

Grand City Properties S.A.

Annual Accounts

For the year ended December 31, 2018

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

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1, Avenue du Bois
L-1251 Luxembourg
R.C.S. Luxembourg: B 165.560
Share Capital: EUR 16,671,840

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

BOARD OF DIRECTORS APPROVAL

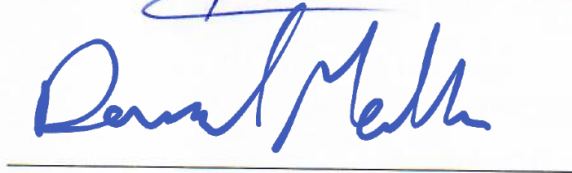
MEMBER

SIGNATURE

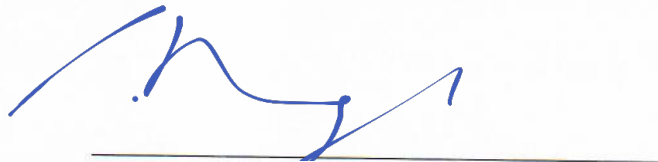
Refael Zamir



Daniel Malkin



Simone Runge-Brandner



Date: March 18, 2019

Grand City Properties S.A.

MANAGEMENT REPORT

The management of Grand City Properties S.A. (“the Company” and “GCP”) presents the Company’s audited Annual Accounts for the year ended December 31, 2018.

CAPITAL STRUCTURE

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

LIKELY FUTURE DEVELOPMENTS

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

FINANCIAL RISK MANAGEMENT

The Company is exposed to liquidity, operating, market risk and other risks. For more information see note 13.

The Company follows its risk management policy to hedge foreign exchange, interest rate and foreign currency risks associated with its financial assets and liabilities. For more information see note 5a.

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

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

BRANCHES OF THE COMPANY

The Company did not operate any branches in 2018.

OWN SHARES

The Company did not acquire any of its own shares in 2018.

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

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

- (a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on pages 7 and note 8 on page 27 in this annual report. In addition, the Company’s shareholding structure showing each shareholder owning 5% or more of the Company’s share capital is available below and on the Company’s website, where the shareholding structure chart is updated monthly.
- (b) With regard to article 11 (1) (b) of the Takeover Law, the ordinary shares issued by the Company are admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and are freely transferable according to the Company’s articles of association (the “Articles of Association”).

- (c) In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company:

Shareholder name	Amounts of shares	Percentage of voting rights
Edolaxia Group Ltd.	64,610,350	38.75%

(*) Total number of Grand City Properties S.A. shares as of 31 December 2018: 166,718,395.

- (d) With regard to article 11 (1) (d) of the Takeover Law, each ordinary share of the Company gives right to one vote according to article 8 of the Articles of Association. There are no special control rights attaching to the shares.

- (e) With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described on note 8a. *Share-based payment agreements* of this annual report.
- (f) With regard to article 11 (1) (f) of the Takeover Law, the Articles of Association impose no voting rights limitations. However, the sanction of suspension of voting rights automatically applies, subject to the Luxembourg law of 11 January 2008 on transparency requirements for issuers, as amended (the "Transparency Law") to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.
- (g) With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2018, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.
- (h) With regard to article 11 (1) (h) of the Takeover Law, according to article 9 of the Articles of Association, the members of the board of directors of the Company (the "Board") shall be elected by the shareholders at their annual general meeting by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in page 4 – 5 in this annual report. According to article 18 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of shareholders shall be adopted with a quorum and majority pursuant to article 450-3 of the law of 10 August 1915 on commercial companies, as amended.
- (i) With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. Further details on the powers of the Board are described on page 4, 5 and page 6 of this annual report. Pursuant to article 5.2 of the Articles of Association, the Board is authorized to issue shares under the authorised share capital. According to article 5.1 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting did not authorise yet the Board to acquire own shares pursuant to articles 430-15 (1) of the 1915 Law.
- (j) With regard to article 11 (1) (j) of the Takeover Law, the Company's listed on pages 30, 31, 32, 33, 34 convertible bonds, hybrid bonds and security issuances under the EMTN programme contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.
- (k) With regard to article 11 (1) (k) of the Takeover Law, there are no agreements between the Company and members of the Board or employees according to which, in the event of a takeover bid, the Company may be held liable for compensation arrangements if the employment relationship is terminated without good reason or due to a takeover bid.

Luxembourg, March 18, 2019

CORPORATE GOVERNANCE STATEMENT

ANNUAL GENERAL MEETING

The Annual General Meeting of Grand City Properties S.A. was held on June 27, 2018 in Luxembourg.

All of the items on the agenda were carried by a great majority, including the approval of the statutory financial statements of the Company and the consolidated financial statements of the Company and its group ("the Group") for the year ended December 31, 2017. The Annual General Meeting approved the distribution of a dividend in the amount of €0.73 per share for the holders of record on June 27, 2018.

The next Annual General Meeting is expected on June 26, 2019

CORPORATE GOVERNANCE

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

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

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

The Company has a very strict Code of Conduct which applies to all its employees and main suppliers, and incorporates an Anti-Corruption Policy, Conflict of Interest Policy, Anti-Bribery Policy, Anti-Discrimination Policy and others. The Code has been recently updated with a focus on improved transparency in its reporting lines, which are now supported by the Compliance Department and the whistleblower system.

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

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

BOARD OF DIRECTORS

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

MEMBERS OF THE BOARD OF DIRECTORS

NAME	POSITION
Mr. Refael Zamir	Director, chairman, CFO
Ms. Simone Runge-Brandner	Independent Director
Mr. Daniel Malkin	Independent Director

SENIOR MANAGEMENT

The Board of Directors resolved to delegate the daily management of the Company to Mr Christian Windfuhr, as Daily Manager (administrateur-délégué) of the Company, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period.

ADVISORY BOARD

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

The current members of the Advisory Board are as follows:

NAME	POSITION
Mr Yakir Gabay	Chairman of the Advisory Board
Mr Andrew Wallis	Vice chairman of the Advisory board
Mr Claudio Jarczyk	Member

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

RISK COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

INTERNAL RISK MITIGATION

Internal controls are constructed from four main elements:

- Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses. Further, the committee assesses control deficiencies in the organization.
- Control discipline – based on the organizational structure and supported by employee and management commitments. The discipline is erected on the foundations of integrity and ethical values.
- Control features – the Company sets physical controls, compliance checks and verifications such as cross departmental checks. Grand City Properties S.A. puts strong emphasis on separation of duties, as approval and payments are done by at least two separate parties. Payment verification is cross checked and confirmed with budget and contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- Monitoring procedures – the Company monitors and tests unusual entries, mainly through a detailed monthly actual vs budget analysis and checks. Strong and sustainable control and organizational systems reduce the probability of errors and mistakes significantly. The management sees high importance in constantly improving all measures, adjusting to market changes and organizational dynamics.
- ESG risk-related expenditures – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organizational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget.

EXTERNAL RISK MITIGATION

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

Grand City Properties S.A. sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default.

SHAREHOLDERS' RIGHTS

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

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

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

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a large organization with a wide-reaching impact from its operational activities, it is of crucial importance to the Company to ensure the sustainability of its operations and properties and maintain a high standard of responsibility to all its stakeholders, from tenants to employees to shareholders, as well as creditors, suppliers, the environment and the communities in which the Company operates. This is carried out through the Company's various ESG measures and initiatives which are conceived and implemented by a dedicated Corporate Responsibility (CR) department with strategic direction and oversight provided by the Corporate Responsibility Steering Committee chaired by the CEO.

The Company considers ESG to be a pillar for the overall success of the organization and as such all ESG activity is closely monitored and reviewed by the CEO of the Company.

The second full annual Corporate Responsibility Report will be published end of April 2019 and will detail efforts and initiatives undertaken in 2018. The report can be downloaded from the Company's website.



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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Grand City Properties S.A. (the "Company"), which comprise the balance sheet as at December 31, 2018, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

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

Key audit matters

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

Valuation of financial assets (shares in affiliated undertakings)

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

Financial assets represent 97% of the total assets of the Company as at December 31, 2018.

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

We refer to the accounting policy at note 2.5 on page 21 and Note 5 *Shares in affiliated undertakings* to the annual accounts

b. How the matter was addressed in our audit

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

- We assessed the design and implementation of the key controls around the determination and monitoring of the assessment of value adjustment;
- We challenged management's assessment of the durable nature of the value adjustment, if any;
- We assessed the fair value of the underlying investments used for the assessment by management of the recoverability of the financial fixed assets.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as “Réviseur d’Entreprises agréé” by the General Meeting of the Shareholders on June 27, 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 years.

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

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

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

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

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, March 18, 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé


Josep de Souza

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RCSL Nr. : B165560

Matricule : 2011 2227 262

eCDF entry date :

BALANCE SHEET

Financial year from ⁰¹ 01/01/2018 **to** ⁰² 31/12/2018 (in ⁰³ EUR)

Grand City Properties S.A.

1, Avenue du Bois
L-1251 Luxembourg

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____ 4.	107 _____ 1.378,00	108 _____ 3.248,00
C. Fixed assets	1109 _____	109 _____ 4.104.186,00	110 _____ 3.565.111,00
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____ 33,00	126 _____ 42,00
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

RCSL Nr. : B165560

Matricule : 2011 2227 262

	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131	33,00	42,00
4. Payments on account and tangible assets in the course of construction	1133		
III. Financial assets	1135	4.104.153,00	3.565.069,00
1. Shares in affiliated undertakings	1137	4.104.153,00	2,00
2. Loans to affiliated undertakings	1139	0,00	3.220.702,00
3. Participating interests	1141		
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		
5. Investments held as fixed assets	1145	0,00	344.365,00
6. Other loans	1147		
D. Current assets	1151	37,00	11.723,00
I. Stocks	1153		
1. Raw materials and consumables	1155		
2. Work in progress	1157		
3. Finished goods and goods for resale	1159		
4. Payments on account	1161		
II. Debtors	1163	2,00	3.478,00
1. Trade debtors	1165		
a) becoming due and payable within one year	1167		
b) becoming due and payable after more than one year	1169		
2. Amounts owed by affiliated undertakings	1171	0,00	3.162,00
a) becoming due and payable within one year	1173	0,00	3.162,00
b) becoming due and payable after more than one year	1175		
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		
a) becoming due and payable within one year	1179		
b) becoming due and payable after more than one year	1181		
4. Other debtors	1183	2,00	316,00
a) becoming due and payable within one year	1185	2,00	316,00
b) becoming due and payable after more than one year	1187		

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	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 <u>35,00</u>	198 <u>8.245,00</u>
E. Prepayments	1199 <u>7.</u>	199 <u>107.600,00</u>	200 <u>97.911,00</u>
TOTAL (ASSETS)		201 <u>4.213.201,00</u>	202 <u>3.677.993,00</u>

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CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
I. Subscribed capital	1301 _____	301 <u>575.137,00</u>	302 <u>728.216,00</u>
II. Share premium account	1303 _____ 8.	303 <u>16.672,00</u>	304 <u>16.479,00</u>
III. Revaluation reserve	1305 _____	305 <u>689.905,00</u>	306 <u>768.175,00</u>
IV. Reserves	1307 _____	307 _____	308 _____
1. Legal reserve	1309 _____	309 _____	310 _____
2. Reserve for own shares	1311 _____	311 _____	312 _____
3. Reserves provided for by the articles of association	1313 _____	313 _____	314 _____
4. Other reserves, including the fair value reserve	1315 _____	315 _____	316 _____
a) other available reserves	1429 _____	429 _____	430 _____
b) other non available reserves	1431 _____	431 _____	432 _____
V. Profit or loss brought forward	1433 _____	433 _____	434 _____
VI. Profit or loss for the financial year	1319 _____	319 <u>-56.439,00</u>	320 <u>-40.193,00</u>
VII. Interim dividends	1321 _____	321 <u>-75.001,00</u>	322 <u>-16.245,00</u>
VIII. Capital investment subsidies	1323 _____	323 _____	324 _____
	1325 _____	325 _____	326 _____
B. Provisions			
1. Provisions for pensions and similar obligations	1331 _____	331 <u>2.969,00</u>	332 <u>2.944,00</u>
2. Provisions for taxation	1333 _____	333 _____	334 _____
3. Other provisions	1335 _____	335 _____	336 _____
	1337 _____	337 <u>2.969,00</u>	338 <u>2.944,00</u>
C. Creditors			
1. Debenture loans	1435 _____	435 <u>3.628.078,00</u>	436 <u>2.939.816,00</u>
a) Convertible loans	1437 _____ 10.	437 <u>3.627.012,00</u>	438 <u>2.939.273,00</u>
i) becoming due and payable within one year	1439 _____ 10.1.1	439 <u>281.029,00</u>	440 <u>450.373,00</u>
ii) becoming due and payable after more than one year	1441 _____	441 <u>229,00</u>	442 <u>373,00</u>
b) Non convertible loans	1443 _____	443 <u>280.800,00</u>	444 <u>450.000,00</u>
i) becoming due and payable within one year	1445 _____ 10.2	445 <u>3.345.983,00</u>	446 <u>2.488.900,00</u>
ii) becoming due and payable after more than one year	1447 _____	447 <u>40.102,00</u>	448 <u>28.900,00</u>
2. Amounts owed to credit institutions	1449 _____	449 <u>3.305.881,00</u>	450 <u>2.460.000,00</u>
a) becoming due and payable within one year	1355 _____	355 _____	356 _____
b) becoming due and payable after more than one year	1357 _____	357 _____	358 _____
	1359 _____	359 _____	360 _____

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

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Matricule : 2011 2227 262

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361	361	362
a) becoming due and payable within one year	1363	363	364
b) becoming due and payable after more than one year	1365	365	366
4. Trade creditors	1367	641,00	458,00
a) becoming due and payable within one year	1369	641,00	458,00
b) becoming due and payable after more than one year	1371		
5. Bills of exchange payable	1373		
a) becoming due and payable within one year	1375		
b) becoming due and payable after more than one year	1377		
6. Amounts owed to affiliated undertakings	1379		
a) becoming due and payable within one year	1381		
b) becoming due and payable after more than one year	1383		
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	375,00	0,00
a) becoming due and payable within one year	1387	375,00	0,00
b) becoming due and payable after more than one year	1389		
8. Other creditors	1451	50,00	85,00
a) Tax authorities	1393	37,00	78,00
b) Social security authorities	1395	13,00	7,00
c) Other creditors	1397		
i) becoming due and payable within one year	1399		
ii) becoming due and payable after more than one year	1401		
D. Deferred income	1403	10.3	7.017,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	405	4.213.201,00	3.677.993,00

Annual Accounts Helpdesk :

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RCSL Nr. : B165560

Matricule : 2011 2227 262

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2018 **to** 02 31/12/2018 (in 03 EUR)

Grand City Properties S.A.

1, Avenue du Bois
L-1251 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. Net turnover	1701 <u>11.</u>	701 <u>700,00</u>	702 <u>700,00</u>
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 <u>39,00</u>	714 <u>13,00</u>
5. Raw materials and consumables and other external expenses	1671 _____	671 <u>-6,00</u>	672 <u>-3,00</u>
a) Raw materials and consumables	1601 _____	601 <u>-6,00</u>	602 <u>-3,00</u>
b) Other external expenses	1603 _____	603 _____	604 _____
6. Staff costs	1605 _____	605 <u>-250,00</u>	606 <u>-1.053,00</u>
a) Wages and salaries	1607 _____	607 <u>-236,00</u>	608 <u>-1.035,00</u>
b) Social security costs	1609 _____	609 <u>-14,00</u>	610 <u>-18,00</u>
i) relating to pensions	1653 _____	653 <u>-8,00</u>	654 <u>-11,00</u>
ii) other social security costs	1655 _____	655 <u>-6,00</u>	656 <u>-7,00</u>
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 <u>-1.890,00</u>	658 <u>-2.630,00</u>
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 <u>4.</u>	659 <u>-1.890,00</u>	660 <u>-2.630,00</u>
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 <u>12.</u>	621 <u>-3.014,00</u>	622 <u>-3.556,00</u>

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

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	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721 <u>71.659,00</u>	722 <u>52.903,00</u>
a) derived from affiliated undertakings	1723 <u>6.</u>	723 <u>71.659,00</u>	724 <u>52.903,00</u>
b) other income not included under a)	1725	725	726
11. Other interest receivable and similar income	1727	727 <u>5.759,00</u>	728 <u>4.504,00</u>
a) derived from affiliated undertakings	1729 <u>9.</u>	729 <u>5.759,00</u>	730 <u>4.504,00</u>
b) other interest and similar income	1731	731	732 <u>0,00</u>
12. Share of profit or loss of undertakings accounted for under the equity method	1663	663	664
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	665	666
14. Interest payable and similar expenses	1627 <u>10.6</u>	627 <u>-148.002,00</u>	628 <u>-67.035,00</u>
a) concerning affiliated undertakings	1629	629 <u>-4.134,00</u>	630 <u>-7.305,00</u>
b) other interest and similar expenses	1631	631 <u>-143.868,00</u>	632 <u>-59.730,00</u>
15. Tax on profit or loss	1635	635 <u>4,00</u>	636 <u>-88,00</u>
16. Profit or loss after taxation	1667	667 <u>-75.001,00</u>	668 <u>-16.245,00</u>
17. Other taxes not shown under items 1 to 16	1637	637	638 <u>0,00</u>
18. Profit or loss for the financial year	1669	669 <u>-75.001,00</u>	670 <u>-16.245,00</u>

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

Note 1. General

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

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

The Company is a specialist in residential real estate, value-add opportunities, mainly in densely populated areas in Germany.

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

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

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

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

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

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

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

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

The Company also prepares consolidated financial statements, which are published in accordance with the provisions of the Law. The Company`s accounts are included in the consolidated financial statements of GCP SA Group, incorporated under the Laws of Luxembourg. These consolidated financial statements are also available at the registered office of the Company or website (www.grandcityproperties.com).

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

Note 2. Summary of Significant Accounting Policies

2.1 Basis of presentation

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

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

2.2 Foreign currency translation

Tangible fixed assets expressed in another currency than EUR are translated into EUR using historical exchange rate.

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

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

Realized foreign currency exchange gains and losses and unrealized foreign exchange losses are recognized in the profit and loss account

2.3 Formation expenses

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

2.4 Prepayments

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

2.5 Financial fixed assets

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

2.5.1 Investments

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

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

The market value corresponds to:

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

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

2.5.2 Other investments

Other investments may include derivative financial instruments such as cross currency and interest swap and forward contracts.

Derivatives are initially stated at cost for derivatives purchased. At year-end, when a value adjustment is deemed necessary, a provision is set up in respect of individual unrealised losses resulting from their revaluation.

In case of hedging an asset and/or a liability that is not recorded at fair value, unrealised gains or losses are deferred until the recognition of the realised losses or gains on the hedged items.

Commitments on those derivative financial instruments are disclosed in the notes to the accounts

2.6 Debtors

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

2.7 Provisions

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

2.8 Other creditors

Other creditors are recorded at their nominal value.

2.9 Income and charges

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

2.10 Dividend

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

2.11 Share-based payment transactions

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

Note 2a. Critical accounting estimates

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

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

The use of estimates mainly concerns the following valuations:

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

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

The use of critical judgements in applying accounting policies may comprise the following:

1. income recognition;
2. classification of financial instruments;

Note 3. Organization

On April 6, 2012, the Company acquired 94.80% (2018: 94.856%) of the shares of Grandcity Property Ltd (“GCP LTD”) (Formerly: ADMINOND TRADING & INVESTMENT LTD) from its shareholders. Since 2012 the Company’s shares are listed on the Frankfurt Stock Exchange. From May 9, 2017 the Company is listed in the Prime Standard.

The Company listed its different bonds series (see notes 10.1 and 10.2) for trading in Frankfurt and in the Irish stock exchanges.

Note 4. Formation expenses

Formation expenses consist of capital increase fees as disclosed below:

	2018	2017
	KEUR	
Gross book value - opening balance	13,893	12,649
Additions for the year	20	1,244
Gross book value - closing balance	13,913	13,893
Amortisation - opening balance	(10,645)	(8,015)
Amortisation for the year	(1,890)	(2,630)
Amortisation - closing balance	(12,535)	(10,645)
Net book value - opening balance	3,248	4,634
Net book value - closing balance	1,378	3,248

Note 5. Shares in affiliated undertakings

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

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

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

The total amount of the outstanding loans granted to GCP LTD including accrued interest was converted into shares is KEUR 4,100,014 (see note 6), and KEUR 4,138 of its other outstanding receivables with GCP LTD .

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

The Company beneficially owns the following shares in affiliated undertakings:

Affiliate	Country	Percentage Holding	Acquisition Cost	Equity as at December 31, 2018 (**)	Profit for the year ended December 31, 2018 (**)
KEUR					
Grandcity Property Ltd (With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6027 Larnaca, Cyprus)	Cyprus	94.856	4,104,153	4,587,632	186,657
Tespomo Limited (With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6027 Larnaca, Cyprus)	Cyprus	100	(*) -	(5)	(2)

(*) Less than one thousand.

(**) Based on unaudited individual financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 annual accounts as of December 31, 2018.

In the opinion of the Board of Directors, no value adjustments were required in respect of shares in affiliated undertakings as of December 31, 2018.

Note 5a. Derivative financial instruments

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

During the year the Company entered into foreign exchange contracts as detailed below:

Contract	Currency	Amount payable KEUR	Currency	Amount receivable KEUR	Maturity	Fair value KEUR	Unrealised gains (losses) not recorded in profit and loss account KEUR
Forward	GBP	400,000	EUR	442,052	09-12/2019	1,888	1,888
Swap	EUR	116,233	CHF	125,000	09/2026	277	277
Swap (*)	EUR	92,631	HKD	900,000	02/2028	7,737	7,737
Swap (**)	EUR	(**)	EUR	55,000	07/2033	(3,053)	(3,053)
Swap	EUR	56,722	JPY	7,500,000	06/2038	(170)	(170)

(*) in addition to the principal amount, the Company also swapped the interest payments into EUR with effective interest rate of 1% for the first 5 years, thereafter 1.1725% + 6M Euribor.

(**) the Company swapped the interest rate of straight bond series M to 1.7% for the first 5 years, thereafter 1.355% + 6M Euribor for the KEUR 40,000, and 1.593% + 6M Euribor for the KEUR 15,000.

For additional information about the hedging see note 10.2.2

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

Note 6 Loans to affiliated undertakings

As at December 31, 2018, loans to affiliated undertakings, not including accrued interest, amount to:

Borrower	Country	As at	As at
		December 31, 2018	December 31, 2017
		KEUR	
Grandcity Property Ltd	Cyprus	-	446,625
Grandcity Property Ltd	Cyprus	-	162,938
Grandcity Property Ltd	Cyprus	-	468,215
Grandcity Property Ltd	Cyprus	-	125,000
Grandcity Property Ltd	Cyprus	-	518,628
Grandcity Property Ltd	Cyprus	-	825,700
Grandcity Property Ltd	Cyprus	-	578,596
Grandcity Property Ltd	Cyprus	-	95,000
Total		-	3,220,702

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

	Principal amount	KEUR	
		Accrued interest	Total
Balance as at January 1, 2017	3,220,702	3,162	3,223,864
New loans granted	1,151,741	71,659	1,223,400
Interest paid	-	(24,000)	(24,000)
Repayments of loan	(323,250)	-	(323,250)
Conversions to Redeemable Preference Shares (see note 5)	(4,049,193)	(50,821)	(4,100,014)
Balance as at December 31, 2018	-	-	-

The Company recorded interest income of KEUR 71,659 related to these loans for the year ended December 31, 2018 (2017: KEUR 52,903).

As of December 31, 2018 there is not outstanding accrued interest (2017: accrued interest not yet received: KEUR 3,162),

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

Note 7. Prepayments

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

	2018	2017
	KEUR	
Gross book value - opening balance	147,597	117,790
Additions for the year	39,559	29,807
Gross book value - closing balance	187,156	147,597
Amortisation - opening balance	(49,686)	(35,479)
Amortisation for the year	(29,870)	(14,207)
Amortisation - closing balance	(79,556)	(49,686)
Net book value - opening balance	97,911	82,311
Net book value - closing balance	107,600	97,911

Note 8. Capital and Reserves

Share capital

	2018		2017	
	Number of shares	KEUR	Number of shares	KEUR
Authorized				
Ordinary shares of EUR 0.10 each	400,000,000	40,000	400,000,000	40,000
Issued and fully paid				
Balance as of January 1,	164,788,883	16,479	153,788,883	15,379
Issuance of new ordinary shares (a)	-	-	11,000,000	1,100
Issuance of new ordinary share as part of scrip dividend (b)	1,870,948	187	-	-
Issuance of new ordinary shares as part of share-based payment (c)	58,564	6	-	-
Balance on December 31, (d)	166,718,395	16,672	164,788,883	16,479

Authorized capital

On August 9, 2016 at the Extraordinary General Meeting of the Company, it was decided to increase its existing authorized share capital from its present amount of EUR 20,000,000 to EUR 40,000,000.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

Issued capital during 2017-2018

- (a) On June 21, 2017 the Company received gross proceeds of EUR 198 million from a capital increase against a cash contribution. A total of 11 million new ordinary shares were placed at an issue price of EUR 18 as part of a private placement to institutional investors.
- (b) On July 23, 2018, the company issued 1,870,948 new shares in total value of EUR 41 million in connection with the scrip dividend as explained below.
- (c) In November 2018, the Company issued 58,564 new shares in total value of EUR 1.3 million in connection with incentive share plan (see note 8a)
- (d) As at December 31, 2018, the subscribed and fully paid-up share capital amounts to KEUR 16,672 represented by 166,718,395 ordinary shares with par value of EUR 0.10 per share. The Company did not acquire its own shares.

Share premium

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

	2018	2017
	KEUR	KEUR
Balance as of January 1,	768,175	683,743
Dividend distribution	(120,296)	(112,468)
Issuance of new ordinary shares	42,026	196,900
Balance on December 31,	689,905	768,175

As a result of the scrip dividend in July 2018 and the issuance of the shares in connection with incentive share plan, the share premium increased by EUR 40.7 million and EUR 1.3 million respectively.

Resolution of dividend distribution

Year	Amount per share (in cents)	Gross amount (€000)	Ex-date	Payment date
2014	20.00	24,344	June 25, 2015	July 3, 2015
2015	25.00	38,447	June 30, 2016	July 1, 2016
2016	68.25	112,468	June 29, 2017	July 3, 2017
2017	73.00	(*)120,296	June 30, 2018	July 17, 2018

(*) On June 27, 2018, the annual general meeting of shareholders of the Company has resolved upon the distribution of a dividend of EUR 0.73 (gross) per share to the holders of record on 29 June 2018.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. From 28 June 2018 to 10 July 2018, shareholders of the Company could elect to receive up to 70% of their dividend in the form of shares of the Company, with the remainder paid in cash.

Shareholders who did not elect to participate in the scrip dividend have received their dividend in cash. The cash dividend has been paid on July 17, 2018, and the company issued 1.9 M new shares in total value of Euro 40,923 thousand on July 23, 2018.

The dividend distributions were paid out of the share premium.

Grand City Properties S.A.
Notes to the annual accounts
For the year ended December 31, 2018

Legal reserve

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

Note 8a. Share-based payment agreements

A. Description of share-based payment arrangements

As of December 31, 2018, the Company had the following share-based payment arrangements:

Incentive Share plan

The annual general meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive plan for the board of directors, key management and senior employees. The incentive plan has up to four years vesting period with fixed and specific milestones to enhance management's long term commitment to GCP's strategic targets. Main strategic targets are long term improvement in operational and financial targets such as like-for-like vacancy reduction and like-for-like rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share and EPS. Management is incentivized for keeping conservative financial ratios, with the strategic target to further improve the Group's rating to A-.

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

Grant date	Number of shares	Weighted vesting period	Contractual life of the incentive
On October 1, 2014 - July 1, 2018	251,000	3.37 years	Up to 4 years

B. Reconciliation of outstanding share options

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

	2018	2017
	Number of shares	Number of shares
	In thousands of shares	
Outstanding on January 1	325.5	407
Granted (forfeited) during the year, net	30.5	(81.5)
Exercised during the year	(*) (105)	-
Outstanding on December 31	251	325.5

(*) In accordance with the terms and conditions of the incentive share plan, the Group withheld 46 thousands shares equal to the monetary value of the employee's tax obligation from the total number of shares exercised. As a result, only 59 thousands shares were issued..

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Note 9. Related parties

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

		2018	2017
		KEUR	KEUR
Management fees	(a)	700	700
Finance service fees	(b)	5,759	4,504
Brokerage fee expenses	(c)	(4,134)	(7,305)
Rental income		39	13
Consultancy services expenses		(375)	-

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

- (a) Consultancy Services Agreement, according to which the Company is entitled to receive from GCP LTD an annual payment of KEUR 700 (2017: KEUR 700) for the provided consultancy services.
- (b) Finance Services Fee Agreement, according to which the Company is entitled to receive from GCP LTD a one-time fee equals to 0.5% (2017: 0.5%) of any loan amount exceeding KEUR 500 that the Company will grant or has granted in the past to GCP LTD.
- (c) Brokerage fees agreement with GCP LTD for providing the Company with brokerage services.

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

Note 10. Convertible and non-convertible loans

Composition

		<u>As at December 31,</u>	
		<u>2018</u>	<u>2017</u>
		<u>KEUR</u>	
Convertible loan			
Convertible bond	10.1.1	281,029	450,373
Total convertible loan		281,029	450,373
Non-convertible loans			
Perpetual notes	10.2.1	1,073,303	721,673
Straight bonds	10.2.2	2,272,680	1,767,227
Total non-convertible loans		3,345,983	2,488,900
Total convertible and non-convertible loans		3,627,012	2,939,273

Note 10.1 Convertible loan

Note 10.1.1 Non-subordinated debt

Convertible bond series F

On February 24, 2016 the Company successfully completed the placement of EUR 450 million bonds series F, convertible into ordinary shares of the Company and bear a coupon of 0.25% p.a. payable semi-annually in arrears. The bonds were issued at 100% of their principal amount and will be redeemed at maturity of 6 years at par value. The initial conversion price was set at EUR 26.9713.

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On June 29, 2017 as a result of the resolved dividend distribution (see note 8) and in accordance with the terms and conditions of the bond, the Company adjusted the conversion price to EUR 26.1844 per share.

On February 22, 2018 the Company bought back euro 169.2 Million principal amount of convertible bond series F for a purchase price of 101.000 per cent of the principal amount excluding any accrued interest.

As a result of the dividend distribution in June 2018 (see note 8), the conversion price has been adjusted from euro 26.1844 to EUR 25.5419.

Below is a table describing the balance of Convertible bond series F.

	As at December 31,	
	2018	2017
	KEUR	
Convertible bond series F (becoming due and payable after more than one year)	280,800	450,000
Accrued interest of Bond series F (becoming due and payable in less than one year)	229	373
	281,029	450,373

Note 10.2. Non-convertible loans

Note 10.2.1 Perpetual notes

On April 24, 2018, the Company successfully placed euro 350 million in aggregate principal amounts of perpetual notes. These notes were issued at a price of 98.125% of the principal amount. These Perpetual notes are of unlimited duration and can only be called back by the Company only on certain contractually fixed dates or occasions. Up until the first call date in October 2023, the perpetual notes shall bear a coupon rate of 2.5% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (October 2028) shall correspond to the five-year swap rate plus a margin of 243.2 basis points p.a. The mark-up will increase by 25 basis points (to 268.2 basis points p.a.) as of October 2028 and by another 75 basis points (to 343.2 basis points p.a.) as of October 2043.

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

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Note 10.2.1 Perpetual notes

	As at December 31,	
	2018	2017
	KEUR	
Perpetual Notes (Coupon rate 3.75%)	500,000	500,000
Perpetual Notes (Coupon rate 2.75%)	200,000	200,000
Perpetual Notes (Coupon rate 2.5%)	350,000	-
Total perpetual notes (becoming due and payable after more than one year)	1,050,000	700,000
Accrued interest of Perpetual notes (becoming due and payable in less than one year)	23,303	21,673
Total	1,073,303	721,673

Note 10.2.2 Straight bonds

Straight bond series D

On October 29, 2014, the Company successfully placed EUR 500 million straight bond series D, due 2021 with a coupon of 2% p.a., payable semi-annually in arrears, at a price of 95.564% of its principal amount. Starting that day, the bond is traded on the Irish stock exchange, on its regulated market.

On August 3, 2017, the Company bought back EUR 320.6 million principal amount of Straight bond series D for a purchase price of 106.888 per cent of the principal amount excluding any accrued interest. (In 2017, the convertible and non-convertible loans were presented in the financial statements in gross amount).

During the year, the Company bought back additional principal amount of euro 40.6 Million of straight bond series D for a purchase price of 106.129 per cent of the principal amount excluding any accrued interest.

During the year, the Company bought back additional principal amount of euro 113.8 Million of straight bond series D for a purchase price of 105.454 per cent of the principal amount excluding any accrued interest.

Straight bond series E

On April 17, 2015, the Company successfully placed EUR 400 million straight bond series E, due 2025 with a coupon of 1.5% p.a., payable semi-annually in arrears, at a price of 96.76% of its principal amount.

On September 18, 2015, the Company successfully completed with the tap up placement of additional EUR 150 million of straight bond series E, at a price of 89.21% of its principal amount. The total aggregated principal amount of the straight bond series E increased to EUR 550 million (principal amount).

The EMTN programme

On July 2017, the Company established a EUR 1.5 billion EMTN programme. Notes issued under the EMTN programme will be guaranteed by the Company. The base prospectus for the EMTN programme was dated July 2017. In February 2018 the board of directors has resolved to increase the program to EUR 10 billion.

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Note 10.2.2 Straight bonds

Straight bond series G

On August 2, 2017 under its EMTN programme, the Company successfully completed the placement of EUR 600 million (nominal value), in aggregate principal amount of new fixed-rate secured bonds, due 2026 with a coupon of 1.375% p.a., payable annually in arrears at a price of 96.82% of their principal amount. Starting that day, the series G bond is traded on the Irish Stock Exchange, on its regulated market

Straight bond series H

On October 25, 2017 under its EMTN programme, the Company successfully completed the placement of EUR 110 million (nominal value), in aggregate principal amount of new fixed-rate secured bonds, due 2032 with a coupon of 2% p.a., payable annually in arrears at a price of 94.47% of their principal amount. Starting that day, the series H bond is traded on the Irish Stock Exchange, on its regulated market.

On March, 7, 2018, the Company successfully completed with the tap placement of additional euro 145 million (nominal value) of straight bond series H, for a consideration that reflected 93.369% of their principal amount. The total aggregated principal amount of the straight bond series H increased to euro 255 million (nominal value).

Straight bond series I

On February, 2, 2018, under the EMTN Programme, the Company successfully completed the placement of Hong Kong Dollars (HKD) 900 million (euro 93 million) due 2028 straight bond series I. The Company hedged the currency risk of the principal amount and the interest. The effective euro coupon is 1% for the first 5 years and 6M Euribor + 1.1725% for the following 5 years.

Straight bond series J

On February 22, 2018, the Company successfully completed the placement of euro 500 million 1.5% due 2027 straight bond series J under the EMTN Programme, at an issue price of 97.115% of the principal amount.

Straight bond series K

On February 21, 2018 under the EMTN Programme, the Company successfully completed the placement of Swiss Franc (CHF) 125 million (euro 108 million) 0.956% coupon due 2026 straight bond series K. The Company hedged the currency risk of the principal amount.

Straight bond series L

On June 5, 2018 under the EMTN Programme, the Company successfully completed the placement of Japanese yen (JPY) 7.5 Billion (euro 57 million) 1.4% coupon due 2038 straight bond series L. The Company hedged the currency risk of the principal amount.

Straight bond series M

On June 26, 2018, under the EMTN Programme, the Company issued euro 40 million Straight bond series M due 2033 ("Straight bond series M") at an issue price of 100% of the principal amount. The Company hedged the interest payments. The effective interest rate for the first 5 years is 1.7% and for the next 10 years 1.355% +6m Euribor. In addition, on July 5, 2018 the Company successfully completed the tap placement of additional euro 15 million of Straight bond series M. The Company hedged the interest payments. The effective interest rate for the first 5 years is 1.7% and for the next 10 years 1.593% +6m Euribor. Settlement date was on July 10 2018.

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Note 10.2.2 Straight bonds (continued)

	As at December 31,	
	2018	2017
	KEUR	
Bond series D (payable in more than one year, Interest rate 2%)	25,000	500,000
Accrued interest of Bond series D (payable in less than one year)	86	1,726
Bond series E (payable in more than one year, Interest rate 1.5%)	550,000	550,000
Accrued interest of Bond series E (payable in less than one year)	1,695	1,696
Bond series G (payable in more than one year, Interest rate 1.375%)	600,000	600,000
Accrued interest of Bond series G (payable in less than one year)	3,390	3,401
Bond series H (payable in more than one year, Interest rate 2%)	255,000	110,000
Accrued interest of Bond series H (payable in less than one year)	936	404
Bond series I (payable in more than one year, Interest rate 1%)	100,362	-
Accrued interest of Bond series I (payable in less than one year)	3,076	-
Bond series J (payable in more than one year, Interest rate 1.5%)	500,000	-
Accrued interest of Bond series J (payable in less than one year)	6,411	-
Bond series K (payable in more than one year, Interest rate 0.956%)	110,924	-
Accrued interest of Bond series K (payable in less than one year)	352	-
Bond series L (payable in more than one year, Interest rate 1.4%)	59,595	-
Accrued interest of Bond series L (payable in less than one year)	55	-
Bond series M (payable in more than one year, Interest rate 1.7%)	55,000	-
Accrued interest of Bond series M (payable in less than one year)	798	-
Total Principal value (becoming due and payable after more than one year)	2,255,881	1,760,000
Total accrued interest (becoming due and payable in less than one year)	16,799	7,227
	2,272,680	1,767,227

Note 10.3. Deferred income

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

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Note 10.4. Security, negative pledge

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

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in GCP LTD;
- a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by GCP LTD; and
- first-ranking charges, governed by Cypriot law, over each bank account held by GCP LTD.

Note 10.5. Covenants in accordance with the bonds' terms and conditions

The Company undertakes to comply with several covenants as defined in the Terms and Conditions of its straight and convertible bonds. During the years ended at December 31, 2018 and 2017, there were no breaches of any of the covenants applicable to the Company.

Note 10.6. Interest and other financial charges

Interest payable and other financial charges consist of the following:

	For the year ended December 31,	
	2018	2017
	KEUR	
Straight and convertible bonds	36,141	19,975
Perpetual Notes	30,267	24,250
Other finance costs	76,022	14,696
Brokerage fees	4,134	7,305
Bank fees and other charges	1,438	809
Total	148,002	67,035

Note 11. Turnover

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

Note 12. Other operating expenses

	For the year ended December 31,	
	2018	2017
	KEUR	
Insurance, telephone and other administrative expenses	850	523
Legal and professional fees	1,645	2,469
Advertising and marketing	324	379
Legal annual audit fees	195	185
Total	3,014	3,556

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Note 12.1. Audit and non-audit services

For the financial year, the fees the Company has been charged with by the réviseur d'entreprises agréé were as follows:

	2018	2017
	KEUR	KEUR
Audit fees	195	185
Audit related fees	100	70
Tax related and other fees	9	19
Total	304	274

Note 13. Financial risk management

Financial risk factors

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

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

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

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

(i) Liquidity risk

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

(ii) Operating risk

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

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and currency risk. The Company enters into hedging transactions to hedge currency and interest risk related to its bonds issued in HKD, CHF and JPY, and to hedge currency risk related to its indirectly investment in foreign operation in the UK. The impact of Brexit on the Company is limited to its GBP forward contracts as disclosed in note 5a.

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(iv) Other risks

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

Note 14. Staff

The company employed an average of 2 persons (2017: 3) during the financial year.

Note 15. Taxation

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

Note 16. Commitment and contingencies

The Company has no material commitments as at December 31, 2018 and 2017, except for the commitments detailed in note 5a.

Note 17. Subsequent events

- a) On February 12, 2019, the Company successfully completed the placement of euro 103 million straight bond under the EMTN Programme, and hedged the interest payments. Euro 88 million due 2039 straight bond, at an issue price of 95.822% of the principal amount with effective interest rate 1.7% + 3m Euribor. Euro 15 million due 2034 straight bond, at an issue price of 97.327% of the principal amount with 1.7% + 3m Euribor.
- b) On March 12, 2019, the Company successfully completed the placement of Hong Kong Dollars (HKD) 290 million (euro 32 million) due 2029 straight bond under the EMTN Programme. The Company hedged the currency risk of the principal amount and the interest. The effective euro coupon is 1.382% plus 3M Euribor.