# Grand City Properties S.A.

## Annual Accounts
## For the year ended December 31, 2021

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

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1, Avenue du Bois
L-1251 Luxembourg
R.C.S. Luxembourg: B 165.560
Share Capital: EUR 17,618,790

# Grand City Properties S.A.

## MANAGEMENT REPORT

The management of Grand City Properties S.A. ("the Company", and together with its investees "the Group") presents the Company's audited annual accounts for the year ended December 31, 2021.

DEVELOPMENT AND PERFORMANCE

The Company continued to prove its access to capital markets by placing new bonds via its Euro Medium term Note ("EMTN") programme.

In 2021, the Company issued its largest-ever bond of EUR 1 billion through its Series X issuance, at a record-low coupon rate of 0.125%, with a long maturity period of 7 years and reissued convertible bonds which were held in treasury of approx. EUR 170 million, with a very low coupon of 0.25%. The Company also repurchased approx. EUR 344 million in notional value of Series E notes (due in 2025) with a coupon of 1.5%, approx. EUR 395 million in notional value of Series W notes (due in 2024) with a coupon of 1.7%, while redeeming approx. EUR 135 million in notional value of Series D, Series S and Series T notes, which matured in 2021. For further information see note 9 to the accompanying annual accounts.

CAPITAL STRUCTURE

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

COMPANY'S SHARES

On January 28, 2021 the Board of Directors resolved to utilize the authorization of the Annual General Meeting of June 24, 2020 in order to buy back up to 12,500,000 shares of the Company (corresponding to up to 7.27% of the Company's share capital) by way of a public tender offer with a purchase price in the range of EUR 20.00 to EUR 21.25 per share.

On March 15, 2021 the Board of Directors resolved on share buy-back program on the stock exchange by the Company or a subsidiary of the Company. The volume of the proposed buy-back program amounted to up to EUR 200 million and was limited to a maximum of 10 million shares in the Company. The program started on March 16, 2021 and was valid until December 31, 2021.

As at December 31, 2021, Grandcity Holdings Ltd, one of the Company's subsidiaries holds company's shares with a total amount of 11,225,841 shares which their voting rights are suspended. For further information see note 8 to the accompanying annual accounts.

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.

A deterioration of the economic environment as a result of evolution of the geopolitical situation around the Russia-Ukraine conflict and the coronavirus pandemic could have an adverse impact on tenants' ability to pay rent, which in turn could be a strain on the Group's performance. However, the Group's diversified portfolio acts as an effective buffer in this scenario along with the fact that the portfolio is under rented and thereby relatively lesser of a burden on tenants. For further information see note 16 and note 20 to the accompanying annual accounts.

FINANCIAL RISK MANAGEMENT

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

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

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

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

BRANCHES OF THE COMPANY
The Company did not operate any branches in 2021.

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

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

(a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on page 8 and note 8 on page 28 - 29 to the accompanying annual accounts. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available below and on the Company's website, where the shareholding structure is updated monthly.

(b) With regard to article 11 (1) (b) of the Takeover Law, the ordinary shares issued by the Company are admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and are freely transferable according to the Company's articles of association (the "Articles of Association").

(c) In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company, as of December 31, 2021:

| **Shareholder name** | **Numbers of shares** | **Percentage of voting rights** |
|---|---|---|
| Edolaxia Group Ltd | 80,502,297 | 46 % |
| Grandcity Holdings Ltd | 11,225,841 | (*) 6% |

Total number of Grand City Properties S.A. shares as of December 31 2021: 176,187,899

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

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

(e) With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described in note 8a Share-based payment agreements to the accompanying annual accounts.

(f) With regard to article 11 (1) (f) of the Takeover Law, the Articles of Association impose no voting rights limitations. However, the sanction of suspension of voting rights automatically applies, subject to the Luxembourg law of January 11, 2008 on transparency requirements for issuers, as amended (the "Transparency Law") to any shareholder (or group of shareholders) who has (or have) crossed the thresholds set out in the Transparency Law but have not notified the Company accordingly. In this case, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended. The suspension of the exercise of voting rights is lifted the moment the shareholder makes the notification.

(g) With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2021, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

(h) With regard to article 11 (1) (h) of the Takeover Law, according to article 9 of the Articles of Association, the members of the Board of Directors of the Company (the "Board") shall be elected by the shareholders at their Annual General Meeting by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election after such term. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in pages 4 – 7 to the accompanying Corporate Governance Statement. According to article 18 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of shareholders shall be adopted with a quorum and majority pursuant to article 450-3 of the law of August 10, 1915 on commercial companies, as amended (the "1915 Law").

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 – 7 to the to the accompanying Corporate Governance Statement. According to article 5.1 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting held on June 24, 2020 authorised the Board with the option to delegate, to buy back, either directly or through a subsidiary of the Company, shares of the Company for a period of five (5) years not exceeding 20% of the aggregate nominal amount of the Company's issued share capital. Share buy back program pursuant to articles 430-15 (1) of the 1915 Law. Further details on the Company's share buy back program are described on page 28 to the accompanying annual accounts.

(i) With regard to article 11 (1) (j) of the Takeover Law, the Company's convertible bond, hybrid bonds and security issuances under the EMTN programme (listed on page 31 – 33 to the accompanying annual accounts) contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.

(j) 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.

# Grand City Properties S.A.

## MANAGEMENT REPORT (CONTINUED)

### CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

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

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

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

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

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

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.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the shareholders of Grand City Properties S.A. was held on June 30, 2021 in Luxembourg. All of the items on the agenda were carried by a great majority, including the approval of the statutory annual accounts of the Company and the consolidated financial statements of the Group for the year ended December 31, 2020. The AGM approved the distribution of a dividend in the amount of Euro 0.8232 (gross) per share for the holders of record in the security settlement systems on July 2, 2021.

The AGM for 2022 will take place on June 29, 2022 in Luxembourg. The meeting will resolve on, among others, the amount of the dividend for the 2021 fiscal year to be distributed to shareholders of the Company.

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS

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

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS

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

CEO

The Board of Directors resolved to delegate the daily management of the Company to Mr. Refael Zamir, as Daily Manager (administrateur-délégué) of the Company, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period. Mr. Zamir also serve as the Company's Chief Financial Officer (CFO).

ADVISORY BOARD

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

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ADVISORY BOARD (CONTINUED)

The current members of the Advisory Board are as follows:

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

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The Audit Committee shall consist exclusively of Non-Executive Directors, of which at least half shall be independent Directors.

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

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

RISK COMMITTEE

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

The Risk Committee provides advice on actions of compliance, in particular by reviewing the Company’s procedures for detecting risk, the effectiveness of the Company’s risk management and internal control system and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### REMUNERATION COMMITTEE

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

### NOMINATION COMMITTEE

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

### INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

### INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

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

### CORPORATE GOVERNANCE STATEMENT (CONTINUED)

EXTERNAL RISK MITIGATION

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

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

For information regarding Brexit, Coronavirus, Inflation and Interest rates, Berlin elections and Expropriation referendum, and the Geopolitical situation around Russia – Ukraine, please see note 16 and 20 to the accompanying annual accounts.

SHAREHOLDERS' RIGHTS

The Company respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels and are also available in a specific section on the Company's website. The Company discloses its share ownership and additionally discloses any shareholder position above 5% when it is informed by the respective shareholder. Share held and/or acquired by the Company, either directly or through subsidiaries, pursuant to its buy-back program, are suspended from their voting rights.

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

The AGM resolves, among others, on the annual accounts and consolidated financial statements of the Company, the allocation of the statutory financial results, the appointment of the approved independent auditor, and the discharge and (re) election of the members of the Board of Directors. The convening notice for the AGM of the shareholders contains the agenda and is publicly announced in the Recueil électronique des sociétés et associations in Luxembourg (RESA), in a Luxembourg newspaper and on the Company's website at least thirty days before the AGM and in accordance with applicable Luxembourg law.

### ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As a large organization with a wide geographical reach from different operational activities, the Company considers the importance to not only maintain but also further improve the sustainable nature of its operations and properties and accordingly maintain a high standard of responsibility towards all of its stakeholders, including tenants, employees, shareholders, creditors, suppliers, the environment as well as the broader communities in which the Company operates. Building wholesome neighborhoods around the Group's assets is a key factor for the Company to achieve its goal of creating affordable communities where people wish to live and stay. Additionally, a favorable macroeconomic background as well as stable social and institutional conditions in the cities where the Group invests, along with unchanging climatic conditions, together support the Company's long-term business interests.

### ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE (CONTINUED)

Maintaining the five focus areas from the Group's previous materiality assessment, which are Tenants, Employees, Environment, Society and Governance, the Group updated its strategic framework of the Group's sustainability management. Specific topics were given greater importance within the framework, namely climate change mitigation, climate change adaptation, resource use and circular economy. The framework update is a reflection of the Group's work towards ensuring the minimization of sustainability risks the Group faces. In response to the risks posed to the Company and society by climate change, the Group has also launched a climate-related risk assessment, the insights from which will be integrated into the Group's risk management processes.

The Company considers ESG to be pivotal for the overall success of the organization and this is incorporated into the various functions of the Group. The various efforts and initiatives undertaken in 2021, as well as the Company's future targets are displayed in the sustainability reporting that consists of an externally assured non-financial report as well as topic-specific sustainability documents on all material issues. These will be available for download later in 2022 under the sustainability section of the Company's website. The Company maintains its reporting processes in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and has the published non-financial data also externally assured under the ISAE 3000 standard.

The Company's commitment to sustainability measures was recognized in January 2022 by Sustainalytics, a leading sustainability rating agency, which ranked the Company on 33rd among 160 global real estate peers. Further, the Company was ranked in the 82nd percentile within the real estate peer group in the Corporate Sustainability Assessment (CSA) by S&P Global and was rated industry-best in the sub-category "Customer Relationship Management", reflecting the strong focus on tenant satisfaction.

Furthermore, for the fifth year in a row, in September 2021, the Company was awarded the EPRA BPR Gold Award as well as the EPRA Sustainability Best Practices Recommendations (sBPR) Gold Award for its EPRA sBPR reporting, underlining the Company's commitment to the highest standards of transparency and reporting.

## RESPONSIBILITY STATEMENT

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

## BOARD OF DIRECTORS APPROVAL

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

**Date:** March 16, 2022

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

# REPORT OF THE REVISEUR D'ENTREPRISES AGREE

## *Report on the audit of the annual accounts*

### *Opinion*

We have audited the annual accounts of Grand City Properties S.A. (the "Company"), which comprise the balance sheet as at December 31, 2021, 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, 2021 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

### *Basis for opinion*

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

### *Key audit matters*

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

*Valuation of shares in affiliated undertakings*

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

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

As at December 31, 2021 shares in affiliated undertakings represent 97.6% of the total assets of the Company.

Recoverability of shares in affiliated undertakings depends on the performance of the subsidiaries, thus management performs an impairment assessment at each reporting date.
The identification of durable impairment indicators and the determination of the impairment charge requires application of judgment by management.

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

*b. How the matter was addressed in our audit*

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

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

- We challenged management's assessment of the durable nature of the value adjustment, if any;

- We assessed the fair value of the underlying real estate investments used for the assessment by management of the recoverability of the shares in affiliated undertakings.

### *Other information*

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

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

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

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

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

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

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

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

### *Responsibilities of the réviseur d'entreprises agréé for the audit of the annual accounts*

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

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

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

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

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

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

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

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

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

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

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

### *Report on other legal and regulatory requirements*

We have been appointed as “réviseur d'entreprises agréé” by the General Meeting of the Shareholders on June 30, 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is ten 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 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

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

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the annual accounts of the Company as at December 31, 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

- Annual accounts prepared in a valid xHTML format.

In our opinion, the annual accounts of Grand City Properties S.A. as at December 31, 2021, identified as ESEF_grandcityproperties_soloaccounts.xhtml, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the annual accounts of Grand City Properties S.A. as at December 31, 2021, identified as ESEF_grandcityproperties_soloaccounts.xhtml, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, March 16, 2022

KPMG Luxembourg
Société anonyme
Cabinet de révision agréé

Alessandro Raone
Partner

CDVXWAP20220127T15192001_002 

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

## BALANCE SHEET

**Financial year from** 01 01/01/2021 **to** 02 31/12/2021 *(in* 03 KEUR )

Grand City Properties S.A.

1, Avenue du Bois
L-1251 Luxembourg

## ASSETS

| | Reference(s) | Current year | Previous year |
|---|---|---|---|
| **A. Subscribed capital unpaid** | 1101 | 101 | 102 |
| I. Subscribed capital not called | 1103 | 103 | 104 |
| II. Subscribed capital called but unpaid | 1105 | 105 | 106 |
| **B. Formation expenses** | 1107 4. | 107 359,00 | 108 534,00 |
| **C. Fixed assets** | 1109 | 109 7.065.181,00 | 110 6.615.411,00 |
| 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 11,00 | 126 23,00 |
| 1. Land and buildings | 1127 | 127 | 128 |
| 2. Plant and machinery | 1129 | 129 | 130 |

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

| RCSL Nr.: B165560 | Matricule: 2011 2227 262 |
|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| 3. Other fixtures and fittings, tools and equipment | 1131 | | 131 | 11,00 | 132 | 23,00 |
| 4. Payments on account and tangible assets in the course of construction | 1133 | | 133 | | 134 | |
| III. Financial assets | 1135 | | 135 | 7.065.170,00 | 136 | 6.615.388,00 |
| 1. Shares in affiliated undertakings | 1137 | 5. | 137 | 7.053.291,00 | 138 | 6.604.166,00 |
| 2. Loans to affiliated undertakings | 1139 | 6. | 139 | 0,00 | 140 | 120,00 |
| 3. Participating interests | 1141 | | 141 | | 142 | |
| 4. Loans to undertakings with which the undertaking is linked by virtue of participating interests | 1143 | | 143 | | 144 | |
| 5. Investments held as fixed assets | 1145 | | 145 | 11.879,00 | 146 | 11.102,00 |
| 6. Other loans | 1147 | | 147 | | 148 | |
| **D. Current assets** | 1151 | | 151 | 74.868,00 | 152 | 12.641,00 |
| I. Stocks | 1153 | | 153 | | 154 | |
| 1. Raw materials and consumables | 1155 | | 155 | | 156 | |
| 2. Work in progress | 1157 | | 157 | | 158 | |
| 3. Finished goods and goods for resale | 1159 | | 159 | | 160 | |
| 4. Payments on account | 1161 | | 161 | | 162 | |
| II. Debtors | 1163 | | 163 | 396,00 | 164 | 503,00 |
| 1. Trade debtors | 1165 | | 165 | | 166 | |
| a) becoming due and payable within one year | 1167 | | 167 | | 168 | |
| b) becoming due and payable after more than one year | 1169 | | 169 | | 170 | |
| 2. Amounts owed by affiliated undertakings | 1171 | | 171 | | 172 | |
| a) becoming due and payable within one year | 1173 | | 173 | | 174 | |
| b) becoming due and payable after more than one year | 1175 | | 175 | | 176 | |
| 3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests | 1177 | | 177 | 120,00 | 178 | 0,00 |
| a) becoming due and payable within one year | 1179 | | 179 | 120,00 | 180 | 0,00 |
| b) becoming due and payable after more than one year | 1181 | | 181 | | 182 | |
| 4. Other debtors | 1183 | | 183 | 276,00 | 184 | 503,00 |
| a) becoming due and payable within one year | 1185 | | 185 | 276,00 | 186 | 82,00 |
| b) becoming due and payable after more than one year | 1187 | | 187 | 0,00 | 188 | 421,00 |

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

| RCSL Nr. : B165560 | Matricule : 2011 2227 262 |
|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| 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 | 74.472,00 | 198 | 12.138,00 |
| **E. Prepayments** | 1199 | 7. | 199 | 87.469,00 | 200 | 96.331,00 |
| **TOTAL (ASSETS)** | | | 201 | 7.227.877,00 | 202 | 6.724.917,00 |

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

| RCSL Nr. : B165560 | Matricule : 2011 2227 262 |
|---|---|

## CAPITAL, RESERVES AND LIABILITIES

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| **A. Capital and reserves** | 1301 | | 301 | 326.106,00 | 302 | 370.574,00 |
| I. Subscribed capital | 1303 | 8. | 303 | 17.619,00 | 304 | 17.186,00 |
| II. Share premium account | 1305 | 8. | 305 | 460.883,00 | 306 | 514.911,00 |
| III. Revaluation reserve | 1307 | | 307 | | 308 | |
| IV. Reserves | 1309 | | 309 | | 310 | |
| 1. Legal reserve | 1311 | | 311 | | 312 | |
| 2. Reserve for own shares | 1313 | | 313 | | 314 | |
| 3. Reserves provided for by the articles of association | 1315 | | 315 | | 316 | |
| 4. Other reserves, including the fair value reserve | 1429 | | 429 | | 430 | |
| a) other available reserves | 1431 | | 431 | | 432 | |
| b) other non available reserves | 1433 | | 433 | | 434 | |
| V. Profit or loss brought forward | 1319 | | 319 | -161.523,00 | 320 | -151.298,00 |
| VI. Profit or loss for the financial year | 1321 | | 321 | 9.127,00 | 322 | -10.225,00 |
| VII. Interim dividends | 1323 | | 323 | | 324 | |
| VIII. Capital investment subsidies | 1325 | | 325 | | 326 | |
| **B. Provisions** | 1331 | | 331 | 2,00 | 332 | 2,00 |
| 1. Provisions for pensions and similar obligations | 1333 | | 333 | | 334 | |
| 2. Provisions for taxation | 1335 | | 335 | | 336 | |
| 3. Other provisions | 1337 | | 337 | 2,00 | 338 | 2,00 |
| **C. Creditors** | 1435 | | 435 | 6.901.769,00 | 436 | 6.347.324,00 |
| 1. Debenture loans | 1437 | 9. | 437 | 5.451.348,00 | 438 | 5.228.017,00 |
| a) Convertible loans | 1439 | | 439 | 450.370,00 | 440 | 281.029,00 |
| i) becoming due and payable within one year | 1441 | 9.a. | 441 | 450.370,00 | 442 | 229,00 |
| ii) becoming due and payable after more than one year | 1443 | 9.a. | 443 | 0,00 | 444 | 280.800,00 |
| b) Non convertible loans | 1445 | | 445 | 5.000.978,00 | 446 | 4.946.988,00 |
| i) becoming due and payable within one year | 1447 | 9.b. | 447 | 39.006,00 | 448 | 178.551,00 |
| ii) becoming due and payable after more than one year | 1449 | 9.b. | 449 | 4.961.972,00 | 450 | 4.768.437,00 |
| 2. Amounts owed to credit institutions | 1355 | | 355 | | 356 | |
| a) becoming due and payable within one year | 1357 | | 357 | | 358 | |
| b) becoming due and payable after more than one year | 1359 | | 359 | | 360 | |

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

| RCSL Nr.: B165560 | Matricule: 2011 2227 262 |
|---|---|

| | | Reference(s) | | Current year | | Previous year |
|---|---|---|---|---|---|---|
| 3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks | 1361 | | 361 | | 362 | |
| a) becoming due and payable within one year | 1363 | | 363 | | 364 | |
| b) becoming due and payable after more than one year | 1365 | | 365 | | 366 | |
| 4. Trade creditors | 1367 | | 367 | 881,00 | 368 | 2.160,00 |
| a) becoming due and payable within one year | 1369 | | 369 | 881,00 | 370 | 2.160,00 |
| b) becoming due and payable after more than one year | 1371 | | 371 | | 372 | |
| 5. Bills of exchange payable | 1373 | | 373 | | 374 | |
| a) becoming due and payable within one year | 1375 | | 375 | | 376 | |
| b) becoming due and payable after more than one year | 1377 | | 377 | | 378 | |
| 6. Amounts owed to affiliated undertakings | 1379 | | 379 | | 380 | |
| a) becoming due and payable within one year | 1381 | | 381 | | 382 | |
| b) becoming due and payable after more than one year | 1383 | | 383 | | 384 | |
| 7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests | 1385 | | 385 | 1.449.494,00 | 386 | 1.117.117,00 |
| a) becoming due and payable within one year | 1387 | 10. | 387 | 1.449.494,00 | 388 | 1.117.117,00 |
| b) becoming due and payable after more than one year | 1389 | | 389 | | 390 | |
| 8. Other creditors | 1451 | | 451 | 46,00 | 452 | 30,00 |
| a) Tax authorities | 1393 | | 393 | 26,00 | 394 | 11,00 |
| b) Social security authorities | 1395 | | 395 | 20,00 | 396 | 19,00 |
| c) Other creditors | 1397 | | 397 | | 398 | |
| i) becoming due and payable within one year | 1399 | | 399 | | 400 | |
| ii) becoming due and payable after more than one year | 1401 | | 401 | | 402 | |
| **D. Deferred income** | 1403 | 12. | 403 | 0,00 | 404 | 7.017,00 |
| **TOTAL (CAPITAL, RESERVES AND LIABILITIES)** | | | 405 | 7.227.877,00 | 406 | 6.724.917,00 |

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

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

## PROFIT AND LOSS ACCOUNT

**Financial year from** 01 01/01/2021 **to** 02 31/12/2021 (in 03 KEUR )

Grand City Properties S.A.

1, Avenue du Bois
L-1251 Luxembourg

| | | Reference(s) | | Current year | | Previous year |
| --- | --- | --- | --- | --- | --- | --- |
| **1. Net turnover** | 1701 | 13. | 701 | 700,00 | 702 | 700,00 |
| **2. Variation in stocks of finished goods and in work in progress** | 1703 | | 703 | | 704 | |
| **3. Work performed by the undertaking for its own purposes and capitalised** | 1705 | | 705 | | 706 | |
| **4. Other operating income** | 1713 | | 713 | | 714 | |
| **5. Raw materials and consumables and other external expenses** | 1671 | | 671 | -2,00 | 672 | -3,00 |
| a) Raw materials and consumables | 1601 | | 601 | -2,00 | 602 | -3,00 |
| b) Other external expenses | 1603 | | 603 | | 604 | |
| **6. Staff costs** | 1605 | | 605 | -270,00 | 606 | 985,00 |
| a) Wages and salaries | 1607 | | 607 | -233,00 | 608 | -140,00 |
| b) Social security costs | 1609 | | 609 | -29,00 | 610 | -17,00 |
| i) relating to pensions | 1653 | | 653 | -19,00 | 654 | -11,00 |
| ii) other social security costs | 1655 | | 655 | -10,00 | 656 | -6,00 |
| c) Other staff costs | 1613 | | 613 | -8,00 | 614 | 1.142,00 |
| **7. Value adjustments** | 1657 | 4. | 657 | -300,00 | 658 | -476,00 |
| a) in respect of formation expenses and of tangible and intangible fixed assets | 1659 | | 659 | -300,00 | 660 | -476,00 |
| b) in respect of current assets | 1661 | | 661 | | 662 | |
| **8. Other operating expenses** | 1621 | 14. | 621 | -2.667,00 | 622 | -3.201,00 |

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

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| RCSL Nr. : B165560 | Matricule : 2011 2227 262 |
|---|---|

| | | 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 | 184,124,00 | 722 | 153.125,00 |
| a) derived from affiliated undertakings | 1723 | 10. | 725 | 184,124,00 | 724 | *153.125,00 |
| b) other income not included under a) | 1725 | | | | 726 | |
| **11. Other interest receivable and similar income** | 1727 | | 727 | 4.889,00 | 728 | 2.435,00 |
| a) derived from affiliated undertakings | 1729 | 6. | 729 | 479,00 | 730 | *276,00 |
| b) other interest and similar income | 1731 | | 731 | 4.410,00 | 732 | 2.159,00 |
| **12. Share of profit or loss of undertakings accounted for under the equity method** | 1663 | | 663 | | 664 | |
| **13. Value adjustments in respect of financial assets and of investments held as current assets** | 1665 | | 665 | | 666 | |
| **14. Interest payable and similar expenses** | 1627 | 15. | 627 | -177.347,00 | 628 | -163.790,00 |
| a) concerning affiliated undertakings | 1629 | 10. | 629 | -3.556,00 | 630 | -4.706,00 |
| b) other interest and similar expenses | 1631 | | 631 | -173.791,00 | 632 | -159.084,00 |
| **15. Tax on profit or loss** | 1635 | | 635 | | 636 | |
| **16. Profit or loss after taxation** | 1667 | | 667 | 9.127,00 | 668 | -10.225,00 |
| **17. Other taxes not shown under items 1 to 16** | 1637 | | 637 | | 638 | |
| **18. Profit or loss for the financial year** | 1669 | | 669 | 9.127,00 | 670 | -10.225,00 |

* reclassified

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

## Grand City Properties S.A.
## Notes to the annual accounts
### For the year ended December 31, 2021

**Note 1. General**

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

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

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

The Company did not operate any branches in 2021.

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

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

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

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

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

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

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

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

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

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

**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 EUR unless otherwise stated and prepared in accordance with current legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg.

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

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

***2.1.1 Comparative figures***

The presentation of the annual accounts has been modified when compared to the presentation used in respect of the financial year ended December 31, 2020. As a consequence, and in order to ensure adequate comparability across both financial years, certain comparative figures in respect of the financial year ended December 31, 2020 have been reclassified.

***2.2 Foreign currency transactions***

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

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

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

***2.3 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/repurchase/redemption/conversion.

***2.5 Financial assets***

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

**Note 2. Summary of Significant Accounting Policies (continued)**

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

The market value corresponds to:

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

***2.6 Derivatives***

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

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

***2.7 Debtors***

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

***2.8 Provisions***

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

***2.9 Creditors***

Creditors are recorded at their nominal value.

***2.10 Income and charges***

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

***2.10.1 Interest income and interest charges***

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

**Note 2. Summary of Significant Accounting Policies (continued)**

***2.11 Dividend income***

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

***2.12 Share-based payment transactions***

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

***2.13 Net turnover***

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

***2.14 Taxation***

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

**Note 2a. Critical accounting estimates**

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

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

The use of estimates mainly concerns the estimation of the recoverable amount of the potentially impaired financial assets.

**Note 3. Organization**

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

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

The Company listed its different bonds series for trading in Frankfurt, Irish and in the Swiss stock exchanges (see note 9).

### Note 4. Formation expenses

Formation expenses consist of capital increase fees as disclosed below:

| | 2021 | 2020 |
|---|---|---|
| | KEUR | |
| **Gross book value - opening balance** | **14,083** | **13,913** |
| Additions for the year | 125 | 170 |
| **Gross book value - closing balance** | **14,208** | **14,083** |
| **Amortisation - opening balance** | **(13,549)** | **(13,073)** |
| Amortisation for the year | (300) | (476) |
| **Amortisation - closing balance** | **(13,849)** | **(13,549)** |
| **Net book value - opening balance** | **534** | **840** |
| **Net book value - closing balance** | **359** | **534** |

### Note 5. Shares in affiliated undertakings

The Company beneficially owns the following shares in affiliated undertakings:

| Affiliate | Country | Percentage Holding | | Acquisition Cost | Equity (deficit) as at December 31, 2021 (*) | Profit (loss) for the year ended December 31, 2021 (*) |
|---|---|---|---|---|---|---|
| | | | | KEUR | | |
| **Grandcity Property Ltd**<br>(With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6031 Larnaca, Cyprus) | Cyprus | 94.8% | (a) | 6,604,153 | 7,743,087 | 321,281 |
| **Grandcity Holdings Ltd**<br>(ex: Tespomo Limited,<br>With registered office at 54B Artemidos & Nikou Dimitriou Corner, Scanner Avenue Tower, 6031 Larnaca, Cyprus) | Cyprus | 100% | (b) | 446,743 | 435,434 | (11,198) |
| **Grand City Properties Holdings B.V.**<br>(With registered office at H.J.E. Wenckebachweg 123, 1096 AM Amsterdam) | the Netherlands | 100% | | 2,383 | 2,360 | 5,811 |
| **Grand City Properties Holdings S.à r.l**<br>(With registered office at 1, Avenue du Bois L-1251 Luxembourg) | Luxembourg | 100% | | 12 | 6 | (5) |
| | | | | **7,053,291** | **8,180,887** | **315,889** |

(*) Based on unaudited individual financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union as of December 31, 2021.

(a) As at December 31, 2021, the acquisition cost include an investment of KEUR 2 in ordinary shares and an investment of KEUR 6,604,151 in Redeemable Preference Shares.

(b) As at 31 December 2021, the acquisition cost include an investment of less than KEUR 1 in ordinary shares and an investment of KEUR 446,743 in Redeemable Preference Shares.

**Note 5. Shares in affiliated undertakings (continued)**

The Redeemable Preference Shares have similar rights as the ordinary shares have, with the exception that they accumulate their right for dividends, in a way that any future dividend will be first paid to the Redeemable Preference Shares holders and the remaining part will be paid to the ordinary shareholders pro-rata, and that the Redeemable Preference Shares are redeemable at the sole discretion of the affiliate.

<u>Grandcity Property Ltd</u>

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

<u>Grandcity Holdings Ltd</u>

On September 30, 2021, Grandcity Holdings Ltd ("GC Holdings LTD"), issued 10 Redeemable Preference Shares to the Company for a total amount of KEUR 446,743. The consideration payable assigned and fully offset with GCP LTD.
As of December 31, 2021, there is no outstanding amount with GC Holdings LTD.

In the opinion of the Board of Directors, no value adjustments were required in respect of shares in affiliated undertakings as of December 31, 2021.

**Note 5.1. Dividend income from affiliated undertakings**

<u>Grandcity Property Ltd</u>

On December 31, 2021, GCP LTD distributed a preferred dividend to the Redeemable Preference Shares' holders. The dividend has been calculated at a rate of 2.7% (2020: 3%) of the nominal amount of the shares. As a result, the Company was entitled to a dividend on its investment in the Redeemable Preference Shares in total amount of KEUR 178,312 (2020: KEUR 153,125).

<u>Grand City Properties Holdings B.V</u>

On July 1, 2021, Grand City Properties Holdings B.V ("GCP Holdings B.V"), distributed dividend in kind in total amount of KEUR 5,812 (2020: nil).
As of December 31, 2021, there is no outstanding amount with GCP Holdings B.V.

**Note 6. Loans to affiliated undertakings**

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

| | Principal amount | Accrued interest | Total |
|---|---|---|---|
| | | KEUR | |
| **Balance as at January 1, 2021** | **120** | - | **120** |
| New loans granted | 1,271,844 | - | 1,271,844 |
| Loan repayments | (1,271,844) | - | (1,271,844) |
| Interest income | - | 479 | 479 |
| Interest received | - | (479) | (479) |
| Reclassified to amounts owed by undertaking | (120) | - | (120) |
| **Balance as at December 31, 2021** | - | - | - |

### Note 6. Loans to affiliated undertakings (continued)

The Company recorded interest income of KEUR 479 related to these loans for the year ended December 31, 2021 (2020: KEUR 276).

As of December 31, 2021 and December 31, 2020, there is no outstanding principal and accrued interest.

### 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:

| | 2021 | 2020 |
|---|---|---|
| | KEUR | |
| **Gross book value - opening balance** | **213,605** | **187,951** |
| Additions for the year | 23,852 | 25,654 |
| **Gross book value - closing balance** | **237,457** | **213,605** |
| | | |
| **Amortisation - opening balance** | **(117,274)** | **(95,686)** |
| Amortisation for the year | (32,714) | (21,588) |
| **Amortisation - closing balance** | **(149,988)** | **(117,274)** |
| | | |
| **Net book value - opening balance** | **96,331** | **92,265** |
| **Net book value - closing balance** | **87,469** | **96,331** |

### Note 8. Capital and Reserves

### Subscribed capital

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 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,** | **171,864,050** | **17,186** | **167,895,560** | **16,790** |
| Issuance of new ordinary share as part of scrip dividend | 4,323,849 | 433 | 3,853,379 | 385 |
| Issuance of new ordinary shares as part of share-based payment | - | - | 115,111 | 11 |
| **Balance on December 31,** | **176,187,899** | **17,619** | **171,864,050** | **17,186** |

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

**Note 8. Capital and Reserves (continued)**

Issued capital during 2020-2021

On July 26, 2021, the Company issued 4,323,849 (2020: 3,853,379) new shares for total value of EUR 83 million (2020: EUR 67 million) in connection with the scrip dividend as explained below.

Company's shares held by GC Holdings LTD

(a) On January 28, 2021 the Board of Directors resolved to utilize the authorization of the Annual General Meeting of June 24, 2020 in order to buy back up to 12,500,000 shares of the Company (corresponding to up to 7.27% of the Company's share capital) by way of a public tender offer with a purchase price in the range of EUR 20.00 to EUR 21.25 per share. On February 17, 2021 the Company announced that 3,370,708 shares of the Company have been validly tendered into the offer of EUR 21.25 per share in total amount of KEUR 71,628. The settlement was completed on February 23, 2021. The Company has transferred the shares to its fully owned subsidiary GC Holdings LTD.

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

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

As at December. 31, 2021 the Company shares held by GC Holdings LTD amounted to 11,225,841 shares (see also note 8a. and note 12)

**Share premium account**

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

| | 2021 | 2020 |
|---|---|---|
| | KEUR | |
| **Balance as of January 1,** | **514,911** | **583,834** |
| Dividend distribution | (136,433) | (138,407) |
| Issuance of new ordinary shares | 82,405 | 69,484 |
| **Balance on December 31,** | **460,883** | **514,911** |

As a result of the issuance of the scrip dividend on July 26, 2021 the share premium increased by EUR 82.4 million.

The dividend distributions are paid out of the share premium.

**Note 8. Capital and Reserves (continued)**

**Resolution of dividend distribution**

| For the year | Amount per share (in cents) | Gross amount (KEUR) | Ex-date | Payment date |
|---|---|---|---|---|
| 2014 | 20.00 | 24,333 | June 25, 2015 | July 3, 2015 |
| 2015 | 25.00 | 38,447 | June 30, 2016 | July 1, 2016 |
| 2016 | 68.25 | 112,468 | June 29, 2017 | July 1, 2017 |
| 2017 | 73.00 | 120,296 | June 30, 2018 | July 17, 2018 |
| 2018 | 77.35 | 129,002 | June 27, 2019 | July 22, 2019 |
| 2019 | 82.38 | 138,407 | June 25, 2020 | July 14, 2020 |
| 2020 | 82.32 | 136,433 | July 1, 2021 | July 20, 2021 |
| 2021 | (*) 83.40 | - | - | - |

On June 30, 2021, the Annual General Meeting of shareholders of the Company has resolved upon the distribution of a dividend of EUR 0.8232 (gross) (2020: EUR 0.8238) per share (in total KEUR 136,433) to the holders of record on July 2, 2021.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. From July 1, 2021 to July 13, 2021, shareholders of the Company could elect to receive up to 85% of their dividend in the form of shares of the Company, with the remainder paid in cash.
Shareholders who did not elect to participate in the scrip dividend have received their dividend in cash. The cash dividend has been paid in July 2021, and the Company issued 4.3 million new shares for a total value of EUR 83 million on July 26, 2021.

(*) The proposed dividend for the year 2021, based on the Company's dividend policy and subject to the shareholders' Annual General Meeting which will take place on June 29, 2022, is EUR 0.83 per share. The proposed dividend has not been recognized as a liability in the annual accounts.

**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, 2021, the Company had the following share-based payment arrangements:

<u>Incentive share plan</u>

On June 25, 2014, the Annual General Meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive program for the directors, key management personnel and senior employees. The incentive plan has up to four years vesting period with fix and specific milestones to enhance management's long-term commitment to the Company's strategic targets. Main strategic targets are long-term improvement in operational and financial targets such as increasing NAV per share, FFO per share and further improvement in the Group's rating to A-.

**Note 8a. Share-based payment agreements (continued)**

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

| Grant date | Number of shares | Weighted vesting period | Contractual life of the incentive |
|---|---|---|---|
| January 1, 2018 – June 30, 2025 | 413 thousand | 1.67 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:

| | 2021 | 2020 |
|---|---|---|
| | Number of shares | Number of shares |
| | In thousands | |
| Outstanding on January 1 | 297 | 384 |
| Granted during the year, net | 232 | 51 |
| Exercised during the year (*) | (116) | (138) |
| **Outstanding on December 31** | **413** | **297** |

(*) In accordance with the terms and conditions of the incentive share plan, the Group withheld 46 thousand (2020: 67 thousand) shares equal to the monetary value of the employee's tax obligation from the total number of shares exercised. In addition, 51 thousand shares have been settled in cash. As a result, only 19 thousand (2020: 71 thousand) shares were transferred from the Company's shares held by GC Holdings LTD (see note 8).

## Note 9. Convertible bond, Straight bond and Perpetual notes

| | Note | Nominal amount outstanding | Effective coupon | Maturity | As at December 31 2021 | As at December 31 2020 |
|---|---|---|---|---|---|---|
| | | In thousands | | | KEUR | |
| **9a. Convertible bond** | | | | | | |
| ***becoming due and payable after more than one year*** | | | | | | |
| Convertible bond series F | | - | 0.25% | Mar-2022 | - | 280,800 |
| | | | | | **-** | **280,800** |
| ***becoming due and payable in less than one year*** | | | | | | |
| Convertible bond series F | (j),(l) | EUR 450,000 | 0.25% | Mar-2022 | 450,000 | - |
| Accrued interest on convertible bond | | | | | 370 | 229 |
| | | | | | **450,370** | **229** |
| **9b. Straight bonds and perpetual notes** | | | | | | |
| ***becoming due and payable after more than one year*** | | | | | | |
| Straight bond series E | (e),(i),(m) | EUR 205,600 | 1.50% | Apr-2025 | 205,600 | 550,000 |
| Straight bond series G | | EUR 600,000 | 1.38% | Aug-2026 | 600,000 | 600,000 |
| Straight bond series H | | EUR 255,000 | 2.00% | Oct-2032 | 255,000 | 255,000 |
| Straight bond series I | | HKD 900,000 | (*) 1.00% | Feb-2028 | 101,887 | 94,595 |
| Straight bond series J | | EUR 667,600 | 1.50% | Feb-2027 | 667,600 | 667,600 |
| Straight bond series K | | CHF 125,000 | 0.96% | Sep-2026 | 120,995 | 115,720 |
| Straight bond series L | | JPY 7,500,000 | 1.40% | Jun-2038 | 57,524 | 59,293 |
| Straight bond series M | (b) | EUR 47,000 | (*) 1.70% | Jul-2033 | 47,000 | 47,000 |
| Straight bond series N | | EUR 88,000 | (*) 3M Euribor + 1.71% | Feb-2039 | 88,000 | 88,000 |
| Straight bond series O | | EUR 15,000 | (*) 3M Euribor + 1.68% | Feb-2034 | 15,000 | 15,000 |
| Straight bond series P | | HKD 290,000 | (*) 3M Euribor + 1.38% | Mar-2029 | 32,831 | 30,481 |
| Straight bond series Q | | CHF 130,000 | 0.57% | Jun-2024 | 125,835 | 120,348 |
| Straight bond series R | | EUR 40,000 | 2.50% | Jun-2039 | 40,000 | 40,000 |
| Straight bond series U | | EUR 80,000 | 0.75% | Jul-2025 | 80,000 | 80,000 |
| Straight bond series V | | EUR 70,000 | (*) 1.50% | Aug-2034 | 70,000 | 70,000 |
| Straight bond series W | (a),(e),(i),(m) | EUR 204,700 | 1.7% | Apr- 2024 | 204,700 | 600,000 |
| Straight bond series X | (e) | EUR 1,000,000 | 0.125% | Jan - 2028 | 1,000,000 | - |
| Perpetual Notes 1 | (d),(g) | - | 3.75% | Feb-2022 | - | 85,400 |
| Perpetual Notes 2 | | EUR 200,000 | 2.75% | Jan-2023 | 200,000 | 200,000 |
| Perpetual Notes 3 | | EUR 350,000 | 2.5% | Oct-2023 | 350,000 | 350,000 |
| Perpetual Notes 4 | (c) | EUR 700,000 | 1.5% | Jun-2026 | 700,000 | 700,000 |
| | | | | | **4,961,972** | **4,768,437** |
| ***becoming due and payable in less than one year*** | | | | | | |
| Straight bond series D | (h) | - | 2.00% | Oct-2021 | - | 25,000 |
| Straight bond series S | (f) | - | 0.00% | Jan-2021 | - | 60,500 |
| Straight bond series T | (k) | - | 3M Euribor + 0.60% | Jul-2021 | - | 52,000 |
| Accrued interest straight bonds | | | | | 26,310 | 30,779 |
| Accrued interest perpetual notes | | | | | 12,696 | 10,272 |
| | | | | | **39,006** | **178,551** |
| **Total straight bond, convertible bond, perpetual notes and accrued interest** | | | | | **5,451,348** | **5,228,017** |

(*) Including hedging impact

**Note 9. Convertible bond, Straight bond and Perpetual notes (continued)**

As of December 31,2021, the Company has established a EUR 10 billion EMTN programme. Notes issued under the EMTN programme are guaranteed by the Company.

Movement during 2020-2021

(a) On April 9 2020, under the EMTN programme, the Company issued EUR 600 million straight bond series W due 2024, at an issue price of 98.545% of the principal amount with Euro coupon 1.7%.

(b) On April 15, 2020 the Company bought back EUR 8 million principal amount of straight bond series M with effective Euro coupon rate of 1.7% for a purchase price of 86% of the nominal amount including swap unwind fee.

(c) On December 9, 2020, the Company issued EUR 700 million in aggregate principal amount of perpetual notes. These notes were issued at a price of 98.703% of the principal amount. These perpetual notes are of unlimited duration and can be called back by the Company only on certain contractually fixed dates or occasions. Up until the first call date in June 9, 2026, the perpetual notes shall bear a coupon rate of 1.5% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (June 2031) shall correspond to the five-year swap rate plus a margin of 218.4 basis points p.a. The mark-up will increase by 25 basis points (to 243.4 basis points p.a.) as of June 2031 and by another 75 basis points (to 318.4 basis points p.a.) as of June 2046.

(d) On December 11,2020 the Company bought back EUR 414.6 million principal amount of perpetual notes 1 with coupon rate of 3.75% for a purchase price of 104.635% of the nominal amount, excluding any accrued interest. As a result of the buyback of more than 80% of the principal amount and in accordance with the terms and conditions of the perpetual notes, the Company has the right to redeem the outstanding amount at par value.

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.

(e) On January 11, 2021 under the EMTN Programme, the Company issued EUR 1 billion straight bond series X due 2028, at an issue price of 98.153% of the principal amount with Euro coupon 0.125%. At the same day, the Company bought back EUR 272.8 million and EUR 220 million principal amount of straight bond series E (due April 2025) and W (due April 2024) for a purchase price of 106.843% and 105.977% of the nominal amount respectively, excluding any accrued interest.

(f) On January 25, 2021 the Company redeemed EUR 60.5 million principal amount of straight bond series S.

(g) On February 4, 2021 the Company redeemed EUR 85.4 million principal amount of perpetual notes 1 with coupon rate of 3.75% for a purchase price of 100% of the nominal amount, excluding any accrued interest.

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

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

**Note 9. Convertible bond, Straight bond and Perpetual notes (continued)**

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

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

(l) On September 29, 2021, the Company has entered into agreement with its parent company, Edolaxia Group Ltd. ("Edolaxia LTD"), in which the Company sold EUR 169.2 million principal amount of its convertible bond Series F with Euro coupon 0.25% (due March 2022), previously held in treasury, to Edolaxia LTD for a total consideration of EUR 172.7 million, reflecting the bonds' fair value based on the quoted price as at the transaction date, including accrued interest. The Company accounted for the transaction as an issuance of convertible bond and recognized a convertible bond liability of EUR 169.2 million (reflecting the fair value of bonds with similar characteristics, without the conversion feature), and the remainder of the consideration of EUR 3.5 million was recognized as one-off gain. For further information after the reporting period see note 20(a).

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

**Note 9.1. Security, negative pledge**

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

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

**Note 9.2. Covenants in accordance with the bonds' terms and conditions**

The Company undertakes to comply with several covenants as defined in the Terms and Conditions of its straight and convertible bonds. During the years ended at December 31, 2021 and 2020, there were no breaches of any of the covenants applicable to the Company.

## Note 10. Related parties

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

| | 2021 | 2020 |
|---|---|---|
| | KEUR | |
| Dividend income from affiliated undertakings (note 5.1) | 184,124 | 153,125 |
| Consultancy services fees income- GCP LTD | 700 | 700 |
| Interest income from loans to affiliated undertakings (note 6) | 479 | 276 |
| Profit from disposal of convertible bond F (note 9(l))- Edolaxia LTD | 3,551 | - |
| Brokerage fees expenses- GCP LTD | (3,500) | (4,575) |
| Consultancy services fees expenses- ATCP management GmbH (*) | (500) | (500) |
| Interest expenses on convertible bond F (note 9(l))- Edolaxia LTD | (111) | - |
| Interest expenses on loans from affiliated undertakings (note 15) | (56) | (131) |

(*) As at December 31, 2021 the Company had outstanding amount with ATCP management GmbH (Aroundtown SA's subsidiary) in the amount of KEUR 250 (2020: KEUR 250).

As at December 31, 2021 the Company had outstanding payable to GCP LTD in the amount of KEUR 1,449,244 (2020: KEUR 1,116,867).

There were no other transactions between the Company and its key management or related parties during the year except those described in note 8, 8a, 9(l), and 12.

## Note 11. Derivative financial instruments

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

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

| **Risk hedged** | **Derivative type** | **Amount receivable** | **Amount Payable** | **Maturity** | **Fair value as at December 31, 2021** | **Unrealized gains (losses) not recorded in profit or loss account** | **Realized gains (losses) recorded in profit or loss account** |
|---|---|---|---|---|---|---|---|
| | | | | | **in KEUR** | **in KEUR** | **in KEUR** |
| Currency risk | Forward | KEUR 1,771,131 | KGBP 1,599,563 | 2022-2024 | (85,699) | (107,934) | (3,210) |
| Currency risk | Swap | KCHF 130,000 | KEUR 119,441 | 2024 | 7,122 | 5,442 | - |
| Currency risk | Swap | KCHF 125,000 | KEUR 116,233 | 2026 | 5,946 | 5,859 | - |
| Currency risk | Swap | KHKD 900,000 | KEUR 92,631 | 2028 | 16,068 | 6,318 | 2,292 |
| Currency risk | Swap | KHKD 290,000 | KEUR 32,768 | 2029 | 2,645 | 2,081 | 878 |
| Currency risk | Swap | KJPY 7,500,000 | KEUR 75,500 | 2038 | (11,553) | 4,643 | - |

### Note 11. Derivative financial instruments (continued)

In addition, the Company hedged its interest rate risk for straight bonds series O, N, M and V using swap contracts for which their fair value, unrealized losses and realized gains as at December 31, 2021 are KEUR 1,893, KEUR 9,785 and KEUR 2,015 respectively (2020: fair value, unrealized gains and realized gains KEUR 13,693, KEUR 9,919 and KEUR 2,226 respectively)

In 2021, total realized gains in the amount of KEUR 1,975 (2020: KEUR 41,875 realized losses) were disclosed in note 15 as part of other finance costs. For additional info see also note 9.

### Note 12. Deferred income

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

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

### Note 13. Turnover

The net turnover concerns consultancy services (see note 10).

### Note 14. Other operating expenses

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | KEUR | |
| Insurance, telephone and other administrative expenses | 450 | 408 |
| Legal and professional fees | 1,762 | 2,311 |
| Advertising and marketing | 132 | 117 |
| Audit fees (note 14.1) | 323 | 365 |
| **Total** | **2,667** | **3,201** |

### Note 14.1. Audit and non-audit services

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | KEUR | |
| Audit fees | 283 | 310 |
| Audit related fees | 36 | 53 |
| Tax related and other fees | 4 | 2 |
| **Total** | **323** | **365** |

### Note 15. Interest payable and similar expenses

Interest payable and similar expenses consist of the following:

| | For the year ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | KEUR | |
| Straight and convertible bonds (note 9, note 10) | 48,479 | 55,119 |
| Perpetual notes (note 9) | 25,042 | 32,847 |
| Other finance costs (*) | 100,270 | 71,118 |
| Brokerage fees from services rendered by affiliated undertakings (note 10) | 3,500 | 4,575 |
| Interest expenses on loan from affiliated undertakings (note 10) | 56 | 131 |
| **Total** | **177,347** | **163,790** |

(*) Other finance cost includes straight and convertible bonds foreign currency exchange differences, prepayments amortization costs (note 7) and derivatives financial instruments realized results (note 11). In addition, other finance costs in 2021 included results on buyback of Straight bond series E and W of KEUR 27,796 and 27,481 respectively (2020: results on buyback of perpetual notes 1 (3.75%) of KEUR 21,796).

**Note 16. Financial risk management**

Financial risk factors

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

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

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

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

*(i) Liquidity risk*

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

*(ii) Operating risk*

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

*(iii) Market risk*

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

*(iv) Other risks*

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

**Note 16. Financial risk management (continued)**

Through ordinary course of business, the Company is exposed to various external risks. The Risk Committee is constantly determining whether the infrastructure, resources, and systems are in place and adequate to maintain a satisfactory level of risk. The potential risks and exposures are related, inter alia, to volatility of interest rate risks, liquidity risks, credit risks, regulatory and legal risks, collection and tenant deficiencies, the need for unexpected capital investments, and market downturn risk.
Grand City Properties S.A. sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default

*Brexit*

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

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

*Coronavirus*

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

Regardless of these risks, the Group maintains a conservative financial policy and a strong liquidity position amounting to approx. EUR 1.1 billion as of December 2021, shielding the Group in case of a significant downturn.

**Note 16. Financial risk management (continued)**

*Inflation and interest rates*

The Coronavirus pandemic and the disruption of the global economy have resulted in significant supply and demand shocks, which have further resulted in higher inflationary pressures in much of 2021 and into 2022. The inflationary pressure is further driven by monetary policies and economic stimulus which have been provided to mitigate the negative economic impact of the pandemic. Inflationary pressure has been particularly strong in material costs and energy prices in 2021 and there is much uncertainty as to the development of prices in the coming periods. Higher levels of inflation particularly for materials and energy may have an impact on the Group's ability to acquire materials for Capex measures at a reasonable price and increase utility costs across the Group's operations. Furthermore, higher levels of inflation across the economy may result in higher personnel expenses and expenses related to external services, which could have a negative impact on Group's profitability. In addition, higher levels of inflation may lead to increases in interest rates, which could negatively impact borrowing costs on one hand and put upward pressure on discount rates and cap rates, which may have an adverse impact on the fair value of the Group's assets and on the Company's share price performance.

Increases in material costs will have an impact on the cost of Capex projects for the Group, however, material costs generally form a relatively smaller component of total Capex and maintenance expenses and a large share of Capex projects are executed at the Company's discretion. These projects can usually be deferred if costs increase to such an extent that they become uneconomical. The Company is able to offset some of these expenses due to its economies of scale. In general, energy prices are not a material cost in the Group's operations and therefore, the Company does not expect a material impact on the Group's profits from higher energy prices. The Company believes that, while increases in personnel expenses are likely to have an impact on its cost structure, efficiency gains and internal growth, as well as cost recovery from tenants, will be able to offset such higher expenses. Regarding potentially higher interest rates, the Group has a high interest hedge ratio, with 97% of its debt protected against interest rate increases. Furthermore, due to balanced and long maturity schedule with limited near-term maturities and a strong liquidity position of approx. EUR 1.1 billion the Company does not face material refinancing risk at higher rates in the near term. Furthermore, The Group's low leverage of 35%, well below the Company's conservative Board of Directors' limit of 45% and higher bond covenant levels, leaves significant headroom in the event of downward portfolio value revisions.

*Berlin election and expropriation referendum*

The 2021 Berlin State election and the Berlin expropriation referendum were held on the 26th of September 2021. The expropriation referendum "Deutsche Wohnen & Co. enteignen" was held following an initiative which started in 2018, and for which enough valid signatures were received to put the referendum to the vote of the Berlin population. At the referendum voters were asked whether they supported the expropriation of all private real estate companies which own 3,000 or more units in the city of Berlin, a policy which would affect roughly a quarter million out of the 1.5 million apartments in Berlin. The costs estimation for the expropriation from the initiative's organizers was EUR 7.3 billion to EUR 13.7 billion whereas the Berlin Senate estimated costs between EUR 30 billion to EUR 37 billion.

**Note 16. Financial risk management (continued)**

*Berlin election and expropriation referendum (continued)*

In addition, the Berlin Senate anticipates an annual shortfall of EUR 100 million to EUR 340 million of operating and financing expenses in excess of current rental income of the properties in question. The results of the referendum were 57.6% in favor, 39.8% opposed, however the results are not binding. The stance of the new mayor of Berlin (Ms. Giffey, SPD) during the campaign was in opposition to expropriation, she repeated her negative view on the expropriation after the election outcome. Following the election and referendum the new coalition, comprising of the SPD, Grüne and Die Linke, set up a commission of legal experts to assess whether it is possible under constitutional law to implement an expropriation as per the referendum's result.

Creating and maintaining a high standard of living, while maintaining affordability for its tenants is a core part of Group's business. While the Company understands fears among the wider population related to increasing housing costs, the Group strongly believes that expropriation of landlords based merely on portfolio size is not an appropriate response and does not create a solution for underlying issues, resulting in a net negative outcome for the parties involved. The Company does not believe that expropriation is a legally sound solution to the supply and demand imbalance in the Berlin housing market. The Group sees its opinion reflected by the opinions of most experts and by the stance of the Berlin coalition. In addition, the Company expects that, if legally permissible, expropriation would result in a financial burden to the City of Berlin which it can't carry. The Company therefore does not expect that expropriation is a realistic outcome.

**Note 17. Staff**

The Company employed an average of 3 persons (2020: 3) during the financial year.

**Note 18. Taxation**

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

**Note 19. Commitment and contingencies**

The Company has no material commitments as at December 31, 2021 and 2020, except for the commitments detailed in note 11.

**Note 20. Subsequent events**

(a) On March 2, 2022, the Company redeemed EUR million 450 principal amount of convertible bond series F.

(b) On February 24, 2022, following several months of increasing escalation, the Russian Federation (Russia) announced the beginning of a "special military operation" in Ukraine. Following the announcement, Russia started moving military forces into Ukraine and launched missile strikes and air-strikes at targets in across Ukraine, initiating a full-scale invasion of Ukraine (the "Invasion" or the "Conflict"). The Invasion received wide-spread international condemnation and on March 2nd, 2022 the General Assembly of the United Nations, under an Emergency Special Sessions, adopted resolution A/RES/ES-11/1, among others, condemning the Invasion by Russia and demanding immediate ceasing of hostilities and withdrawal of military forces from the territory of Ukraine. As of the date of this report hostilities continue. In a reaction to Russian hostilities many nations and organizations, including the European Union (EU), have announced sanctions against Russia, Russian companies, and individuals in and from Russia. These sanctions, as well as increased uncertainty resulting from the conflict, have so far resulted in increased volatility in financial markets and increases in prices for a range of commodities, particularly in energy prices, among others. A large number of Ukrainian refugees have fled the country since the start of the conflict, seeking asylum in the EU. In response to this the EU invoked the Temporary Protection Directive (the "Directive"), granting expanded rights to Ukrainian citizens in the EU, granting such citizens residence permits in the EU for the duration of the Directive as well as, among others, access to employment, accommodation, social welfare or means of subsistence, access to medical treatment, access to education for minors, and more.

The Group is not directly impacted by the Conflict, as neither its portfolio nor its operations have direct exposure to Ukraine or Russia. However, the Group may be impacted by the indirect consequences of the Conflict. Firstly, as a result of the Conflict inflationary pressures may increase, specifically heating and energy costs, which could have an impact on the operating costs of the Group. Such pressures may also have an impact on the ability of the Group's tenants to pay rent and/or for the Group to recover expenses related to recoverable expenses from tenants. Furthermore, higher levels of inflation may result in higher interest rates increasing its financing costs on one hand, while increased volatility in the capital markets may reduce the Company's ability to raise capital at attractive prices, further increasing its cost of capital and potentially limiting its growth opportunities.

As a result of the large number of refugees that have entered and are expected to enter the EU, the Company expects large numbers of refugees to enter Germany as well. This is likely to result in increased strain on the residential real estate market in Germany, similar to what has been seen as a result of the height of the refugee crisis in relation to the Syrian civil war in 2015. This may further exacerbate the supply and demand mismatch, increase political pressure for home construction and higher utilization of already limited construction capacity, which may result in increased construction costs and delays, particularly in the event that the crisis will be prolonged. The full effects are currently still unclear and will depend significantly on the duration and final outcome of the conflict as well as the distribution of refugees across the EU.

While the conflict is currently limited to Ukraine on one side and Russia and several of its allies on the other, continued escalation, particularly in relation to levels of violence against civilians, threatening to use unconventional weapons and risk of accidents involving NATO military or civilian assets, may result in other countries joining the conflict. The Company currently assesses this as an unlikely scenario, but in the event that NATO, and as a result Germany and the UK, are drawn into the conflict the impact on the Group may be significant, impacting the Group's operations and portfolio. However, at this point it is too early to understand the full impact of such a scenario, and the likelihood of its occurrence, and as a result the measures required to mitigate this risk.