANS FROM ASSOCIATED UNDERTAKINGS

	March 31 2014	December 31 2013
	Unaudited	Audited
	€'000	
Other associated undertakings	591	446

(III) INTEREST ON LOANS FROM RELATED PARTIES

	For the three months ended March 31, 2014	2013
	Unaudited	Audited
	€'000	
Interest expenses	30	253

There were no transactions between the Group and its key management during the reported period.
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		
March 31, 2014 (unaudited)				
Traded securities at fair value through profit or loss	55,818	-	-	55,818
Investment in financial long term assets	-		2,071	2,071
Total assets	55,818	-	2,071	57,889
Derivative financial instruments (a)	-	14,781	-	14,781
Total liabilities	-	14,781	-	14,781
December 31, 2013 (audited)				
Traded securities at fair value through profit or loss	34,528	-	-	34,528
Investment in financial long term assets	-	-	2,578	2,578
Total assets	**34,528**	**-**	**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 March 31, 2014.

12. EVENTS AFTER THE REPORTING PERIOD

On April 10, 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 (series B bonds), 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.

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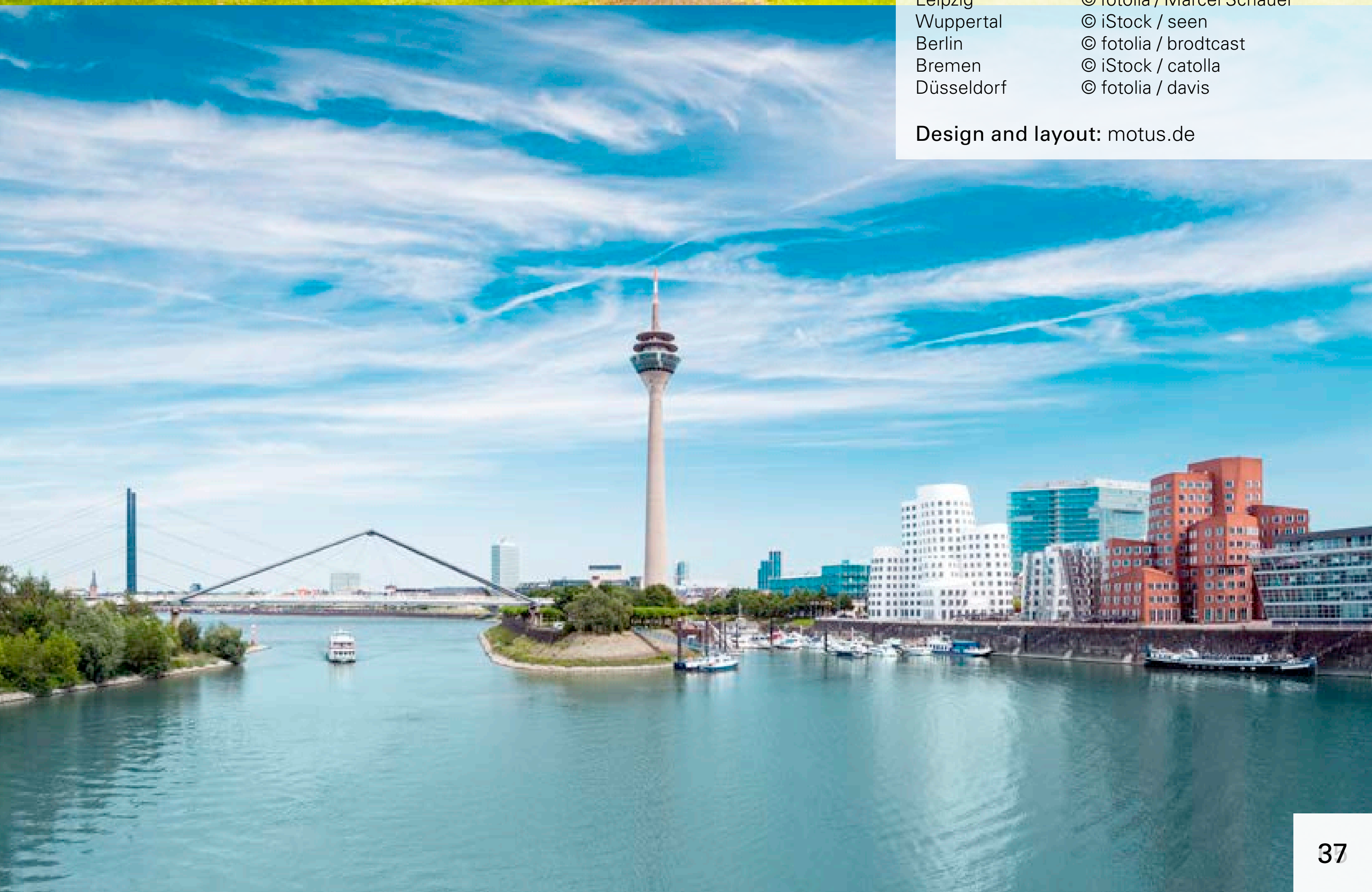

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