BERLIN

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER

2020

GRAND CITY
Properties S.A.

HAMBURG

CONTENTS

IMPRINT

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KEY FINANCIALS

BALANCE SHEET HIGHLIGHTS

in €'000 unless otherwise indicated	Dec 2020	Dec 2019	Dec 2018
Total Assets	**10,865,780**	9,851,428	8,860,526
Total Equity	**5,554,928**	4,966,599	4,666,987
Loan-to-Value	**31%**	33%	34%
Equity Ratio	**51%**	50%	53%

P&L HIGHLIGHTS

in €'000 unless otherwise indicated	1-12/2020	Change	1-12/2019
Revenue [1]	**535,424**	-4%	560,303
Net Rental Income [1]	**372,462**	-3%	382,605
Adjusted EBITDA	**299,780**	1%	297,662
FFO I before perpetual notes attribution [2]	**215,054**	1%	211,966
FFO I per share before perpetual notes attribution (in €) [2]	**1.27**	0%	1.27
FFO I (Previously defined as FFO I after perpetual notes attribution)	**182,206**	2%	178,966
FFO I per share (in €) (Previously defined as FFO I per share after perpetual notes attribution)	**1.07**	0%	1.07
FFO II [3]	**484,034**	39%	348,387
EBITDA	**645,197**	-7%	696,741
Profit for the year	**449,071**	-9%	493,360
EPS (basic) (in €)	**2.13**	-12%	2.43
EPS (diluted) (in €)	**2.01**	-13%	2.30

1 Revenue and net rental income decreased due to disposals during the year. On a like-for-like basis, net rental income increased by 1.8% as compared to December 2019

2 Previously defined as FFO I

3 Reclassified to be based on FFO I after perpetual notes attribution

	2020 [4]	Change	2019
Dividend per share (in €)	**0.82**	0%	0.82

4 2020 Dividend is subject to AGM approval and based on a payout policy of 65% of FFO I per share before perpetual notes attribution. From 2021, dividend payout policy is 75% of FFO I per share (previously defined as FFO I per share after perpetual notes attribution)

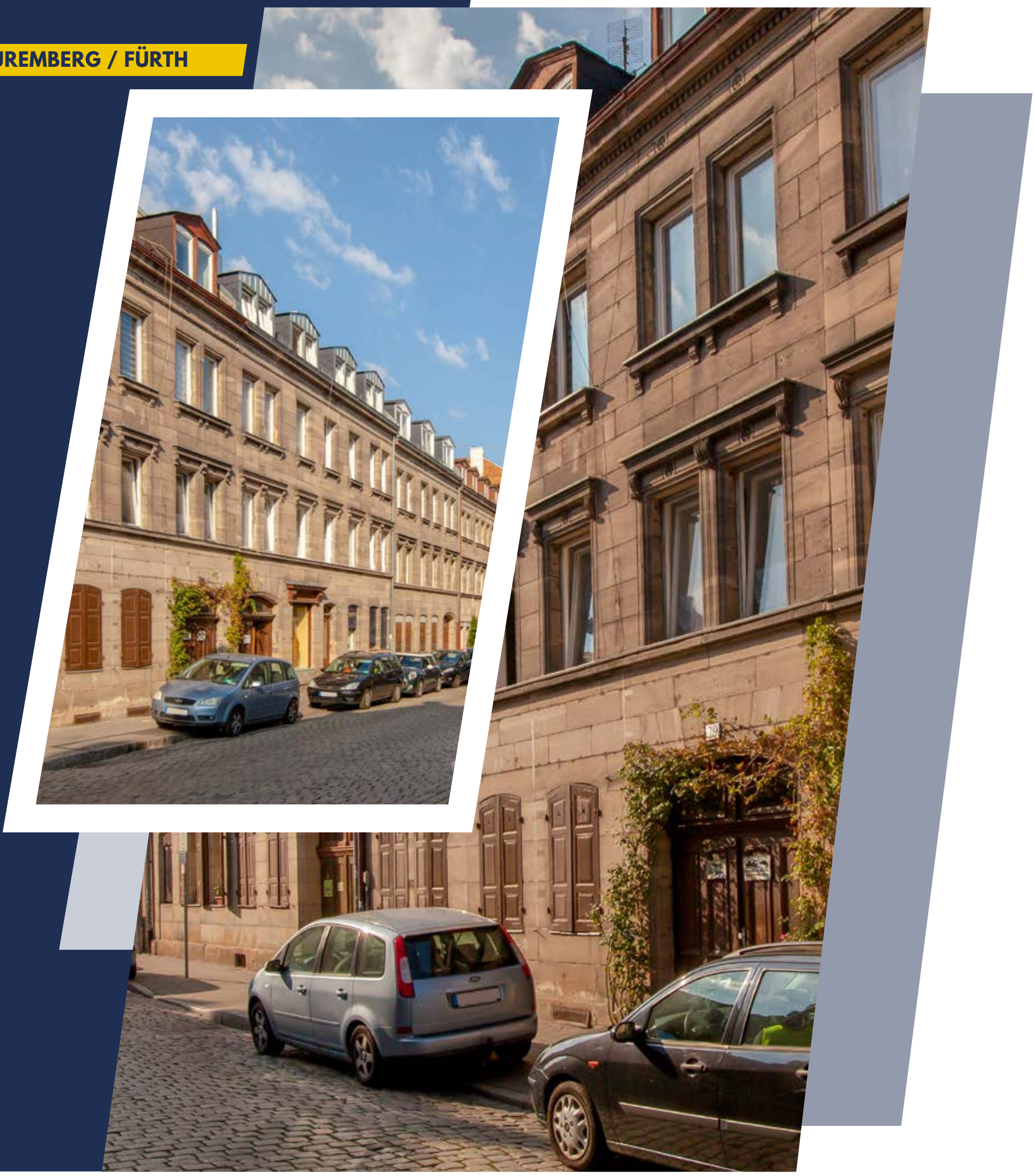
For further clarification of the alternative performance measures please see the relevant section in this report

NAV HIGHLIGHTS

in €'000 unless otherwise indicated	EPRA NRV [1]	EPRA NTA [2]	EPRA NDV [3]	EPRA NAV
Dec 2020	**4,775,679**	**4,566,426**	**3,451,717**	**4,342,257**
Dec 2020 per share (in €)	**27.8**	**26.5**	**20.1**	**25.2**
Per share growth (dividend adjusted) [4]	**+5%**	**+5%**	**+6%**	**+6%**
Per share growth	**+2%**	**+2%**	**+2%**	**+3%**
Dec 2019	4,570,864	4,357,717	3,323,121	4,120,427
Dec 2019 per share (in €)	27.2	25.9	19.8	24.5

1 NRV: Net Reinstatement Value
2 NTA: Net Tangible Assets
3 NDV: Net Disposal Value
4 adjusted for dividend in the amount of €0.8238 distributed in 2020

NUREMBERG / FÜRTH



HIGHLIGHTS

RESILIENT & DIVERSIFIED PORTFOLIO
with sustainable underlying fundamentals driving robust portfolio performance

FFO I [1]
(in € millions)

Adjusted EBITDA
(in € millions)

FFO II [2]
(in € millions)

+0.9%
L-F-L
In-place rent growth
Dec 2020

+1.8%
L-F-L
Total net rent growth
Dec 2020

+0.9%
L-F-L
Occupancy growth
Dec 2020

1 Previously defined as FFO I after perpetual notes attribution
2 Reclassified to be based on FFO I after perpetual notes attribution

HIGHLIGHTS

STRATEGIC & TARGETED CAPITAL RECYCLING

Increasing asset quality and creating future accretive growth

ACQUISITIONS

Acquiring quality, stable assets

Approx. €600 million

(additionally approx. €200m were signed after the reporting date)

DISPOSALS

Disposing non-core properties at a premium

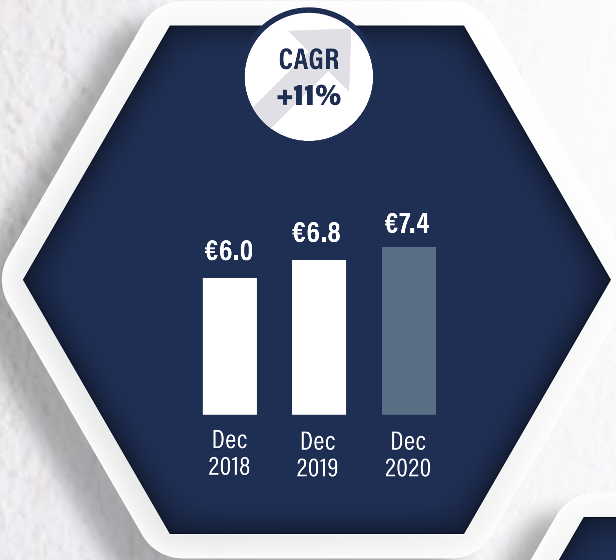
Approx. €970 million

(6% above net book values)

SHARE BUYBACK 2021

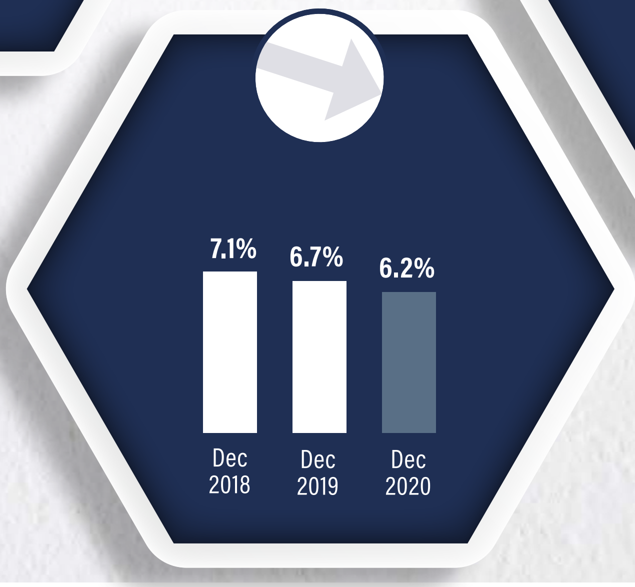
Accretive share buyback at a discount to NAV

In-place rent
(in €/sqm)



Value/sqm
(in €/sqm)

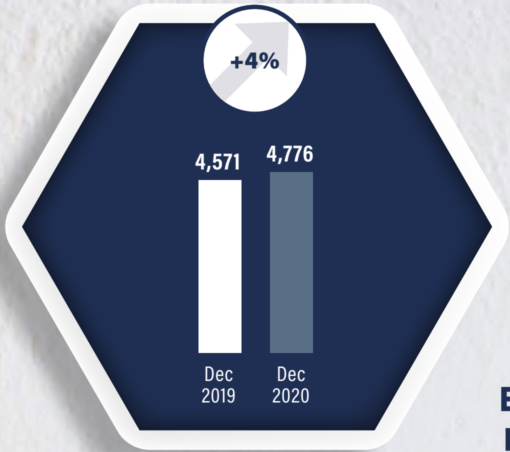
Vacancy



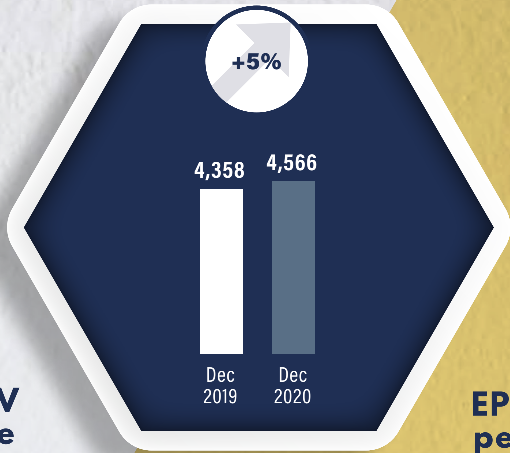
HIGHLIGHTS

SUSTAINABLE SHAREHOLDER VALUE CREATION

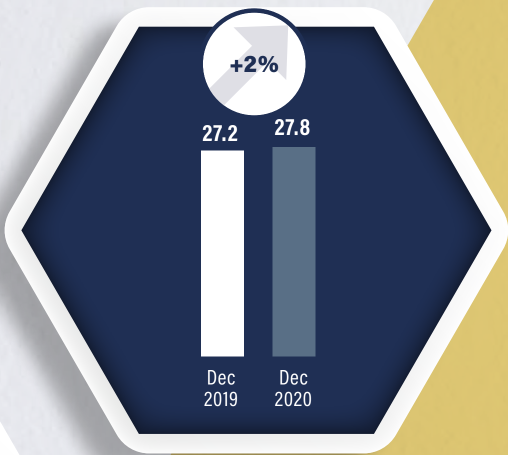
EPRA NRV
(in € millions)



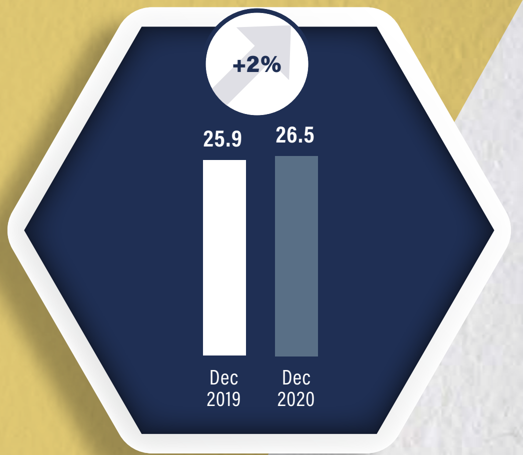
EPRA NTA
(in € millions)



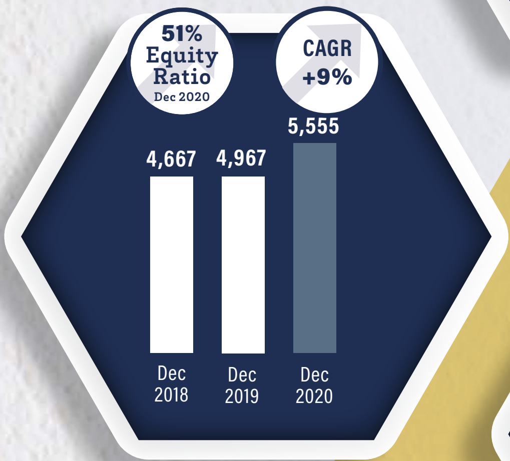
EPRA NRV per share
(in €)



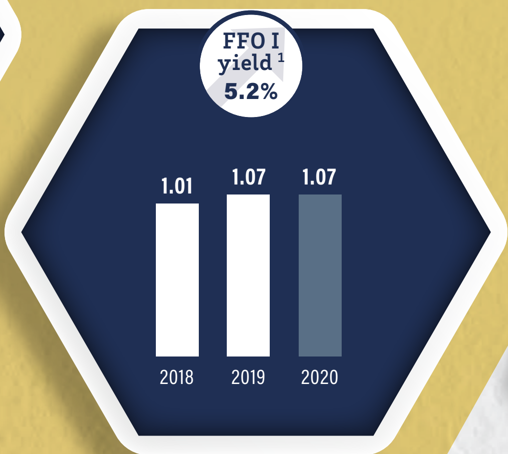
EPRA NTA per share
(in €)



Total equity
(in € millions)



FFO I per share [3]
(in €)



Dividend per share
(in €)

1 based on a share price of €20.7

2 2020 Dividend is subject to AGM approval and based on a payout policy of 65% of FFO I per share before perpetual notes attribution
From 2021, dividend payout policy is 75% of FFO I per share (previously defined as FFO I per share after perpetual notes attribution)

3 previously defined as FFO I per share after perpetual notes attribution

HIGHLIGHTS

CONSERVATIVE FINANCIAL PROFILE
with improved capital market track record - new corporate records set

Perpetual Notes: Issued
€700 million
at record low coupon of 1.5%
Replacing €500 million at 3.75% coupon

Total Debt Repayments of
over €1 billion
in 2020 and 2021 YTD

Largest issuance*
€1 billion
bond due 2028 at a record low coupon of 0.125%

HISTORICALLY LOWEST COST OF DEBT
1%
(as of date of report)
1.3%
(as of Dec 2020)

LONG AVERAGE DEBT MATURITY
7 years
(as of date of report)
6.7 years
(as of Dec 2020)

UNENCUMBERED ASSETS
€6.7 BN
82%
of value

CREDIT RATING WITH A STABLE OUTLOOK

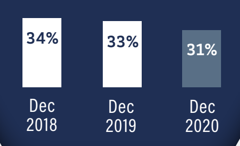
S&P
BBB+ → A-

Moody's
Baa1 → A3

ICR
5.7x
2020
6.6x
2019

LOW LEVERAGE (LOAN-TO-VALUE)

45% Board of Director's limit



* Issued in January 2021

HIGHLIGHTS

IMPROVING ESG MEASURES PLACING SUSTAINABILITY AT THE CENTER

SAM

Now a Part of S&P Global

75TH PERCENTILE WITHIN
THE REAL ESTATE PEER GROUP

(NOVEMBER 2020)

Best-in-class for Customer Relationship Management

SUSTAINALYTICS

RANKED
2ND
OUT OF
105 COMPANIES
(AUG 2020)

Bloomberg
Gender-Equality Index
2021

PART OF THE INDEX FOR
THE 2ND YEAR IN SUCCESSION.
INDEX INCLUDES 380 PUBLIC COMPANIES
COMMITTED TO TRANSPARENCY
IN GENDER-DATA REPORTING

GRAND CITY
Properties S.A.

GCP FOUNDATION

SUPPORTS OVER 40
CHARITABLE PROJECTS

FOR THE 4TH CONSECUTIVE YEAR (SEPTEMBER 2020)

EPRA
BPR
GOLD

EPRA
sBPR
GOLD

HANNOVER

LETTER OF THE MANAGEMENT BOARD

Dear Stakeholder,

The year 2020 was challenging for most of the world with the outbreak of the coronavirus pandemic. However, this peculiar situation also demonstrated, in various ways, just how resilient and adaptive GCP can be. Business operations went more digital and despite the restrictions and lockdowns, operations remained functional thanks to the tireless efforts and commitment of all members of the GCP family. Accordingly, we would like to present to all our stakeholders some highlights of the year. Despite the challenging environment, GCP's portfolio as well as the broader German residential market has remained resilient and undeterred, with robust cash flows continuing, demand for affordable units remaining strong while the market has remained very favorable. In 2020 we have increased the occupancy by 0.9% on a like for like basis, reducing our overall vacancy to a low of 6.2%, a testament to GCP's ability to remain operationally agile and adaptable. Looking forward we remain confident in our ability to continue and reduce further our vacancy rate and capture internal growth.

In many ways, the pandemic enabled GCP to improve various processes in the organisation and pushed us to rethink and optimise business operations. During the year, GCP maintained its focus on keeping the high standard of service quality, even during periods of restrictions. For us this meant providing help to the elderly and risk groups by collecting their trash from their doorsteps, or simply listening to tenants, particularly at the outbreak of the pandemic. In solidarity with our tenants, we postponed all rent increases in order to provide some relief. In cases of severe hardship, we provided further assistance to our tenants. Our service centre was well prepared to go digital by already being very much paperless. More features were added to the tenant app to ensure tenants can reach us easily. At the same time, we went further digital with several business processes such as offering personal video tours, making available videos for empty apartments to be used in advertisements and simplifying the lease signing process through digitalisation. The adoption of these measures was also useful in improving business efficiency and building a stronger and more robust operational platform, which would serve the Company also after the restrictions are completely removed.

In 2020, the Company's portfolio was further streamlined and continues to benefit from a diversification which is not only geographical in nature but also economical and regulatory. The various portfolio locations have strong fundamentals that are driven by very distinct factors. We have worked towards further enhancing the portfolio quality by various means, one of which is disposing assets located in weaker locations and acquiring high quality assets in stronger locations. Accordingly, during the year 2020, GCP disposed approx. €970 million of assets that were located mainly in secondary cities in North Rhine-Westphalia, Saxony-Anhalt, Thüringen and Bavaria. The disposals were completed at a premium of 6% over net book values and realised a total gain of 45% over total costs. While crystallising gains achieved thus far through successful disposals, GCP directed these funds into quality acquisitions with upside potential, in total amounting to approx. €600 million. The London portfolio has steadily developed and is now 19% of the portfolio. The London portfolio is comprised of assets in good middle-class neighbourhoods and includes newly built or converted apartments as well as social housing and are located within close proximity to various modes of public transport. With regards to the top-line performance, it is encouraging to note that despite all challenges, GCP's overall portfolio delivered a like-for-like rent increase of 1.8% with in-place rent increases accounting for 0.9% and occupancy increases resulting in rent increases of 0.9%. This positive like-for-like rent increase is especially noteworthy given the fact that the Berlin rent freeze has negatively impacted our like-for-like growth and rent increases were postponed in solidarity with our tenants, due to the coronavirus pandemic. Further, this robust top-line growth reinforces the strong asset quality of GCP's portfolio.

In addition to successful capital recycling measures through asset acquisitions and disposals, the Company reinvested into its own portfolio, in parallel to external acquisitions, through an accretive share buyback which was concluded in early 2021 and will result in higher returns on a per share basis in the upcoming periods. GCP's strong operational performance and consistent value creation efforts through active asset management have led to the steady rise in the net asset value per share, while the Company's shares have traded at a discount to net asset value. At the same time, recent disposals being executed at a premium to book value have underlined the stark contrast that exists between what is observed in the underlying business and the capital markets. The share buyback will enable GCP to begin 2021 with strong accretive growth and capitalise on the arbitrage between the share discount and the disposals premium.

We continue to maintain a solid balance sheet, prioritising a conservative financial policy. At the peak of the coronavirus pandemic, we issued bonds with a notional value of €600 million, through Series W, providing the Company with financial flexibility in uncertain times. In 2020, GCP also repaid high interest bearing, near-term bank loans further supporting the conservative nature of the debt profile. At the end of 2020, the Company issued a perpetual note with a notional value of €700 million that enabled the refinancing of perpetual notes issued in 2015. The new perpetual note issuance was completed at a coupon of less than half of the existing coupon and the lowest ever of our perpetual notes issuances, which along with the positive effects of the share buyback will result in further higher shareholder returns on a per share level. GCP continues to benefit from the strong demand from capital markets for various issuances which provides the Company with a financial flexibility that is invaluable during periods of uncertainty.

We entered strongly into 2021 with the largest single issuance we have made through the issuance of €1 billion Series X straight bond, which is the highest single volume issued in our corporate history, bearing a coupon of 0.125% that remains the lowest in our history. The Company also repurchased near-term and higher coupon bearing bonds of a notional value of approx. €500 million. Put together, these along with similar debt profile optimisation measures have resulted in the average cost of debt decreasing to a current level of 1% from 1.3% at the end of 2020 and 2019, while the average debt maturity as of the date of this report stands at a healthy 7 years. GCP's robust financial position is further demonstrated by the investment grade credit ratings of BBB+/Stable and Baa1/Stable by both S&P and Moody's, respectively, which were once more confirmed in 2020.

With regards to the Environment, Society and Governance, portfolio, in parallel to external acquisitions, our sustainable business strategy integrates specific focus areas into the business model, thus allowing for additional and enduring value creation. The strategy covers five focus areas – tenants, employees, environment, society, and governance which we aligned with the United Nation's Sustainable Development Goals. To reach our long-term carbon emissions reduction goal, we continue to analyse our portfolio to identify further savings potential from implementing sustainable on-site energy generation systems like combined heat and power production (CHP) or photovoltaic (PV) power production. At the same time, we continue to improve the insulation of our buildings, replacing old and inefficient heating systems and switching all remaining energy contracts to energy from renewable sources, wherever possible. Our commitment to the societies in which we operate remains steadfast. We remain committed to various projects in our local communities, providing places for the community to meet and for children to play safely, while supporting local organisations that provide valuable services to these communities. In Halle specifically, this is quite evident in the partnership with the Deutschlandstipendium (German Scholarship), offering scholarships to students at the University of Halle. This pilot project has worked well and is planned to be extended throughout Germany. The GCP Foundation contributed by supporting various charities and community development activities for our tenants and beyond, across our portfolio locations. We also provided additional support to charitable organisations that were struggling due to the pandemic, thereby enabling them to maintain their valuable work within our local communities. GCP was ranked in the 75th percentile within the real estate peer group in the SAM Corporate Sustainability Assessment (now a part of S&P Global), a testament to our ongoing efforts to remain environmentally and socially conscious in all our business operations. In 2020, we completed a management switch with Mr. Windfuhr focussing on the Company's strategy and investor relations as the Chairman of the Board, while Mr. Zamir took on the ongoing daily management of the Company. Both Mr. Windfuhr and Mr. Zamir have been associated with GCP since 2013 and provide valuable stability and continuity to the Company's governance.

We are grateful for the continued trust in GCP and would like to thank our stakeholders for their support. As we look ahead into 2021, while we do see some challenges remain in the form of the pandemic, we are ever more aware of the determination and adaptability displayed in the year gone by. Therefore, we continue with a confidence in our ability to deliver enduring value creation to all our stakeholders.

Luxembourg, 15 March 2021

Christian Windfuhr Chairman and member of the Board of Directors	**Simone Runge-Brandner** Member of the Board of Directors	**Daniel Malkin** Member of the Board of Directors	**Refael Zamir** CEO, CFO

EPRA PERFORMANCE MEASURES

in €'000 unless otherwise indicated	2020	2019
EPRA Earnings	**182,657**	188,545
EPRA Earnings per share (in €)	**1.08**	1.13
EPRA NRV	**4,775,679**	4,570,864
EPRA NRV per share (in €)	**27.8**	27.2
EPRA NTA	**4,566,426**	4,357,717
EPRA NTA per share (in €)	**26.5**	25.9
EPRA NDV	**3,451,717**	3,323,121
EPRA NDV per share (in €)	**20.1**	19.8
EPRA Net initial yield (NIY)	**3.5%**	3.6%
EPRA "topped-up" NIY	**3.5%**	3.6%
EPRA Vacancy	**6.2%**	6.7%
EPRA Cost Ratio (incl. direct vacancy costs)	**20.2%**	22.8%
EPRA Cost Ratio (excl. direct vacancy costs)	**17.9%**	20.1%

BERLIN

COLOGNE

THE COMPANY

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors (the "Board") hereby submits the annual report as of December 31, 2020.

The figures presented in this Board of Director's Report are based on the consolidated financial statements as of December 31, 2020, unless stated otherwise.

GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany and is complemented by a portfolio in London. The Group's portfolio, excluding assets held-for-sale and properties under development, as of December 2020 consists of 64k units (hereinafter "GCP portfolio" or "the Portfolio") located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin, Germany's capital, the metropolitan regions of Dresden, Leipzig and Halle and other densely populated areas as well as London.

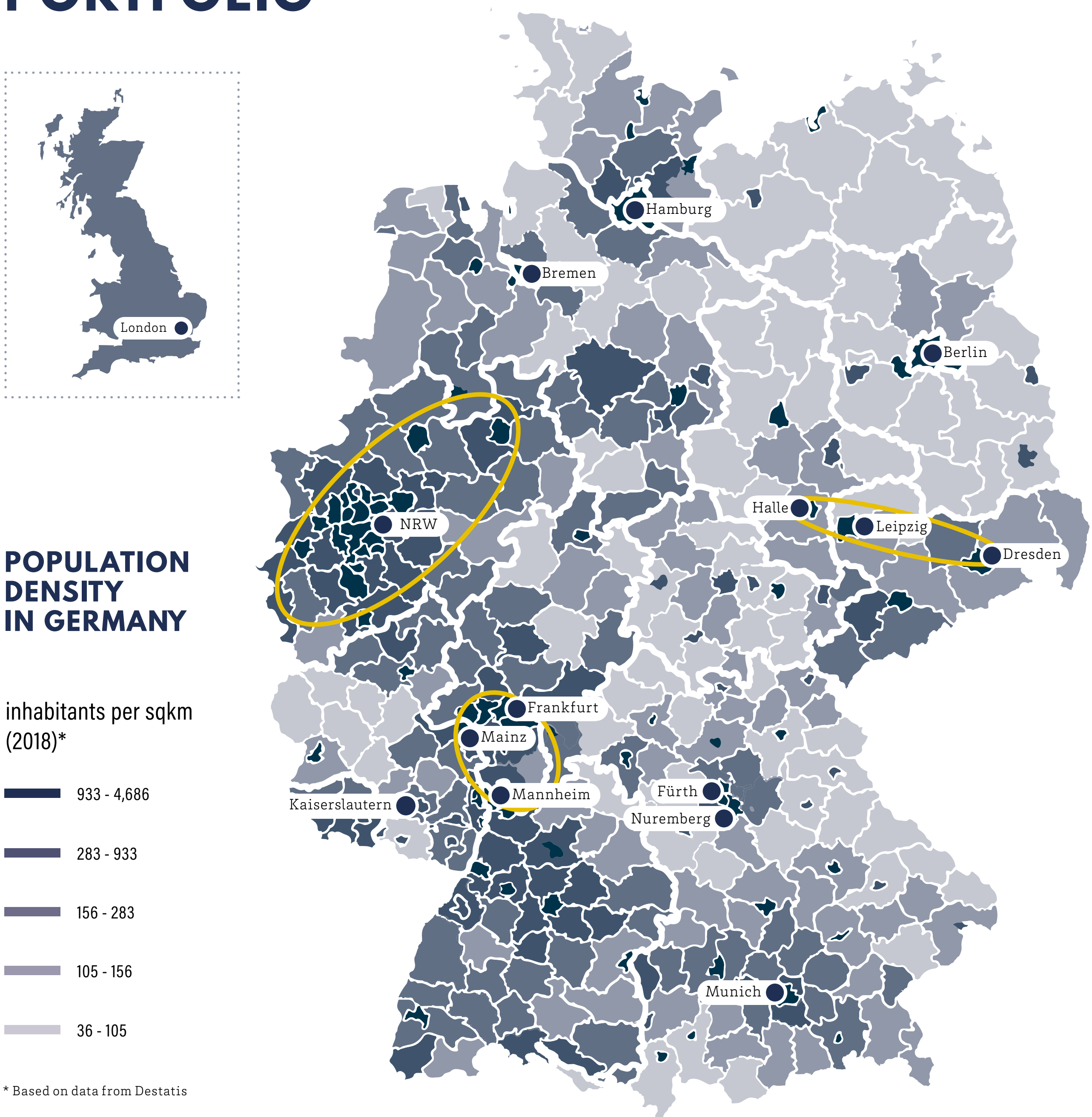
GCP is focused on assets in densely populated urban locations with robust and sustainable economic and demographic fundamentals, and with multiple value-add drivers that it can pursue using its skills and capabilities such as vacancy reduction, increasing rents to market levels, improving operating cost efficiency, increasing market visibility, identifying potential for high-return capex investments, and spotting potential for significant benefits from the Company's scale. GCP's management has vast experience in the German real estate market with a long track record of success in repositioning properties using its tenant management capabilities, tenant service reputation, and highly professional and specialised employees.

In addition, GCP's economies of scale allow for considerable benefits of a strong bargaining position, a centralised management platform supported by advanced in-house IT/software systems, and a network of professional connections.

This strategy enables the Company to create significant value in its portfolio and generate stable and increasing cash flows.

BERLIN

PORTFOLIO



* Based on data from Destatis

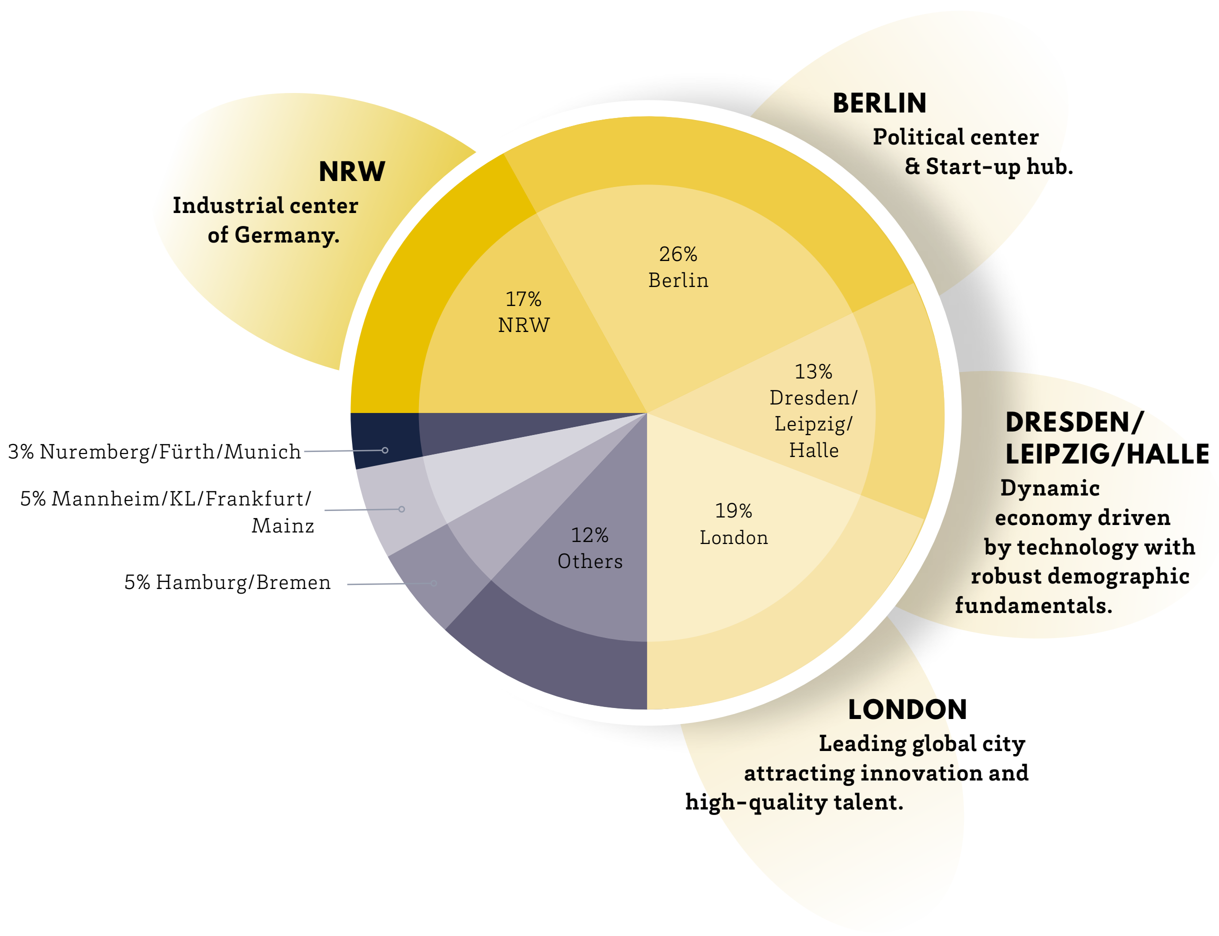
ATTRACTIVE PORTFOLIO CONCENTRATED IN DENSELY POPULATED METROPOLITAN AREAS WITH VALUE-ADD POTENTIAL

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

The Group's well-allocated portfolio provides for strong geographic and tenant diversification and benefits from economies of scale, supporting the risk-averse portfolio approach. GCP's focus on densely populated areas is mirrored by 17% of its Portfolio being located in NRW, 26% in Berlin, 13% in the metropolitan region of Dresden, Leipzig and Halle, and 19% in London, four clusters with their own distinct economic drivers. The portfolio also includes additional holdings in other major urban centers with strong fundamentals such as, Nuremberg, Munich, Mannheim, Frankfurt, Hamburg and Bremen.

The London portfolio follows the Company's strategy of pursuing opportunities and acquiring properties with upside potential in densely populated areas characterised by strong demand and robust market fundamentals.

DIVERSIFIED PORTFOLIO WITH DISTINCT ECONOMIC DRIVERS



PORTFOLIO OVERVIEW [1]

GCP has assembled a portfolio of high-quality assets in densely populated metropolitan regions, benefiting from diversification among dynamic markets with positive economic fundamentals and demographic developments.

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,368	982	6.1%	72	6.3	13,854	1,392	5.2%
Berlin	1,895	576	4.9%	55	8.2	7,821	3,289	2.9%
Dresden/Leipzig/Halle	1,036	896	7.4%	53	5.4	15,376	1,156	5.1%
Mannheim/KL/Frankfurt/Mainz	406	194	3.2%	19	8.5	3,285	2,094	4.8%
Nuremberg/Fürth/Munich	231	98	4.5%	10	8.5	1,358	2,343	4.2%
Hamburg/Bremen	366	274	5.4%	20	6.6	4,092	1,336	5.5%
London	1,268	155	8.6%	48	28.3	2,776	8,158	3.8%
Others	999	899	6.3%	63	6.5	15,264	1,114	6.3%
Development rights and new buildings [2]	453							
Total	**8,022**	**4,074**	**6.2%**	**340**	**7.4**	**63,826**	**1,858**	**4.5%**

1 including inventories-trading property
2 of which pre-marketed buildings in London amount to €244 million

BERLIN PORTFOLIO BEST IN CLASS

Quality locations in top tier Berlin neighborhoods

26% of GCP's portfolio

70%

of the Berlin portfolio is located in top tier neighborhoods: Charlottenburg, Wilmersdorf, Mitte, Kreuzberg, Friedrichshain, Lichtenberg, Neukölln, Schöneberg, Steglitz and Potsdam.

30%

is well located located primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf.

KEY DRIVERS

Largest city by population in Germany.

Berlin is the leading start-up location in Germany, attracting high quality, global talent - with almost as many financing deals as Bavaria, NRW, Hamburg and Baden-Württemberg combined in 2020.

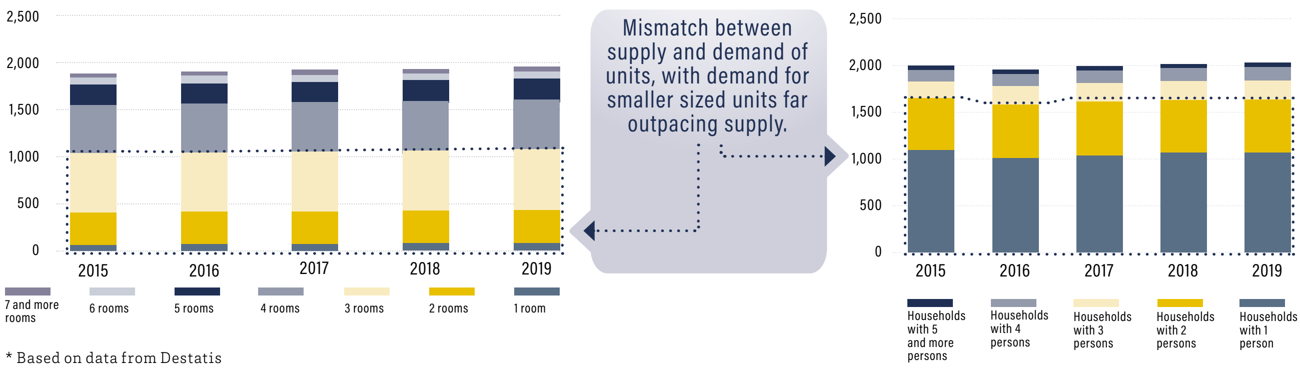
Berlin continues to have the lowest home ownership rate in Germany.

HOUSEHOLDS & HOUSING STOCK MISMATCH*

(IN ´000)

Berlin Housingstock

Berlin Households

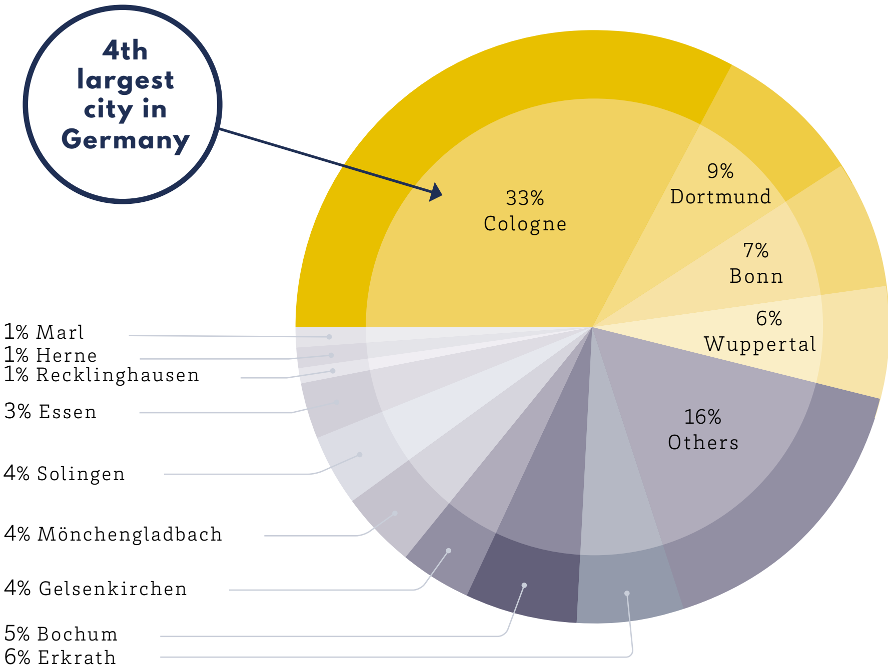


* Based on data from Destatis

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Berlin	1,895	576	4.9%	55	8.2	7,821	3,289	2.9%

NORTH RHINE-WESTPHALIA

Well positioned in the largest metropolitan area in Germany



17% of GCP's portfolio

The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 33% of the NRW portfolio is located in Cologne, the largest city in NRW, 9% in Dortmund, 7% in Bonn, 6% in Wuppertal.

KEY DRIVERS

Most densely populated state in Germany

NRW is home to many large public corporations including 8 DAX companies.

Number 1 in the environmental economy across Germany

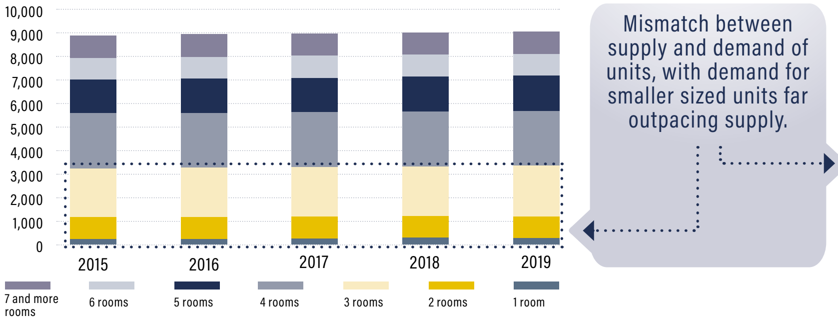
Industrial center of Germany contributing 21% to the national GDP

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,368	982	6.1%	72	6.3	13,854	1,392	5.2%

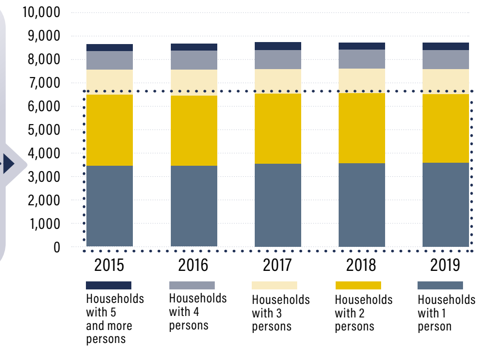
HOUSEHOLDS & HOUSING STOCK MISMATCH*

(IN '000)

NRW Housingstock



NRW Households

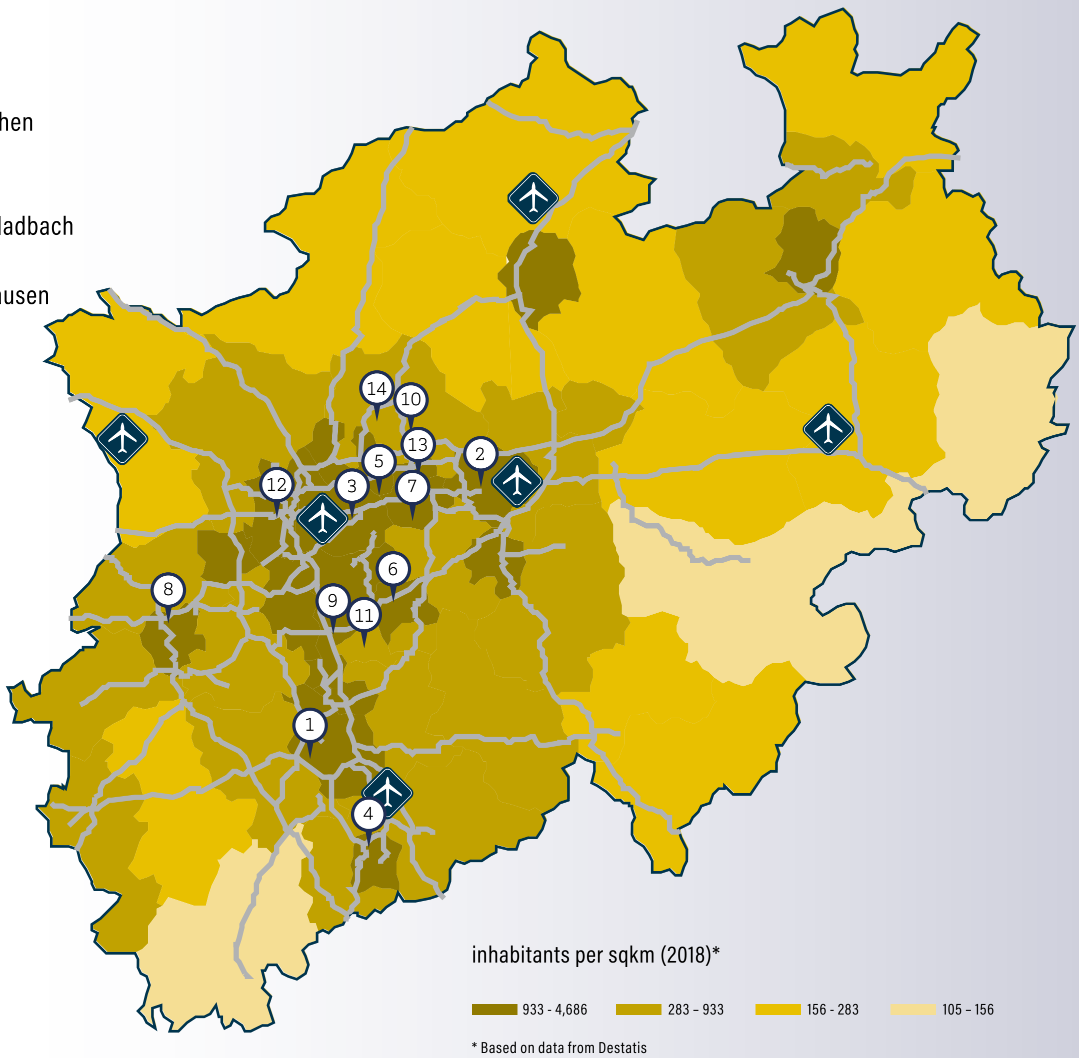


Official sources estimate that an average of around 51,200 apartments will be required each year up to 2025 and around 46,000 new units each year up to 2040.

* Based on data from Destatis

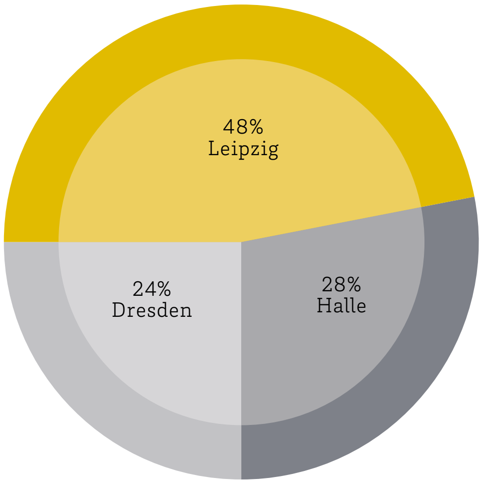
Population density in NRW

1. Cologne
2. Dortmund
3. Essen
4. Bonn
5. Gelsenkirchen
6. Wuppertal
7. Bochum
8. Mönchengladbach
9. Erkrath
10. Recklinghausen
11. Solingen
12. Duisburg
13. Herne
14. Marl



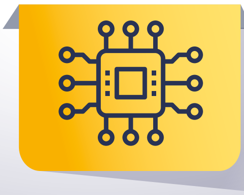
QUALITY EAST PORTFOLIO

Located in the growing and dynamic cities of Dresden, Leipzig and Halle.

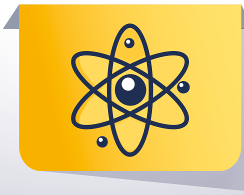


13% of GCP's portfolio

KEY DRIVERS



Home to several established microelectronic (hardware) corporations, leading businesses in the 5G (connectivity) sector, and leading software companies such as SAP, and T-Systems, Dresden is the largest semiconductor production location in Europe.



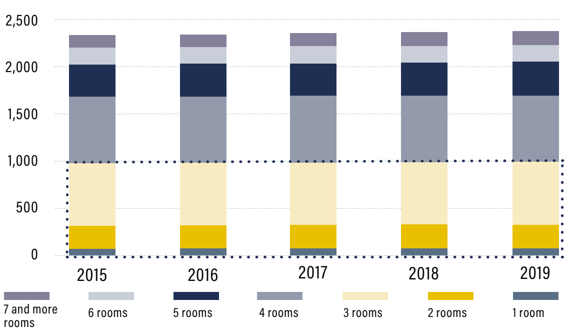
University cities with a mass appeal attracting students from within Germany as well as around the world.
Dresden University of Technology is among the oldest and largest universities of technology in Germany, while Leipzig University, founded in 1409 is one of Europe's oldest universities.

Strong demographic fundamentals with Leipzig expected to be among the cities leading population growth in Germany through 2030.

HOUSEHOLDS & HOUSING STOCK MISMATCH*

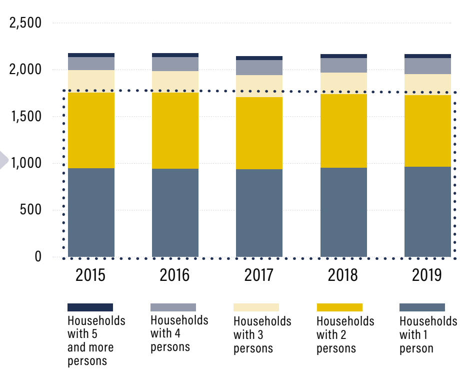
(IN ´000)

Saxony Housingstock



Mismatch between supply and demand of units, with demand for smaller sized units far outpacing supply.

Saxony Households

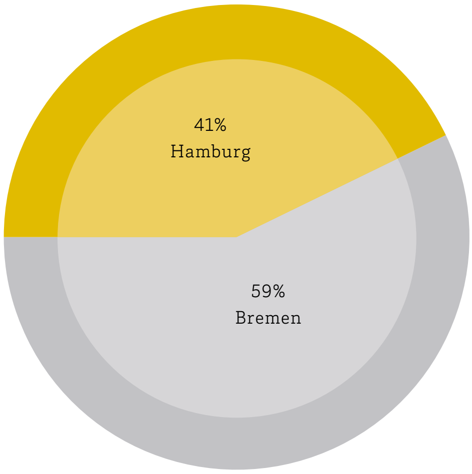


* Based on data from Destatis

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Dresden/Leipzig/Halle	1,036	896	7.4%	53	5.4	15,376	1,156	5.1%

QUALITY NORTH PORTFOLIO

The North portfolio is focused on the major urban centers of Hamburg and Bremen – the largest cities in the north of Germany.



5% of GCP's portfolio

KEY DRIVERS

Hamburg port is a leading employer in the region

Hamburg is the 2nd largest city in Germany, by population.

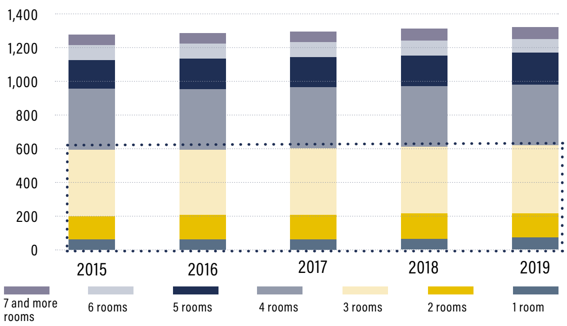
Bremen's ports are among the most important general ports in Europe with much of the import or export in Germany being executed through the city's ports.

Bremen is a frontline aerospace innovation location with leading industrial companies along with many SMEs and well known research institutes, involved in developing and manufacturing complex aerospace components used worldwide.

HOUSEHOLDS & HOUSING STOCK MISMATCH*

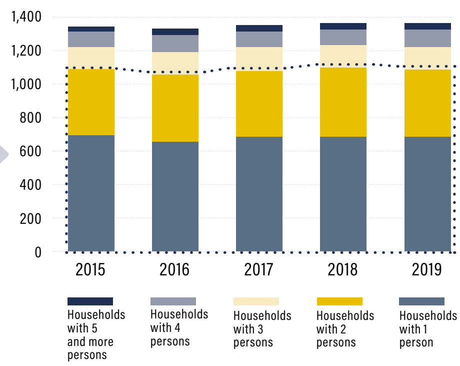
(IN ´000)

Hamburg & Bremen Households



Mismatch between supply and demand of units, with demand for smaller sized units far outpacing supply.

Hamburg & Bremen Housing stock



* Based on data from Destatis

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Hamburg/Bremen	366	274	5.4%	20	6.6	4,092	1,336	5.5%

LONDON

19% of GCP's portfolio

High quality assets located in strong middle class neighborhoods

The total London portfolio, including high quality assets, social housing as well as pre-marketed units, amounts to approx. 3,600 units and over € 1.5 billion in value.

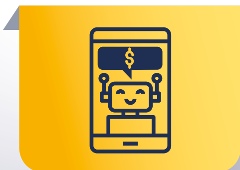
Approx. 85% of the portfolio is situated within a short walking distance to an underground/overground station.

The map represents approx. 90% of the London Portfolio

KEY DRIVERS

Large number of higher education universities including some of the oldest and world-famous colleges resulting in access to high quality talent.

Positive demographic fundamentals with a very high population density and low median age.



Leading fintech hub with strengths in areas with significant potential for future growth such as, blockchain, digital banking and alternative lending among others.

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
London	1,268	155	8.6%	48	28.3	2,776	8,158	3.8%

STRONG FINANCIAL POSITION

Conservative financial policy

GCP follows a financial policy in order to maintain and improve its strong capital structure:

Strive to achieve A- global rating in the long term
LTV limit at 45%
Debt to debt plus equity ratio at 45% (or lower) on a sustainable basis
Maintaining conservative financial ratios with a strong ICR
Unencumbered assets above 50% of total assets
Long debt maturity profile
Good mix of long-term unsecured bonds and non-recourse bank loans
Dividend distribution of 75% of FFO I per share *

* Starting from 2021. 2020 Dividend is based on the old policy of 65% of FFO I per share before perpetual notes attribution.

Conservative financial approach adopted by the Company, maintaining a strong liquidity position providing for valuable financial flexibility. The strong liquidity position is reflected by €1.7 billion in cash and liquid assets at year end 2020.

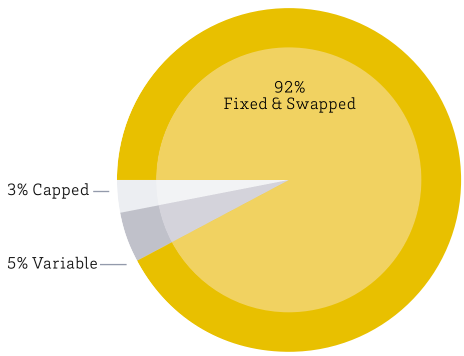
Liabilities hedging structure

GCP's bank loans are spread across many loans from many different financial institutions that are non-recourse and have no cross-collateral or cross-default provisions.

In accordance with the Company's conservative capital structure, 95% of its interest is hedged.

As part of GCP's conservative financial policy, bonds issued in foreign currencies are hedged to euro until maturity.

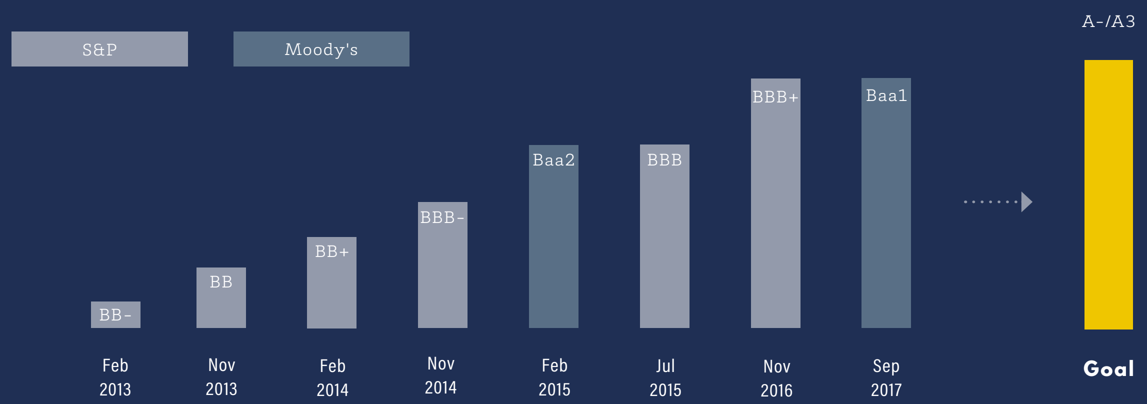
December 2020



Credit rating

GCP maintains investment-grade credit ratings from both Standard & Poor's (S&P) and Moody's Investors Service (Moody's), with current long-term issuer ratings of BBB+ and Baa1, respectively. Additionally, S&P assigned GCP a short-term rating of A-2. As of the beginning of 2021 and as part of cost saving measures, GCP has terminated its contract with Moody's. However, Moody's has informed the Company that it intends to maintain a public credit rating on GCP on an unsolicited basis. The Company has a long-term goal of achieving an A-/A3 credit rating, an important component of its financial policy, and to that effect the Board of Directors has decided to implement policies as well as management and financial strategies to achieve that target.

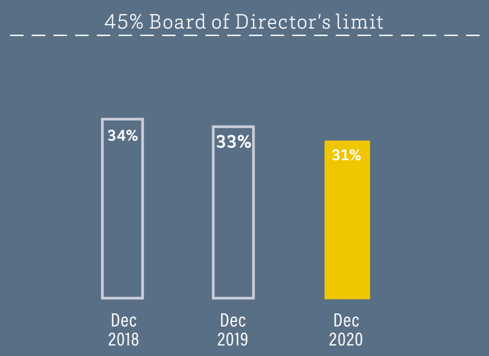
The Company has established a strong track record of achieving rating improvements owing to continuous improvements in its business and financial profile.



Loan-to-value

GCP strategically maintains its strong financial profile characterised by long debt maturities, hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of December 31, 2020 is at 31%, below the management limit of 45%.

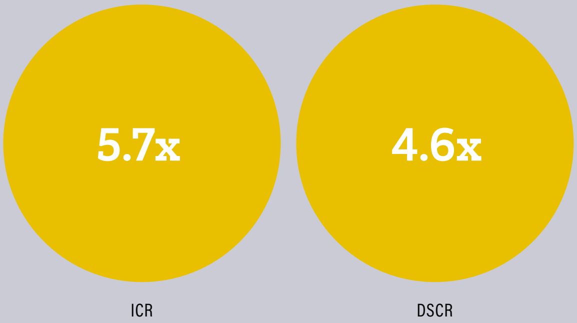
Low Leverage (Loan-To-Value)



Interest and debt coverage ratios

GCP's financial flexibility remains strong over time due to its high profitability, which is reflected in consistently high debt cover ratios. For the year of 2020, the Interest Cover Ratio was 5.7x and the Debt Service Cover Ratio was 4.6x.

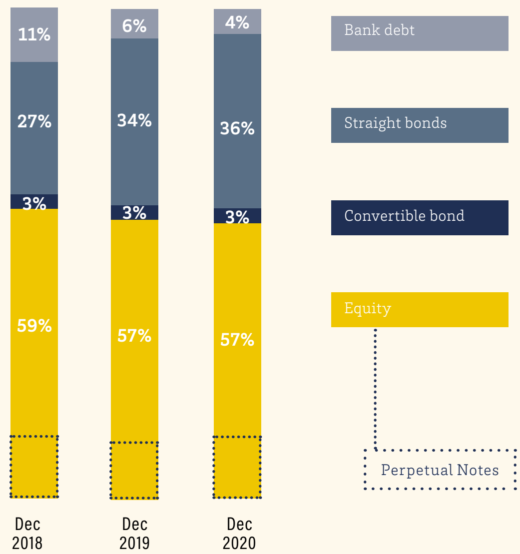
Coverage Ratios (1–12/2020)



Financing sources mix

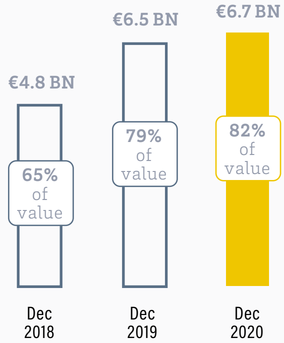
An important component of GCP's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital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

In addition, the Company maintains lasting relationships with many banks and financial institutions, providing for access to bank financing.



Unencumbered assets

The Company maintains as part of its conservative financial policy a high proportion of unencumbered assets to provide additional financial flexibility and contribute to a strong credit profile, with €6.7 billion in unencumbered assets as of December 2020, representing 82% of the total portfolio value.



COMPANY STRATEGY AND BUSINESS MODEL

FOCUS ON VALUE-ADD OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED REGIONS, WHILE KEEPING A CONSERVATIVE FINANCIAL POLICY AND INVESTMENT GRADE RATING

GCP's investment focus is on the German and London markets that it perceives to benefit from favorable fundamentals that will support stable profit and growth opportunities for the foreseeable future. The Group's current portfolio is predominantly focused on North Rhine-Westphalia, Berlin, the metropolitan regions of Leipzig, Dresden and Halle and London, as well as other major cities and urban centers in Germany.

For its acquisitions, the Company adheres to the following specific criteria:

- Acquisition in densely populated areas and major cities
- High cash flow generating asset
- Vacancy reduction potential
- Rent level per sqm below market level (under-rented), upside potential and low downside risk
- Purchase price below replacement costs and/or below market values
- Potential to reduce the operating cost per sqm

Cash flow improvements through focus on rental income and cost discipline

GCP seeks to maximise cash flows from its portfolio through the effective management of its assets by increasing rent, occupancy and cost efficiency. This process is initiated during the due diligence phase of each acquisition, through the development of a specific plan for each asset. Once taken over, and the initial business plan is realised, GCP regularly assesses the merits of ongoing improvements to its properties to further enhance the yield on its portfolio by increasing the quality and appearance of the properties, raising rents and further increasing occupancy. GCP also applies significant scrutiny to its costs, systematically reviewing ways to increase efficiency and thus increase cash flows.

Maximise tenant satisfaction

TUV approved Service Center

A key pillar of the overall success of GCP is tenant satisfaction. The GCP Service Center ensures prompt responses to queries with the longest time to a response being 24hrs. Urgent cases are taken care of within a time frame of under an hour. The quality of the Service Center offering was validated with the ISO 9001:2015 re-audit certification received in February 2021. GCP's response to the coronavirus pandemic with regards to tenants, the variety of services available to tenants as well as virtual viewing opportunities for prospective tenants, were especially noted during the audit. The Company places strong emphasis on enhancing the living quality and environment of its tenants through various measures. GCP strives to develop a holistic sense of community amongst its tenants by installing playgrounds, improving accessibility at the properties, organising family-friendly events, supporting local associations as well as through various other initiatives. Some of the Company's regularly organised tenant events include Santa Claus celebrations for Christmas, Easter egg-searching events as well as different summer events, such as the dozens of "GCP Summer Games" parties that are organised annually. In 2020, although these events were not possible in-person, they continued online with a virtual Christmas celebration being especially well received by tenants. The Company has also worked towards providing children with study areas, supporting local organisations that promote creativity, organising youth programs, parent-baby groups, and senior citizen meeting points to establish a pleasant environment within the community. In addition, GCP identifies opportunities to work with local authorities to improve the existing infrastructure in the community, contributing to increased demand for the neighborhood.

Operations supported by centralised IT/software

The Group's proprietary and centralised IT / software plays a significant role in enabling GCP to achieve its efficiency objectives. The key to this system is the detailed information that it provides for all aspects, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, spot opportunities for rent increases, and manage re-letting risks on a daily basis. GCP's IT/ software provides management with the detailed information necessary to monitor everything from costs to staff performance.

DORTMUND

CAPITAL MARKETS

Investor relations activities supporting the strong capital markets position

The Company continues to proactively present its business strategy and thus enhance perception, as well as awareness, of the Company among capital market investors. GCP seizes opportunities to present a platform for open dialogue, meeting hundreds of investors in dozens of conferences around the globe as well as hosting investors at the Company's offices or via video conferences. The improved perception leads to a better understanding of GCP's business model, operating platform and competitive advantage, and leads to strong confidence from investors. GCP's strong position in equity capital markets is reflected through its membership in key stock market indices, including the MDAX of the Deutsche Börse, the STOXX Europe 600 index, the FTSE EPRA/NAREIT Global Index series, GPR 250, DIMAX and the MSCI index series. These index memberships are the result of many years of success in equity markets and the strong investor perception of the Company.

Placement	Frankfurt Stock Exchange	
Market segment	Prime Standard	
First listing	Q2 2012	
Number of shares (as of 31 December 2020)	171,864,050	ordinary shares with a par value of EUR 0.10 per share
Number of shares, excluding suspended voting rights, base for share KPI calculations (as of the date of this report)	168,493,342	ordinary shares with a par value of EUR 0.10 per share
Shareholder structure (as of 31 December 2020)	Freefloat: 59% Edolaxia Group: 41 %	
Nominal share capital (as of 31 December 2020)	17,186,405.00 EUR	
Number of shares on a fully diluted basis (as of 31 December 2020)	184,416,045	
ISIN	LU0775917882	
WKN	A1JXCV	
Symbol	GYC	
Key index memberships	MDAX FTSE EPRA/NAREIT Index Series STOXX Europe 600 MSCI Index Series GPR 250 GPR ESG+ GPR IPCM LFFS Sustainable GRES DIMAX	
Market capitalisation (as of the date of this report)	3.6 bn EUR	

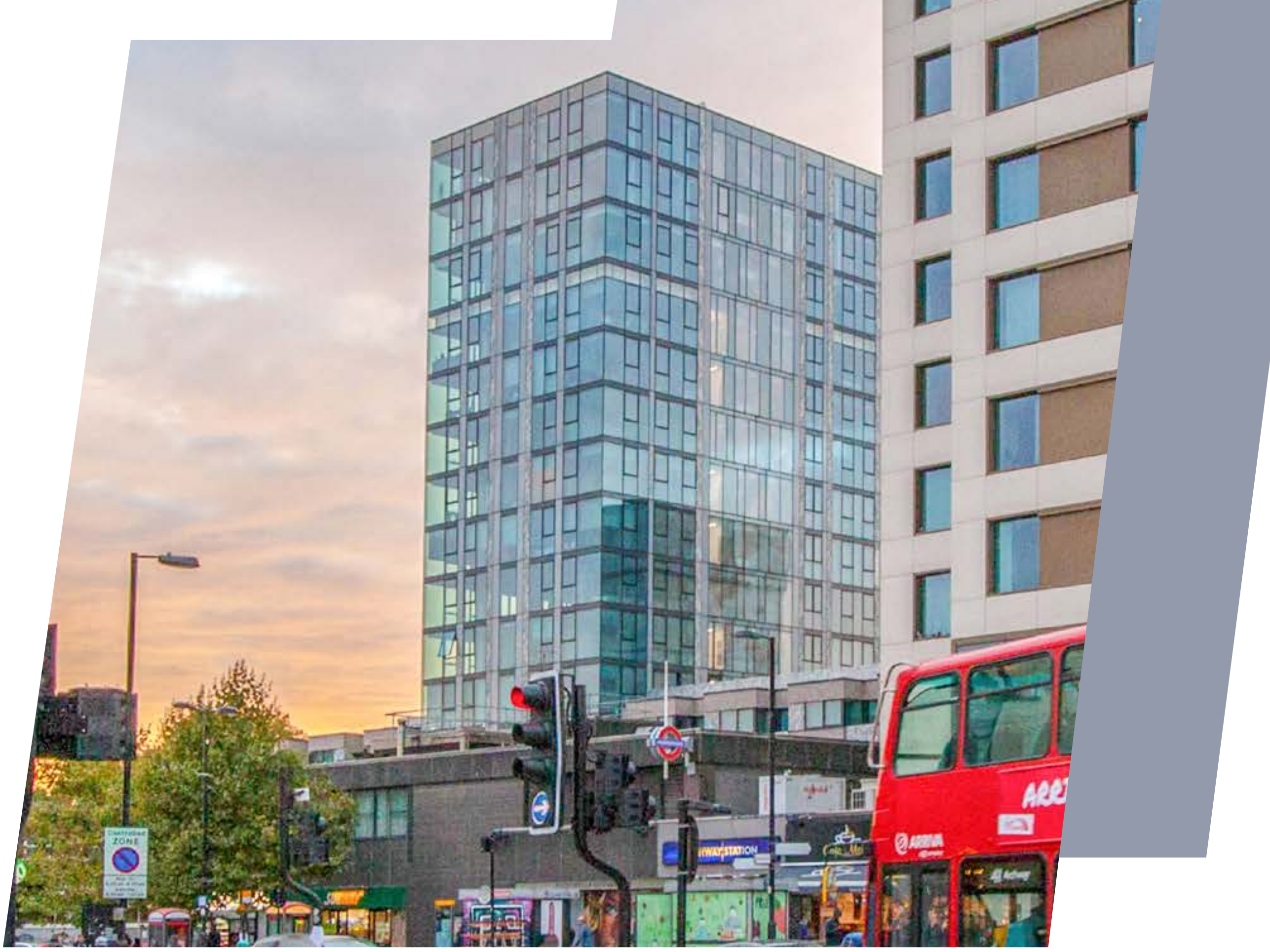
MDAX

FTSE Russell EPRA EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

STOXX

MSCI

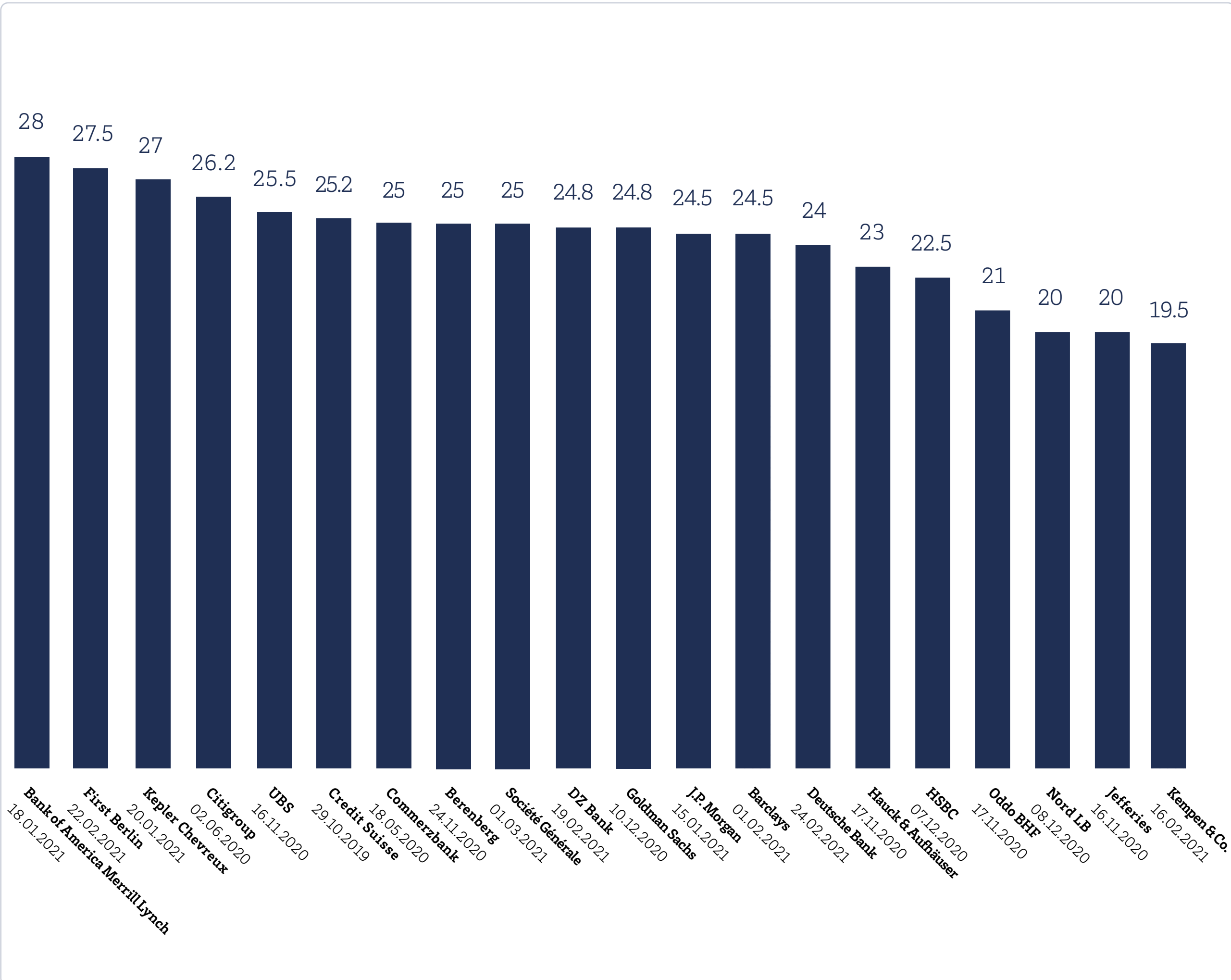
LONDON



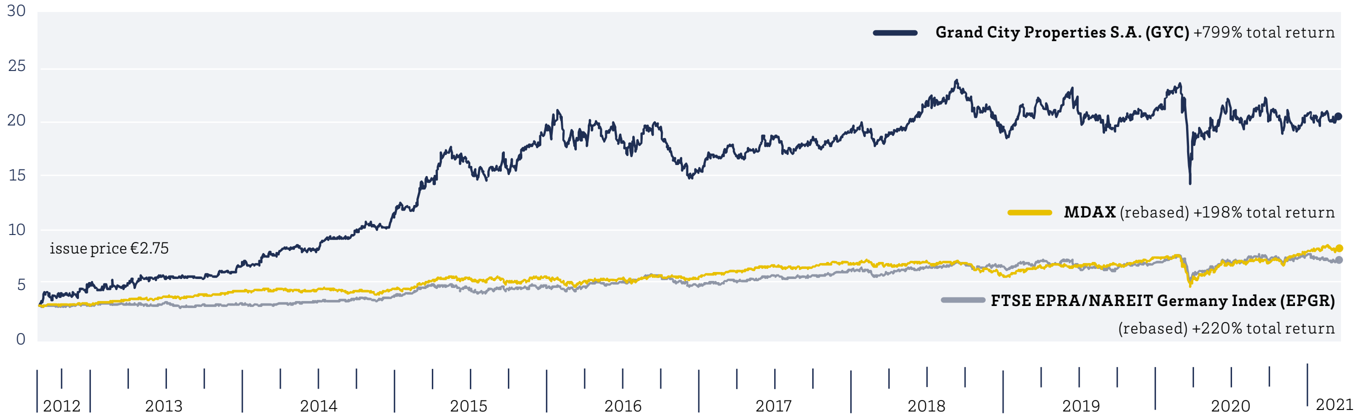
Vast and proven track record in capital markets

The Company has established over the years an impressive track record in capital markets, continuously accessing various markets through its strong relationships with leading investment banks in the market. Supported by two investment-grade credit ratings (BBB+ from S&P and Baa1 from Moody's), GCP is able to quickly and efficiently source funds at attractive interest rates, significantly contributing to its low average cost of debt (of currently 1%). Since 2012, GCP has issued approx. €9 billion through dozens of issuances of straight bonds, convertible bonds, equity and perpetual notes. The Company launched an EMTN programme, providing significant convenience and flexibility by enabling the issuance in a short of time of financial instruments of various kinds, sizes, currencies and maturities. Through its strong access to capital markets, GCP is able to proactively and effectively manage its debt structure, contributing to a long average debt maturity of approx. 7 years.

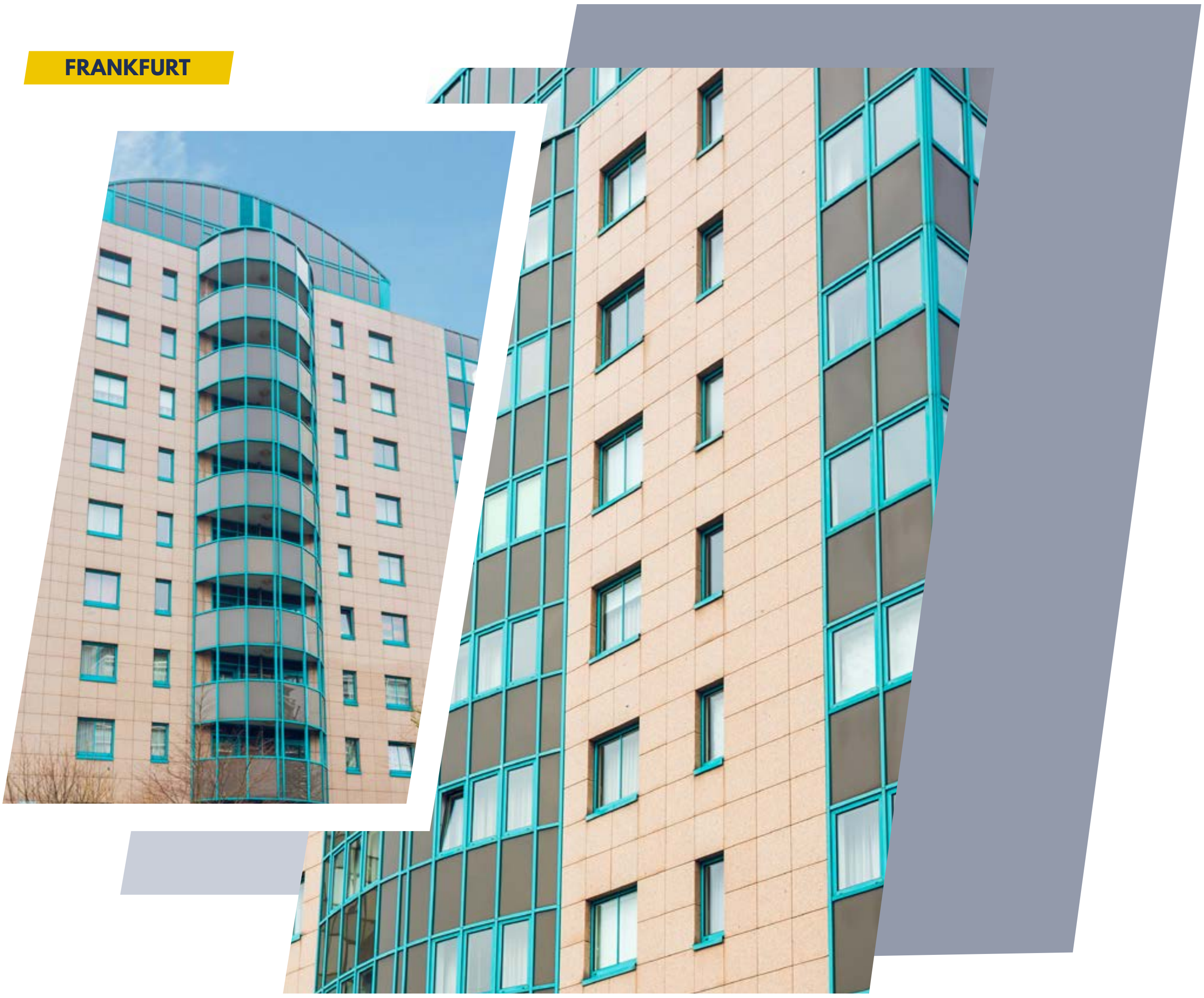
Analyst Recommendations



Share price performance and total return comparison since first equity placement (19.07.2012)



FRANKFURT



ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Building communities for the future that foster a sense of togetherness, creativity, and teamwork

As a large organisation with a wide geographical reach from different operational activities the Company considers it important 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 GCP operates. Building wholesome neighborhoods around GCP'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 GCP invests, along with unchanging climatic conditions, together support the Company's long-term business interests.

Based on a materiality assessment that was conducted, GCP has been channeling its sustainability efforts into five focus areas: Tenants, Employees, Environment, Society and Governance, which make up the strategic framework of the Company's sustainability management. Within these five focus areas, the management has identified specific material topics that are closely being monitored. Going forward, GCP plans to work towards ensuring the minimisation of sustainability risks the Company might face. This is also supported by the introduction of a sustainability management software that helps the Company to keep track of all relevant key performance indicators related to sustainability.

Following the establishment of the GCP Foundation, meant to focus efforts of the organisation on charitable projects involving children, education, sports and the elderly, to mention a few - the foundation disbursed approx. €130,000 in 2020 benefiting a number of charities and community development efforts across all the Company's portfolio locations

GCP considers ESG to be pivotal for the overall success of the organisation and this is incorporated into the various functions of the Company. The various efforts and initiatives undertaken in 2020, 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 2021 under the sustainability section of the Company's website. GCP's maintains its reporting processes in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and has the published environmental data also externally assured by GUT Certifizierungsgesellschaft für Managementsysteme.

GCP's commitment to sustainability measures was recognised in August 2020 by Sustainalytics, a leading sustainability rating agency, which ranked GCP 2nd among 105 global real estate peers. Further, GCP was ranked in the 75th 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. In addition, GCP continues to be a member of the Bloomberg Gender-Equality Index for the 2nd year in succession and hence one of 380 companies across 11 sectors that show high levels of disclosure and performance with regard to gender-related practices.

Furthermore for the fourth year in a row, in September 2020, GCP 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.

Bloomberg Gender-Equality Index 2021

SAM Now a Part of S&P Global

75TH PERCENTILE WITHIN THE REAL ESTATE PEER GROUP (NOVEMBER 2020)

SUSTAINALYTICS

RANKED 2ND OUT OF 105 COMPANIES (AUG 2020)

RECEIVED THE GOLD AWARD IN BOTH CATEGORIES FOR THE 4TH CONSECUTIVE YEAR (SEPTEMBER 2020)

EPRA BPR GOLD

EPRA sBPR GOLD

ENVIRONMENTAL RESPONSIBILITY

GCP takes its responsibility to safeguard the environment and mitigate adverse impacts not only on the business but also on other stakeholders, very seriously. As a responsible corporate citizen, the Company invests into its portfolio and modernises with the aim of achieving higher levels of efficiency. Furthermore, there is an opportunity for GCP to position the Company as a positive contributor to the low carbon economy.

GCP carefully considers the environmental aspects of the entire repositioning process and consistently improves upon different environmental measures in this respect. The Company sees the implementation of environmentally friendly measures as both an important environmental issue as well as an integral part of the optimisation of its cost structure. Technical due diligence studies identify actions that could be pursued based on – an economic business case, higher tenant satisfaction as well as environmental benefits.

GCP assigns necessary resources to ensure the proper oversight of various initiatives in connection with the safeguarding of the environment. Management reviews of the environmental policies are coupled with the ongoing monitoring of the environmental performance such as the use of energy and water along with the reduction of carbon emissions and waste management. Through the year 2020, the Company continued to switch electricity obtained by the Company to renewables or climate-neutral energy sources, thereby reducing GCP's carbon-footprint, supporting the goal to reduce CO_2 emissions by 40% until 2030. GCP has continued efforts towards moving to climate-neutral gas systems to reduce its environmental footprint.

Furthermore, the Company has initiated a pilot project with the help of an external partner, to improve the on-site segregation of waste from its tenants. This is expected to not only increase recycling rates but also avoid costs on treatment of non-recyclable waste. In 2020, GCP's headquarters were equipped with photovoltaic (PV) systems and charging stations for electric vehicles, increasing the amount of renewable energy used both for the office spaces as well as for the corporate car fleet.

Looking ahead, GCP will continue to analyse its properties for potential implementation of renewable energy

systems like Combined Heat and Power (CHP) that make more efficient use of the source of energy. The Company is also planning to conclude a Power Purchase Agreement (PPA) with a renewable energy producer and increase the quality of the guarantees of origin for its purchased power. Additionally, further steps are being taken to improve standards of data analysis which is expected to greatly benefit the data management while also allowing for even more precise analyses and gains in efficiency.

Another important environmental topic for GCP, apart from energy and climate, is biodiversity. The Company remains committed to enhancing the biodiversity across the portfolio. Many properties have substantial amounts of green space that can play an important role in protecting urban biodiversity, as well as contributing positively to tenants' well-being and satisfaction. GCP will therefore implement a policy in 2021, outlining its commitment to biodiversity and start implementing measures to foster biodiversity at the Company's properties, like biodiversity-enhancing plantations and setting up insect hotels and bird houses.

GCP's Green Procurement Policy defines the basis on which various contracting decisions should be made and is communicated to all employees with purchasing responsibilities. Suppliers are expected to reduce negative impact on the environment and position their operations towards the ISO 14001 environmental management standard. The Company maintains a proactive approach and regularly engages with suppliers to identify areas of improvement with regards to sustainability and the environment.

“ We continue to strive towards building environmentally sustainable communities that benefit not only our tenants but also the societies around them while maintaining strong governance standards in our business. ”

—— **Christian Windfuhr,**
Chairman of the Board of Directors

VIRTUAL MARTIN DAY CAMPAIGN

GCP PLANTS NEW TREES

NEW EQUIPMENT FOR HOCKEY CLUB

NEW TENT EQUIPMENT PROVIDED FOR CHILDREN'S CAMPS

SOCIAL RESPONSIBILITY

Tenants & the society

Being an asset owner and a property manager, GCP has the ability to improve the quality of life in a community through several enhancements to the living conditions therein. The Company recognises this and positions several of its activities in order to create family-friendly living environments. Many community facilities such as indoor and outdoor playgrounds, fitness trails, BBQ areas, study rooms and tenant libraries allow for strong relationships within the community. In order to further promote the exchange and interaction with all tenants and to strengthen the sense of community among each other, even in a time of lockdown and contact restrictions, traditional santa visits were moved online in 2020 and an interactive Christmas campaign was created for all tenants. Additionally, the GCP foundation also supported other local virtual events in the Company's portfolio locations and provided scholarships to students in Halle, with this specific project planned to be extended to many more locations.

GCP places a high value on direct interaction and dialogue with its tenants and to that end boasts of a high-quality service center, available 24/7 across multiple modes of communication and in different languages. Despite of the challenges that resulted from restrictions in connection to the coronavirus pandemic, the service center was able to maintain a high level of customer service and ensured tenant satisfaction remained high.

The Company implemented virtual flat viewings to minimise health risks and also implemented digital business processes making the entire leasing process smoother for prospective tenants. During the year 2020, in order to further strengthen its commitment to tenant health & safety and tenant satisfaction across all departments, GCP implemented the Tenant Health & Safety Policy and the Tenant Satisfaction Policy which serve to address these important topics.

GCP is the jersey sponsor of FC Union Berlin female youth teams as well as other local sports clubs on different levels, such as the BG Hagen, a basketball team, SSV Buer, a football team as well as Herne EV, a local ice hockey team. Sports are able to impart to the next generation various useful disciplines that will hold them in good stead while also bringing the local community together.

The Company also works with local policy makers and other stakeholders to identify various initiatives that could improve the overall condition of the community, which GCP may support in a number of ways. For example, GCP partners with several local non-profit organisations that provide educational assistance and general care for children living in the local community, local creative centers and also community-orientated grocery stores. The Company supports these organisations by offering rent-free access to house units and/or commercial space, in addition to providing furniture, equipment and funds for operations. These measures continued in 2020, especially during the coronavirus pandemic.

Employees & diversity

As a responsible employer, GCP provides its employees with various opportunities for personal development and internal advancement. The Company's ongoing Leadership Program and employee support are examples of such opportunities and have been rather effective in building leaders for tomorrow. The Company cares for the well-being of its employees and to that end provides them with a fitness center at its operational headquarters in Berlin free of charge. The fitness center is managed by qualified trainers, who develop and supervise individual training programs for those who wish to take advantage of this service. Additionally, yoga and aerobic classes are offered by specialised coaches. In 2020, GCP also introduced subsidies for lunch and public transport as additional benefits for employees. Further, working from home was made possible for the majority of the staff due to the coronavirus pandemic and substantial health & safety measures were implemented in the Company's offices. To assist employees with childcare, GCP started a cooperation with an external partner that offers holiday care and virtual childcare at discounted rates.

GCP views its cultural diversity as being essential to its success, and values and respects perspectives of its employees from different nationalities, ages, genders, ethnicities, races, cultures, religions, ideologies, sexual identities and physical abilities. Discrimination based on any of these aspects is strictly prohibited within the Company. All employees are provided with a diversity training on joining the organisation. Looking ahead, GCP plans to introduce "Culture Days" at its offices to foster and celebrate diversity within the Company's employees. The Company's commitment to diversity is overseen by a Diversity Committee, made up of representation across different levels of the organisation.

CORPORATE RESPONSIBILITY STEERING COMMITTEE

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

CORPORATE GOVERNANCE

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

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

Furthermore, the Company ensures that 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 corporate presentation on a regular basis.

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 of the shareholders of Grand City Properties S.A. for 2021 will take place on June 30, 2021 in Luxembourg. The meeting will resolve on, among others, the amount of the dividend for the 2020 fiscal year to be distributed to shareholders of the Company.

Compliance and Code of Conduct and data protection

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

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 abuses as well as discrimination based on a range of factors such as age, gender, ethnicity, race, culture, 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.

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

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

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

Board of Directors

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

The Board of Directors represents the shareholders as a whole and makes decisions solely in the Company's best interests and independently of any conflicts of interest. The Board of Directors and senior management regularly evaluate the effective 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 annual general meeting for a term not exceeding six years and are eligible for re-election. The directors may be dismissed with or without any cause at any time and at the sole discretion of the 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 incorporation. The Board of Directors chooses amongst the directors a chairperson who shall have a casting vote.

Ms. Simone Runge-Brandner and Mr Daniel Malkin have been approved and the mandated renewed at the AGM 2019 until the AGM 2021.

Mr. Christian Windfuhr was appointed by the Board of Directors on temporary basis until the next general meeting of shareholders due to the event of vacancy resulted from the management switch. The next general meeting of the shareholders will then decide about the final appointment.

MEMBERS OF THE BOARD OF DIRECTORS

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

CEO

The Board of Directors resolved to delegate the daily management of the Company to Mr. Refael Zamir, as Daily Manager (administrateur-délégué) of the Company since October 1, 2020, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period. Mr. Christian Windfuhr withdrew from his position as the CEO in order to replace Mr. Refael Zamir as a member and chairman of the board of directors. Mr. Zamir continues to serve as the Company's CEO and 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.

Audit Committee

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the trolling 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 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 organisation and processes, as well as assess and monitor effectiveness of the overall risk management. The Risk Committee provides advice on actions of compliance, in particular by reviewing the Company's procedures for detecting risk, the effectiveness of the Company's risk management and internal control systems and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks.

Remuneration Commitee

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

Nomination Committee

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

Internal controls and risk management systems

The Company closely monitors and manages potential risks and sets appropriate measures in order to mitigate the occurrence of possible failures to a minimum. The risk management is led by the Risk Committee, which constructs the risk management structure, organisation, and processes. The Risk Committee monitors the effectiveness of risk management functions throughout the organisation, 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 categorises 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 and guided by an ongoing analysis of the organisational structure and by identifying potential weaknesses.
- **Control discipline** – based on the organisational 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 the 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 check. Strong and sustainable control and organisational systems reduce the probability of errors and mistakes significantly. The management places significant value in constantly improving all measures, adjusting to market changes and organisational dynamics.
- **ESG-risk-related expenditures** – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organisational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget.

External risk mitigation

Through ordinary course of business, the Company is exposed to various external risks. The Risk Committee is constantly determining whether the infrastructure, resources, and systems are in place and adequate to maintain a satisfactory level of risk. The potential risks and exposures are related, inter alia, to volatility of interest 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 January 31, 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 December 30, 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 GCP's operational and financial performance.

GCP 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 GCP 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 Company's performance. GCP'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, GCP maintains a conservative financial policy and a strong liquidity position amounting to approx. €1.7 billion as of December 2020, shielding the Company in case of a significant downturn.

Berlin Mietendeckel (rent cap)

On January 30, 2020 the Berlin state parliament (Landtag) passed the Berlin Mietendeckel law which effectively not only capped rent levels but also reversed rents based on the age, location and quality of the apartment. The rent levels for different kinds of apartments are specified in a rent table published with the law, which became effective starting February 23, 2020. Most importantly, as per the law, landlords will be required to reduce rents that are above 120% of the limits of the rent table. Reletting of new apartments will be carried at 100% of the rent table or previous rent, whichever is lower. These limits may be exceeded if the unit was extensively modernised or if the unit included additional elements such as – elevator, fitted kitchen, low energy consumption, high-quality flooring and/or sanitary equipment. From 2022, the Berlin Senate will be required to adjust the rent table according to real wages, however, rents may increase by no more than 1.3%. The law was implemented beginning from November 2020 and is currently in force. Accordingly, GCP's Berlin rent was reduced to and aligned with the rent cap levels. The rent cap is currently under judicial consideration and a ruling is widely expected during the first half of 2021. In April 2020, Berlin's district court ruled in favour of rental cap price. In November 2020, German Federal Constitutional Court dismissed motion to suspend Berlin rent cap.

GCP's management shares the opinion of other legal minds with respect to the unconstitutional nature of this law and views such measures as being counterproductive and detrimental to the housing shortage in Berlin. Shortening the building permit approval process, freeing up land and building rights within city limits and introducing incentives to support construction of subsidised units, are measures which the Company considers to be the only solution to Berlin's housing scarcity.

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.

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

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

Compliance to the transparency law

The Company is in line with the law of 11 January 2008 on transparency requirements for issuers ("the Transparency Law") supplemented by the Grand-ducal Regulation of 11 January 2008 on transparency requirements for issuers (the "Transparency Regulation") and in particular in relation to the disclosure requirements i.e. disclosure to the public of regulated information within the meaning of article 1 (10) of the Transparency Law. The Company provides public equal and timely access to such information and fulfills the complex disclosure obligations. The quarterly and annual financial reports and investor presentations, press releases and ad-hoc notifications are available in the English language on the Company's website. The Company provides on its website information about its organisation, its management and upcoming and past shareholder meetings, such as its annual general meetings. The Company´s website provides a financial calendar announcing the financial reporting dates as well as other important events. The financial calendar is published before the beginning of a year and regularly updated.

MUNICH

Information according to article 11(2) of the Luxembourg Takeover Law

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

a) With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on pages 28, 40, 41 and note 18 on pages 120, 121 of this annual report. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available on page 28 of this annual report 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 31 December 2020:

Shareholder name	Amount of Shares [1]	Percentage of voting rights
Edolaxia Group Ltd	70,665,358	41%

1) Total number of Grand City Properties S.A. shares as of 31 December 2020: 171,864,050

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

e) With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described on page 121, note 19.1 of this annual report.

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

g) With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2020, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

h) With regard to article 11 (1) (h) of the Takeover Law, according to article 9 of the Articles of Association, the members of the board of directors of the Company (the "**Board**") shall be elected by the shareholders at their annual general meeting by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in page 38 of this annual report.

According to article 18 of the Articles of Association, any amendment to the Articles of Association made by the general meeting of shareholders shall be adopted with a quorum and majority pursuant to article 450-3 of the law of 10 August 1915 on commercial companies, as amended (the "**1915 Law**").

i) With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. Further details on the powers of the Board are described on pages 38, 39 and page 79 of this annual report.

Pursuant to article 5.2 of the Articles of Association, the Board is authorised to issue shares under the authorised share capital as detailed on page 120 note 18.1. and pages 121, 122, note 19 of this annual report. 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 24 June 2020 authorised the Board, with the option to delegate, to buy-back, either directly or through a subsidiary of the Company, shares of the Company for a period of five (5) years not exceeding 20% of the aggregate nominal amount of the Company's issued share capital. Further details on the Company's share buy-back program are described on page 138 of this annual report.

j) With regard to article 11 (1) (j) of the Takeover Law, the Company's (listed on pages 123, 124 and note 20.2) convertible bonds, hybrid bonds and security issuances under the EMTN programme contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.

k) With regard to article 11 (1) (k) of the Takeover Law, there are no agreements between the Company and members of the Board or employees according to which, in the event of a takeover bid, the Company may be held liable for compensation arrangements if the employment relationship is terminated without good reason or due to a takeover bid.

BERLIN

NOTES ON BUSINESS PERFORMANCE

SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	2020	2019
	€'000	
Revenue	**535,424**	**560,303**
Net rental income	372,462	382,605
Operating and other income	162,962	177,698
Property revaluations and capital gains	343,409	401,132
Property operating expenses	(226,486)	[1](253,384)
Administrative and other expenses	(10,719)	[1](11,370)
Depreciation and amortisation	(5,042)	[1](3,872)
Operating profit	640,155	692,869
Adjusted EBITDA	**299,780**	**297,662**
Finance expenses	(52,760)	(45,041)
Other financial results	(45,670)	(33,193)
Current tax expenses	(31,387)	(37,062)
Deferred tax expenses	(61,267)	(84,213)
Profit for the year	**449,071**	**493,360**
FFO I before perpetual notes attribution [2]	**215,054**	**211,966**
FFO I (previously defined as FFO I after perpetual notes attribution)	**182,206**	**178,966**
FFO II [3]	**484,034**	**348,387**

1 Reclassified
2 Previously defined as FFO I
3 Reclassified to be based on FFO I after perpetual notes attribution

DÜSSELDORF

REVENUE

For the year ended 31 December	2020	2019
	€'000	
Net rental income	**372,462**	**382,605**
Operating and other income	162,962	177,698
Revenue	**535,424**	**560,303**

GCP generated revenues of €535 million for the year of 2020, which compares to €560 million in 2019. The two components of revenue are net rental income and operating and other income.

Net rental income amounted to €372 million in 2020, decreasing by 3% as compared to the previous year. This net decrease was due to disposals offsetting the increase related to acquisitions and rental like-for-like growth. Acquisition activity was delayed in the first half of 2020 as an initial response to the uncertainty of the coronavirus pandemic effect and picked up meaningfully towards the second half of 2020. Additionally, acquisitions included properties in London in the pre-marketing stage, which did not produce substantial rental income during the year and will support internal rental growth in the upcoming periods. As disposals were completed during the reporting year, with a large amount completed towards the fourth quarter of 2020, the net rental income for 2020 does not include a full year effect of the disposals. Therefore, the net rental income monthly annualised run rate as of December 2020, excluding net rental income from assets held-for-sale, is €340 million, lower than the amount reported for the year 2020.

The operating and other income, an item primarily related to income from tenants for recoverable expenses, decreased by 8% from €178 million in 2019 to €163 million in 2020. The decrease of operational income is combined with a decrease in property operating expenses and reflects a more efficient and leaner portfolio, mainly as a result of disposals and acquisitions of properties with a leaner operational structure. The disposals included non-core assets with comparatively higher operating costs, while acquisitions comprised properties with lower operating costs. Therefore, the adjusted EBITDA and FFO I have remained stable although the revenue decreased year-over-year. Operating and other income is comprised of operating costs that are, to a large extent, recoverable from tenants.

With regards to organic rental growth, the portfolio continued its stable and steady performance in 2020. At the outbreak of the coronavirus pandemic, GCP temporarily halted rent increases in solidarity with its tenants and resumed rent increases only in the second half of the year. In addition, the Berlin Mietendeckel was brought into effect at the beginning of 2020, decreasing rent in the Berlin portfolio. However, despite these headwinds, GCP's property portfolio has displayed a resilient capacity for internal growth in 2020, with net rental income increasing by 1.8% on a like-for-like basis, with 0.9% due to in-place rent increases and 0.9% because of occupancy increases. This resilience can be attributed to the economic and geographical diversification that characterises the portfolio.

NOTES ON BUSINESS PERFORMANCE

PROPERTY REVALUATIONS AND CAPITAL GAINS

For the year ended 31 December	2020	2019
	€'000	
Property revaluations	289,727	369,987
Capital gains	53,682	31,145
Property revaluations and capital gains	**343,409**	**401,132**

Property revaluations and capital gains amounted to €343 million for 2020 as compared to €401 million reported for 2019. Property revaluations are the result of operational improvements in the portfolio, supported by strong long-term fundamentals in GCP's portfolio locations. As of December 2020, on a like-for-like basis and excluding capex, valuations increased by 4% as compared to December 2019. Including capex, the value like-for-like was 5%. Property valuations were seen across the portfolio, with notable increases observed in each of the following locations - Berlin, North Rhine-Westphalia, London, and Mannheim. These revaluation gains are testament to the quality of the portfolio as well as the effectiveness of the repositioning measures – that are strategically employed and successfully implemented by the management.

GCP conducts an external property appraisal through independent, professional and certified valuators. As of December 2020, the portfolio yielded 4.5%, with an average value per sqm of €1,858 compared to 4.9% and €1,543 as of December 2019, which is the result of the portfolio performance complemented by quality accretive capital recycling.

In addition to property revaluations, GCP accounted in 2020 capital gains in the amount of €54 million. Capital gains reflect the excess profit after transaction costs above the book value recorded at disposal. The €54 million capital gain recorded in 2020 reflects a 6% premium over book value of properties sold during the year, underlining the conservative nature of GCP's portfolio valuations. The realised disposal gains which are the excess amount of the sale price to the cost price including transaction costs and capex invested, amounted to €302 million, reflecting 45% profit margin and mirrors the significant value created by the Company. In 2020, GCP completed disposals amounting to €974 million at an average multiple of 17x.

DISPOSAL ANALYSIS

Coupled with regular offers received to dispose assets in the portfolio, GCP undertakes a review and analysis of the property portfolio to identify assets that are non-core or where a material part of the upside potential has already been realised. Subsequently, the Company adopts an opportunistic approach towards these assets, by disposing properties and realising gains achieved on its investment. Generally, such disposal proceeds are redirected towards higher quality acquisitions that are accretive and have additional growth potential. In 2020, GCP disposed assets amounting to €974 million, crystalising gains in the form of a profit over total costs of €302 million, reflecting a profit margin of 45%. As compared to their last appraised book values, the disposals were carried at a premium of 6%. The assets disposed included non-core properties located in secondary cities mainly in North Rhine-Westphalia, Saxony-Anhalt, Thüringen and Bavaria. These disposal gains illustrate GCP's ability to deliver value creation on a consistent basis as well as an additional validation to GCP`s conservative valuations.

For the year ended 31 December	2020	2019
	€'000	
Acquisition cost including capex of disposed properties	671,867	326,001
Total revaluation gains on disposed properties since acquisition	248,146	138,276
Book Value (IFRS)	920,013	464,277
Disposal value net of transaction costs	973,695	495,422
Capital gain	**53,682**	**31,145**
Premium over net book value	**6%**	**7%**
Disposal value net of transaction costs	973,695	495,422
Acquisition cost including capex of disposed properties	(671,867)	(326,001)
Realised profit from disposal	**301,828**	**169,421**
Disposal profit margin on investment property	**45%**	**52%**

NOTES ON BUSINESS PERFORMANCE

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PROPERTY OPERATING EXPENSES

For the year ended 31 December	2020	2019
	€'000	
Purchased services	(161,729)	(180,523)
Maintenance and refurbishment	(27,280)	(33,488)
Personnel expenses	(24,119)	(24,628)
Other operating costs	(13,358)	(14,745)
Property operating expenses	**(226,486)**	*** (253,384)**

* Reclassified

The Company recorded property operating expenses of €226 million for the year 2020, 11% lower as compared to €253 million recorded for 2019.

The lion's share of property operating expenses is made up of purchased services relating to various ancillary services provided to tenants. Most of the costs incurred for such ancillary services are subsequently recovered from tenants. These ancillary services include among others - heating, waste management, water, greenery and winter services. For the year 2020, purchased services costs decreased by 10% over costs incurred in 2019. This decrease is mainly attributed to the leaner cost structure and stronger portfolio quality as a result of the disposals of assets with comparatively higher operating costs and the subsequent acquisitions of high-quality assets with a relatively lower level of operating costs. In addition, over the year 2020, GCP was able to adapt well to the evolving situation related to the coronavirus pandemic and the ensuing lockdowns. The Company shifted many tenant-related processes to the digital sphere. As a result of these measures GCP was able to not only ensure business continuity but also achieve an enhanced level of business efficiency which further contributed to the decrease in operating costs.

Maintaining a high level of tenant satisfaction remains an important focus area for GCP. Therefore, the Company seeks to maintain the high level and quality of service being offered to tenants. In 2020, GCP's Service Centre remained functional even during prolonged periods of restrictions because of the pandemic. The Company's commitment to customers was highlighted in the recently concluded SAM Corporate Sustainability Assessment (part of S&P Global), where GCP achieved an industry-leading perfect score 100/100 for the sub-category – Customer Relationship Management.

Personnel expenses amounted to €24 million for 2020, as compared to €25 million for the previous year. Personnel expenses slightly decreased due to disposals of properties, although the decrease was offset by marginal cost inflation and personnel expenses related to enhancing the London platform. Other operating costs for 2020 decreased to €13 million from €15 million in 2019. Other operating costs typically includes costs in connection with letting, promotional activities as well as transportation and communication expenses. While there was lower spend on some of these costs due to the limiting effect of the pandemic, this was partially offset by an increase in communication expenses due to more employees working from home.

MAINTENANCE AND CAPEX

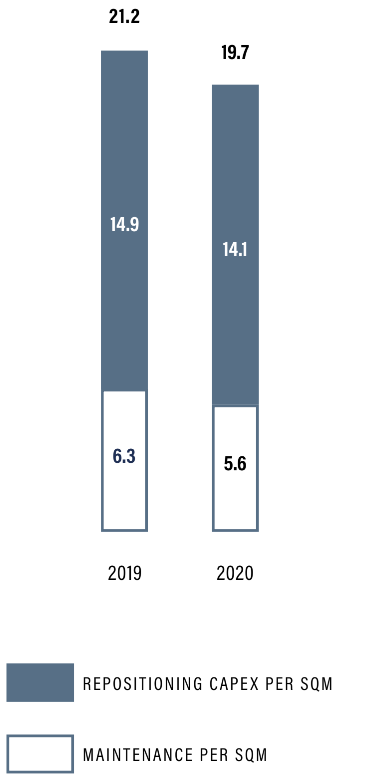
GCP reviews the property portfolio on an ongoing basis and evaluates assets with regards to various aspects such as what measures may be required to enhance the quality and visual appeal of the property. Subsequently, the Company undertakes measures that may take the form of maintenance and refurbishment or even activities involving further capital investment, depending on the specific requirement of the project. These projects are aimed at improving the asset in different ways, which in turn results in increased tenant satisfaction, higher rents and lower vacancies.

Maintenance and refurbishment expenses comprise of costs required to sustain the quality of the property which benefit tenants by preserving the quality of their living conditions. GCP's ISO 9001:2015 certified service center is accessible 24/7 for tenants and provides tenants with multiple channels of communication in various languages. In 2020, maintenance and refurbishment expenses were reported at €27 million and €5.6 per average sqm, as compared to €33 million and €6.3 per sqm in 2019.

Repositioning capex is made up of costs which are incurred to improve the product offering to tenants by enhancing aspects of the property that work together to increase the quality of the asset. These measures include apartment renovations, improvements to the staircases and corridors as well as other common spaces, façade refits and other similar measures. Additionally, improvements to or additions of playgrounds, barbeque pits, study rooms and other common meeting areas, near the property, also serve to lift the value proposition of the asset. Overall, these measures are meant to support the development of a holistic community environment, which is a key factor in maintaining high tenant satisfaction. In 2020, repositioning capex undertaken amounted to €62 million and €14.1 per average sqm as compared to €76 million and €14.9 per average sqm in 2019.

Additionally, GCP invested €21 million into various pre-letting modifications and other development related capex during the year 2020, as compared to €6 million for the previous year. These investments include primarily works towards completion of properties in the final stages of development which are already taken into consideration during the initial cost analysis of the respective acquisition. In 2020 GCP acquired more properties in the pre-letting stage and therefore this item increased in relation to 2019. These units are expected to be leased in the following periods, which will support the growth of rental income and operational profitability.

MAINTENANCE AND CAPEX DEVELOPMENT (€/SQM)



NOTES ON BUSINESS PERFORMANCE

ADMINISTRATIVE AND OTHER EXPENSES

For the year ended 31 December	2020	2019
	€'000	
Personnel expenses	(4,494)	(4,664)
Audit and accounting costs	(2,514)	(2,519)
Legal and professional consultancy fees	(1,924)	(2,068)
Marketing and other expenses	(1,787)	(2,119)
Administrative and other expenses	**(10,719)**	*** (11,370)**

* Reclassified

GCP reported €11 million of administrative and other expenses for the year 2020, slightly below the level of 2019. These expenses include administrative personnel expenses, audit, accounting, legal and other consultancy fees as well as marketing expenses. Administrative and other expenses were marginally lower due to efficiencies and cost savings related to the pandemic, such as less corporate travels and shifting investor relations into video conferences.

ESSEN

FINANCE EXPENSES

For the year ended 31 December	2020	2019
	€'000	
Finance expenses	**(52,760)**	**(45,041)**

Finance expenses for the year 2020 amounted to €53 million as compared to €45 million for 2019 and is the result of a larger debt balance. Following the outbreak of the pandemic, GCP took measures to preserve the conservative nature of the financial platform, by increasing the liquidity of the Company which included the issuance of the Series W straight bond in April 2020. Although this resulted in an increase in finance expenses, it provided GCP with a high level of financial flexibility that is invaluable during periods of high uncertainty.

After the initial uncertainty and concerns from the pandemic effects on GCP's operations dissipated, GCP focused on optimising its debt structure and cost and has repaid shorter term and expensive bank debt of approx. €300 million and raised cheaper and longer debt amounting to €190 million. The effects of the debt optimisation will have a full year effect starting from 2021. Following the end of 2020, GCP completed the issuance of Series X, which at a notional value of €1 billion is the largest bond issuance in its history. Further, this issuance has a long maturity period of 7 years and a record-low coupon for the Company of 0.125%. The Company also repurchased approx. €273 million in notional value of Series E notes (due 2025), €220 million in notional value of Series W notes (due 2024) , and redeemed €85 million in notional value of Series D and Series S notes. As a result of these efforts, GCP's average cost of debt currently, as of the date of this report, stands at 1% as compared to 1.3% in December 2019, with a long average debt maturity period of 7 years.

GCP continues to maintain a proactive approach with regards to its debt profile management and has demonstrated a robustness in responding swiftly to unpredictable circumstances while preserving its conservative financial nature. The Company continues to maintain a high level of operational profitability which results in its solid coverage ratios with a large headroom to covenant limits. In 2020, GCP's solid operational profit generation resulted in an ICR of 5.7x and a DSCR of 4.6x. The Company's investment grade credit ratings S&P (BBB+/Stable) and Moody's (Baa1/Stable) continue to provide GCP with broad and unhindered access to capital markets.

OTHER FINANCIAL RESULTS

For the year ended 31 December	2020	2019
	€'000	
Change in fair value of financial assets and liabilities, net	(19,876)	(15,757)
Finance-related costs	(25,794)	(17,436)
Other financial results	**(45,670)**	**(33,193)**

For the year of 2020, GCP reported other financial results amounting to an expense of €46 million as compared to an expense of €33 million for the previous year. Other financial results typically comprise of costs related to bond issuances, bank financing as well as pre-payments, among other costs in connection with various measures related to the Company's financial platform. Additionally, other financial results include changes in the value of the Company's financial assets and liabilities. These expenses are one-off in nature and do not follow a particular trend. Change in fair value of financial assets and liabilities was primarily affected by the higher level of volatility in global markets due to the uncertainty caused by the coronavirus pandemic in 2020. Furthermore in 2020, GCP undertook a number of financing and refinancing measures, such as the issuance of €600 million Series W bonds and also completed prepayments amounting to approx. €300 million of high interest-bearing bank financing, thereby incurring various finance-related costs.

NOTES ON BUSINESS PERFORMANCE

TAXATION

For the year ended 31 December	2020	2019
	€'000	
Current tax expenses	(31,387)	(37,062)
Deferred tax expenses	(61,267)	(84,213)
Total tax expenses	**(92,654)**	**(121,275)**

GCP reported total tax expenses of €93 million for the year 2020, which compares to €121 million reported for the year 2019.

Current tax expenses for 2020 amounted to €31 million, as compared to €37 million reported for the previous year. This expense is made up of corporate and property taxes. While corporate income taxes trend in the same manner as overall profitability, property taxes are broadly based on property portfolio size, which decreased in terms of area in 2020.

Deferred tax expenses comprise of non-cash expenses that are primarily connected to the theoretical sale of investment properties through asset deals, with the tax rate based on the location of the property. For the year 2020, deferred tax expenses amounted to €61 million, which compares to €84 million reported for the previous year.

PROFIT FOR THE YEAR

For the year ended 31 December	2020	2019
	€'000	
Profit for the year	**449,071**	**493,360**
Profit attributable to the owners of the Company	362,218	406,950
Profit attributable to the perpetual notes investors	32,848	33,000
Profit attributable to non-controlling interests	54,005	53,410

GCP generated a profit of €449 million for the year of 2020, which compares to €493 million reported for the previous year. This decrease was primarily driven by the lower property revaluation gains during the year. However, GCP's operational profitability has been stable, reflected in the increase of the adjusted EBITDA and FFO I as compared to 2019. This was made possible by improved business efficiencies of the operational platform complemented by the portfolio's continued organic rental growth.

COLOGNE

EARNINGS PER SHARE

For the year ended 31 December	2020	2019
Basic earnings per share (in €)	2.13	2.43
Diluted earnings per share (in €)	2.01	2.30
Weighted average number of ordinary shares (basic) in thousands	169,803	167,246
Weighted average number of ordinary shares (diluted) in thousands	181,509	178,736

The Company reported a basic earnings per share of €2.13 and a diluted earnings per share of €2.01, which compares to €2.43 and €2.30 respectively for 2019. This decrease in earnings per share is mainly due to a lower level of profit attributable to shareholders, along with a higher average share count as compared to the previous year. The higher average share count was primarily driven by the high acceptance rate for the scrip dividend issued in 2020.

The diluted earnings per share reflects various dilutive effects such as the theoretical future conversion of the Series F convertible bonds, which remains out-of-the-money as of the date of this report.

NOTES ON BUSINESS PERFORMANCE

ADJUSTED EBITDA AND FUNDS FROM OPERATIONS (FFO I)

For the year ended 31 December	2020	2019
	€'000	
Operating profit	640,155	692,869
Depreciation and amortisation	5,042	3,872
EBITDA	**645,197**	**696,741**
Property revaluations and capital gains	(343,409)	(401,132)
Share of profit from investments in equity-accounted investees	(3,569)	(60)
Equity settled share-based payments and other adjustments	1,561	2,113
Adjusted EBITDA	**299,780**	**297,662**
Finance expenses	(52,760)	(45,041)
Current tax expenses	(31,387)	(37,062)
Contribution from / (to) joint ventures and minorities, Net	(579)	(3,593)
FFO I before perpetual notes attribution [1]	**215,054**	**211,966**
Adjustment for perpetual notes attribution	(32,848)	(33,000)
FFO I (previously defined as FFO I after perpetual notes attribution)	**182,206**	**178,966**
Weighted average number of ordinary shares (basic) in thousands [2]	169,803	167,246
FFO I before perpetual notes attribution, per share (in €) [1]	**1.27**	**1.27**
FFO I per share (in €) (previously defined as FFO I per share after perpetual notes attribution)	**1.07**	**1.07**

1 Previously defined as FFO I
2 Not considering the dilution effect of the management share plan as it is immaterial

The adjusted EBITDA is an industry standard figure displaying the Company's recurring operational profits before interest, tax expenses and depreciation, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as share of non-recurring profit/loss from investment in equity-accounted investees and equity settled share-based payments and other adjustments. In 2020, GCP's adjusted EBITDA amounted to €300 million, slightly higher as compared to the €298 million generated in 2019. This marginal increase in the adjusted EBITDA generated was achieved despite a 3% decline in net rental income, as a result of disposals during the year. GCP's robust operational profitability was a result of the success in enhancing operational efficiencies that have delivered improved profitability margins and has offset the decrease in net rental income. In addition, despite challenges caused by the coronavirus pandemic and the Company's decision to postpone rent increases in order to provide some relief to GCP's tenants, the portfolio continued to deliver steady organic rental growth of 1.8%, with in-place rent increases contributing 0.9% and occupancy increases contributing 0.9%.

Funds From Operations I (FFO I) is an industry-wide standard measure of the recurring operational cash flow of a real estate company, often utilised as a key bottom line industry performance indicator. FFO I is calculated by deducting from the Adjusted EBITDA finance expenses, current tax expenses, the contribution to minorities, and from this report on also the share of profit attributable to the Company's perpetual notes investors, while adding the FFO contribution from joint ventures. With the introduction of the revised EPRA Best Practice Recommendations, GCP also reassessed the calculation of the FFO I metric and now presents the FFO I after perpetual notes attribution, while previously the Company has presented FFO I before perpetual notes attribution. According to IFRS accounting treatment, the attribution to perpetual notes investors are recorded through changes in equity and not as a financial expense.

During the year 2020, GCP generated an FFO I of €182 million, increasing by 2% over the previous year. This increase was possible because of the robust adjusted EBITDA generated, complemented by the contribution of approx. €3 million from investments in joint ventures and a lower level of current tax expenses, partially offset by a higher level of finance expenses during the year. The FFO increase was partially offset by higher finance expenses, which is the result of the issuance of Series W straight bond in April 2020 bearing a higher than average coupon rate of 1.7%. Series W was issued during the midst of the first pandemic shock, at a time of very high uncertainty. Although this resulted in an increase in finance expenses, it provided GCP with a high level of financial flexibility that is invaluable during periods of high uncertainty.

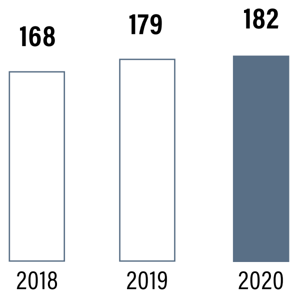
During the year 2020, GCP generated an FFO I before perpetual notes attribution amounting to €215 million, increasing by 1% over the previous year, in line with the increase in FFO I.

FFO I PER SHARE

For the year 2020, GCP reported an FFO I per share of €1.07, remaining steady as compared to the previous year. The FFO I per share was mainly driven by the solid FFO I result due to an increase in net rental income by 1.8% on a like-for-like basis, aided by improved business efficiencies supporting profitability. This was offset somewhat by the Company's capital recycling activities, which saw strong disposal activity above book value while acquisitions were delayed to the second half of 2020 and thus only had a partial impact on the results for the year. Furthermore, the growth in FFO I was partially offset by the higher average share count as compared to the previous year, primarily from scrip dividends issued in 2020, which saw a very high acceptance rate, as well as the effect of the shares issued in relation to the 2019 scrip dividend.

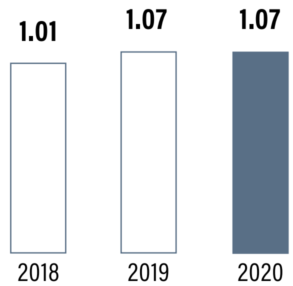
FFO I DEVELOPMENT (IN € MILLIONS)

(PREVIOUSLY DEFINED AS FFO I AFTER PERPETUAL NOTES ATTRIBUTION)



FFO I PER SHARE DEVELOPMENT (IN €)

(PREVIOUSLY DEFINED AS FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION)



ADJUSTED FUNDS FROM OPERATIONS (AFFO)

For the year ended 31 December	2020	2019
	€'000	
FFO I [1]	**182,206**	**178,966**
Repositioning capex	(62,406)	(76,017)
AFFO [2]	**119,800**	**102,949**

1 Previously defined as FFO I after perpetual notes attribution
2 Reclassified to be based on FFO I after perpetual notes attribution

Adjusted Funds from Operations (AFFO) is another indicator for the Company's recurring operational cash flow and is derived by subtracting the repositioning capex from the Company's FFO I. GCP includes in the AFFO calculation repositioning capex which is targeted at value creation and improving the asset quality of the portfolio, which GCP deems as being relevant for its AFFO calculation. In 2020, GCP generated an AFFO amounting to €120 million, as compared to an amount of €103 million reported for the previous year, 2019. The increase in the AFFO of 2020 compared to 2019 is from a 2% higher FFO and from 18% lower repositioning capex

NOTES ON BUSINESS PERFORMANCE

FFO II

For the year ended 31 December	2020	2019
	€'000	
FFO I [1]	**182,206**	**178,966**
Result from disposal of properties	301,828	169,421
FFO II [2]	**484,034**	**348,387**

1 Previously defined as FFO I after perpetual notes attribution
2 Reclassified to be based on FFO I after perpetual notes attribution

FFO II is a supplementary performance measure that includes the disposal effects on top of FFO I. The result from disposal of properties refers to the excess amount of the sale price to cost price plus capex of disposed properties. During the year 2020, the Company completed disposals amounting to €974 million, at a profit margin over total costs of 45%, crystalising gains of €302 million achieved since the acquisition of these assets. The significant level of profit crystalised underlines GCP's proven ability to deliver value creation gains to shareholders. Accordingly, GCP generated an FFO II of €484 million in 2020, as compared to €348 million reported in 2019.

CASH FLOW

For the year ended 31 December	2020	2019
	€'000	
Net cash provided by operating activities	242,152	249,491
Net cash used in investing activities	(391,670)	(53,125)
Net cash provided by financing activities	650,620	114,800
Net increase in cash and cash equivalents	**501,102**	**311,166**
Other changes*	(2,957)	(270)
Cash and cash equivalents as on January 1,	914,054	603,158
Cash and cash equivalents as on December 31,	**1,412,199**	**914,054**

* including changes in balance of cash and cash equivalents held-for-sale and effects of foreign exchange rate changes

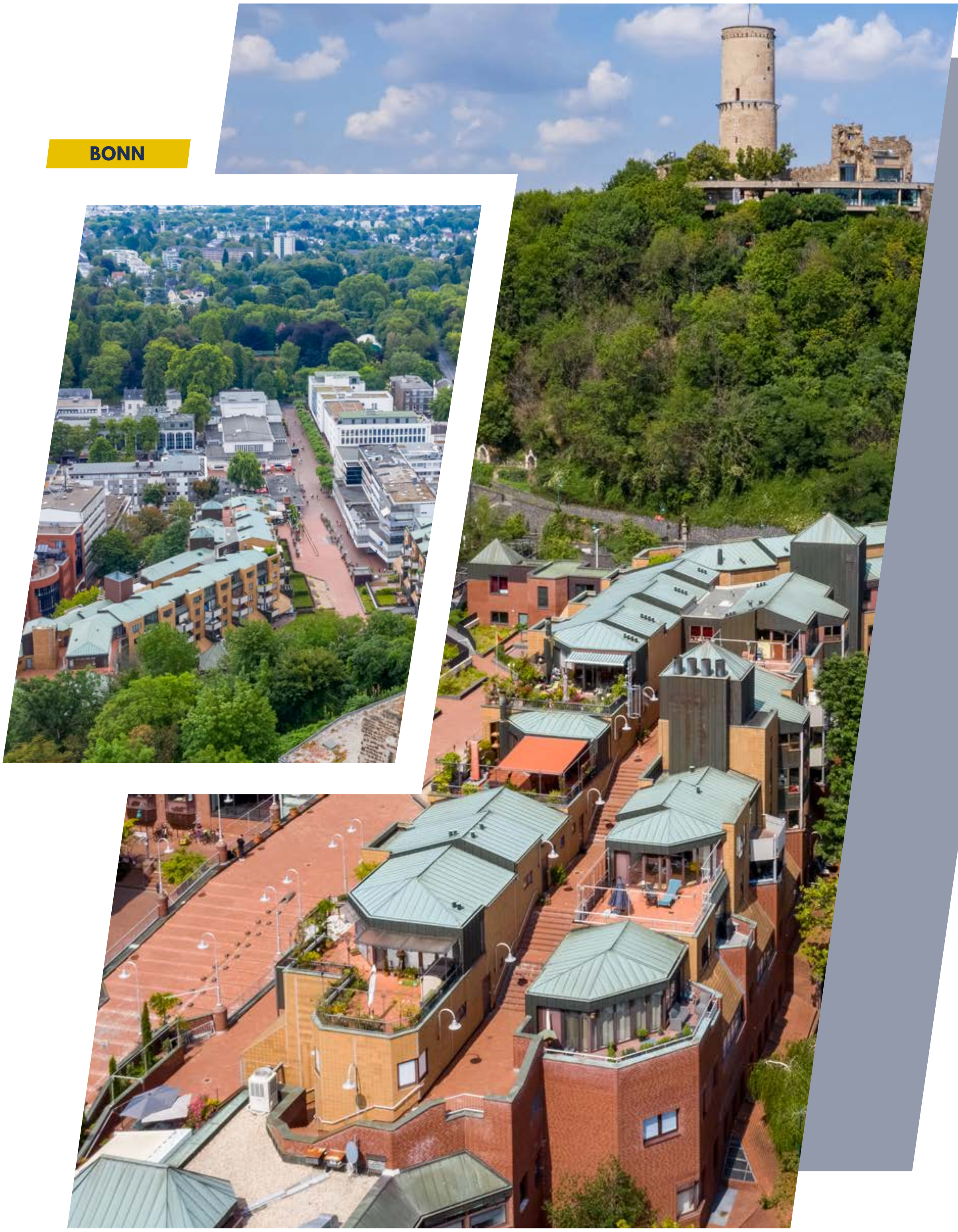
Net cash provided by operating activities in 2020 amounted to €242 million, as compared to the €249 million generated in 2019. Operational profitability remained robust in 2020, with enhanced business efficiencies and a like-for-like rental growth of 1.8%, however cash flows were also impacted by timing effects reflected in the changes in working capital and a slightly lower collection rate, due to rent deferrals and the pandemic had marginal negative effect on the net cash provided by operating activities.

Net cash used in investing activities during 2020 amounted to €392 million, as compared to the €53 million used in 2019. The increase in investments in 2020 was driven by accretive acquisitions, capex and advanced payments of over €600 million, offset by cash inflows from disposals. Additionally, GCP also invested into loans-to-own, which are asset-backed loans bearing a high interest rate and that have the future potential to take over the underlying assets at a meaningful discount to the value of the asset. The current environment remains challenging for some property owners with liquidity requirements, and this avenue provides GCP with another opportunity for attractive acquisitions.

Net cash provided by financing activities amounted to €651 million in 2020, as compared to the €115 million provided in 2019. This increase was primarily driven by the issuance of straight bonds amounting to €600 million in notional value along with the issuance of a new perpetual note of €700 million with a coupon of 1.5%, partially offset by the redemption of the perpetual notes issued in 2015 with a coupon of 3.75% to the extent of a notional value of €500 million of which the majority was repaid by year-end of 2020. Additionally, the Company also repaid shorter term and higher interest-bearing bank loans during the year in order to optimise the debt profile. Another element that offset the cash inflow from financing activities was the dividend distributed to shareholders, albeit to a lesser extent owing to the high acceptance ratio for the scrip dividend option.

For the year 2020, GCP had a net change in cash and cash equivalents amounting to approx. €500 million, which illustrates the stable and conservative nature of the Company's financial platform. As of December 2020, GCP maintained a strong liquidity position of €1.7 billion in cash and liquid assets, that is accompanied by a large amount of unencumbered assets amounting to €6.7 billion, representing 82% of the portfolio.

BONN



NOTES ON BUSINESS PERFORMANCE

ASSETS

	Dec 2020	Dec 2019
	€'000	
Non-current assets	**8,601,687**	**8,222,645**
Investment property [1]	8,022,351	7,971,744
Current assets	**2,264,093**	**1,628,783**
Cash and liquid assets [2]	1,692,331	1,063,320
Total Assets	**10,865,780**	**9,851,428**

1 including inventories – trading properties
2 including cash and cash equivalents held-for-sale

As of year-end 2020, the Company's total assets amounted to €11 billion, increasing 10% as compared to €9.9 billion as of December 2019. The increase in total assets can be attributed to the increased liquidity position as compared to year-end 2019 as well as higher non-current assets.

Non-current assets as of December 2020 amounted to €8.6 billion as compared to €8.2 billion at year-end 2019. The lion's share of non-current assets comprises of investment properties, which at the end of 2020 amounted to €8 billion, marginally higher as compared to the end of December 2019. GCP's portfolio has remained resilient and delivered steady organic value growth even in 2020, with property valuations increasing by 4% on a like-for-like basis after excluding the impact of acquisitions, net of capex as well as differences due to foreign currency changes. The investment property increase was offset by disposals of €974 million which generated a profit over total costs (including capex) of 45%, reflecting a premium of 6% over their last appraised net book values. As of December 2020, the value of investments in equity accounted investees amounted to €108 million, which compares to €21 million as of December 2019. This increase is mainly due to a strategically retained minority shareholding in selected assets disposed.

Towards the second half of 2020, GCP's acquisition activity gained momentum and the Company completed accretive acquisitions amounting to a total of approx. €600 million in 2020, primarily located in London and Berlin. The Company acquired over 1,400 units at an average multiple of 21x along with over 800 units which are currently in the pre-let stage and are expected to be leased out in the upcoming periods. In addition, GCP signed acquisitions agreements amounting to approx. €200 million after the reporting date.

Non-current assets also include deposits, long-term financial investments, and loans-to-own assets. Loans-to-own assets comprise of asset-backed, high-interest and short maturity loans with the potential to acquire the underlying assets at a significant discount to the asset value. The existing market environment remains challenging for some asset owners that have a need for liquidity, but do not wish to dispose the underlying assets. This provides GCP with an additional acquisition lever that could be utilised. Additionally, this also illustrates the value of the strong liquidity position maintained by the Company and GCP's wide deal sourcing network.

Current assets at the end of 2020 amounted to €2.3 billion, increasing by over €600 million as compared to the €1.6 billion reported as of December 2019. The main driver for this increase was the higher liquidity position of €1.7 billion as of December 2020. Following the outbreak of the coronavirus pandemic and in response to the ensuing increase in volatilities in global markets, GCP took steps to preserve the conservative nature of its financial platform. These measures were beneficial towards the latter half of 2020, when acquisition activity picked up and the Company was able to move swiftly as opportunities arose. The other main factors that contributed to the higher liquidity position were disposals completed during the year, the perpetual note issuance in December 2020, which was utilised for the purpose of refinancing existing perpetual notes, as well as operational cash flows generated in 2020, offset to some extent by acquisitions and the cash component of the dividend distribution.

Average Valuation Parameters	2020	2019
Rental multiple	**22.2**	20.4
Value per sqm	**€1,858**	€1,543
Market rental growth p.a.	**1.4%**	1.4%
Management cost per unit p.a.	**€260**	€262
Ongoing maintenance cost per sqm	**€8.7**	€8.5
Average discount rate	**5.1%**	5.3%
Average cap rate	**4.1%**	4.5%

INVESTMENT PROPERTY [1]

DECEMBER 2020	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,368	982	6.1%	72	6.3	13,854	1,392	5.2%
Berlin	1,895	576	4.9%	55	8.2	7,821	3,289	2.9%
Dresden/Leipzig/Halle	1,036	896	7.4%	53	5.4	15,376	1,156	5.1%
Mannheim/KL/Frankfurt/ Mainz	406	194	3.2%	19	8.5	3,285	2,094	4.8%
Nuremberg/Fürth/Munich	231	98	4.5%	10	8.5	1,358	2,343	4.2%
Hamburg/Bremen	366	274	5.4%	20	6.6	4,092	1,336	5.5%
London	1,268	155	8.6%	48	28.3	2,776	8,158	3.8%
Others	999	899	6.3%	63	6.5	15,264	1,114	6.3%
Development rights and new buildings [2]	453							
Total	**8,022**	**4,074**	**6.2%**	**340**	**7.4**	**63,826**	**1,858**	**4.5%**

1 including inventories-trading property
2 of which pre-marketed buildings in London amount to €244 million

NOTES ON BUSINESS PERFORMANCE

LIABILITIES

	Dec 2020	Dec 2019
	€'000	
Loans and borrowings [1]	437,137	558,709
Straight bonds	3,498,478	2,920,010
Convertible bond	277,614	274,908
Deferred tax liabilities [2]	642,513	601,139
Other long-term liabilities and derivative financial instruments [3]	183,681	184,106
Current liabilities [4]	271,429	345,957
Total Liabilities	**5,310,852**	**4,884,829**

1 including short-term loans and borrowings, debt redemption and financial debt held-for-sale
2 including deferred tax liabilities of assets held-for-sale
3 including short-term derivative financial instruments
4 excluding current liabilities included in the items above

Total liabilities as of December 2020 amounted to €5.3 billion, 9% higher as compared to €4.9 billion as of December 2019. This increase was primarily driven by an increase in the balance of straight bonds, due to the issuance of Series W bonds of €600 million. Partially offsetting this increase, was the prepayment and disposal of higher interest-bearing bank loans of approx. €300 million, while taking on bank financing amounting to €190 million at lower interest rates and long maturity periods. GCP employs a hands-on approach with regards to its debt profile and maintains the conservative nature of the financial platform. Following further debt optimisation measures after year-end 2020, GCP's average cost of debt as of the date of this report stands at 1% as compared to 1.3% in December 2019, with a long average debt maturity period of 7 years.

Deferred tax liabilities amounted to €643 million as of December 2020, increasing by 7% mostly in connection with the revaluation gains achieved in 2020.

EQUITY

	Dec 2020	Dec 2019
	€'000	
Total Equity	**5,554,928**	**4,966,599**
of which equity attributable to the owners of the Company	3,713,849	3,492,632
of which equity attributable to Perpetual notes investors	1,306,092	1,030,050
of which non-controlling interests	534,987	443,917

GCP's robust equity base amounted to €5.6 billion as of the end of December 2020, further expanding by 12% as compared to €5 billion at the end of December 2019. This increase is driven by a robust level of profit generation and perpetual notes issuance (net of repayments) in 2020. The equity base was further supported by a significant portion of the dividend being issued as scrip dividend with 57% of GCP's shareholders opting to receive their dividend in shares.

Equity attributable to perpetual notes investors amounted to €1.3 billion at the end of December 2020 and contributed to the growth in the Company's equity base. During the year, GCP issued €700 million perpetual notes with a coupon of 1.5%, which was utilised for refinancing of the perpetual notes issued in 2015 with a coupon of 3.75% to the extent of a notional value of €500 million of which the majority was repaid by year-end of 2020. The significant decline of 2.25 percentage points in the coupon is reflective of the development in the business over the past years.

Non-controlling interests as of December 2020 amounted to €535 million, which compares to €444 million at year-end 2019 and increased in most part as a result of profit generation during the year. Overall, GCP continues to maintain a robust equity base which remains an important part of the Company's capital structure. As of December 2020, GCP's equity ratio was 51%, as compared to 50% as of year-end 2019.

DEBT FINANCING KPIs

LOAN-TO-VALUE

	Dec 2020	Dec 2019
	€'000	
Investment property [1]	7,954,448	7,909,693
Investment properties of assets held-for-sale	150,207	196,432
Equity-accounted investees	107,880	21,020
Total value	**8,212,535**	**8,127,145**
Total debt [2]	4,213,229	3,753,627
Cash and liquid assets [3]	1,692,331	1,063,320
Net debt	**2,520,898**	**2,690,307**
LTV	**31%**	**33%**

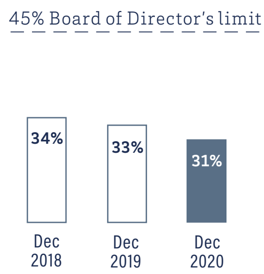
1 Including advanced payments and deposits, inventories – trading properties and excluding right-of-use assets
2 Including loans and borrowings held-for-sale
3 Including cash and cash equivalents held-for-sale

GCP prioritises and works towards maintaining a conservative financial profile. This is also reflected in the low LTV preserved by the Company, with significant headroom to the board-mandated limit of 45% and an even higher headroom to limits as per bond covenants. At the end of December 2020, GCP's LTV was at a low 31%, which compares to 33% as of December 2019.

GCP's robust operational profitability levels ensure the Company maintains strong coverage ratios. For the year 2020, GCP reported an ICR of 5.7x and a DSCR of 4.6x. Furthermore, 82% of the Company's portfolio (€6.7 billion in value) remains unencumbered, providing GCP with an additional means to reinforce the liquidity position.

Accordingly, GCP's financial platform remains robust, which is reflected in the broad-based demand for its capital market issuances and the investment grade credit ratings by both S&P (BBB+/Stable) and Moody's (Baa1/Stable).

LOW LEVERAGE WITH ROBUST PROFITABILITY



UNENCUMBERED ASSETS

	Dec 2020	Dec 2019
	€'000	
Unencumbered Assets	6,679,941	6,484,583
Total Investment properties *	8,172,558	8,168,176
Unencumbered Assets Ratio	**82%**	**79%**

* including investment property held-for-sale and inventories - trading property

INTEREST COVERAGE RATIO (ICR)

For the year ended 31 December	2020	2019
	€'000	
Adjusted EBITDA	299,780	297,662
Finance Expenses	52,760	45,041
Interest Coverage Ratio	**5.7x**	**6.6x**

DEBT SERVICE COVERAGE RATIO (DSCR)

For the year ended 31 December	2020	2019
	€'000	
Adjusted EBITDA	299,780	297,662
Finance Expenses	52,760	45,041
Amortisation of loans from financial institutions	11,907	9,178
Debt Service Coverage Ratio	**4.6x**	**5.5x**

EPRA PERFORMANCE MEASURES

The European Public Real Estate Association (EPRA) is the widely recognised market standard guidance and benchmark provider for the European real estate industry. EPRA's Best Practices Recommendations prescribe the ongoing reporting of a set of performance metrics which are meant to enhance the quality of reporting by bridging the gap between the regulated IFRS reporting presented and specific analysis relevant to the European real estate industry. These standardised EPRA Performance Measures provide additional perspective on earnings, balance sheet and operational metrics, and facilitate for the simple and effective comparison of performance-related information across different companies. The information presented below is based on the materiality and importance of information.

	2020	2019
	€'000	
EPRA Earnings	182,657	188,545
EPRA Earnings per share (in €)	1.08	1.13
EPRA NRV	4,775,679	4,570,864
EPRA NRV per share (in €)	27.8	27.2
EPRA NTA	4,566,426	4,357,717
EPRA NTA per share (in €)	26.5	25.9
EPRA NDV	3,451,717	3,323,121
EPRA NDV per share (in €)	20.1	19.8
EPRA Net initial yield (NIY)	3.5%	3.6%
EPRA "topped-up" NIY	3.5%	3.6%
EPRA Vacancy	6.2%	6.7%
EPRA Cost Ratio (incl. direct vacancy costs)	20.2%	22.8%
EPRA Cost Ratio (excl. direct vacancy costs)	17.9%	20.1%

EPRA EARNINGS

The EPRA Earnings indicator is intended to serve as a key indicator of the fundamental operational profits for the year within the context of a real estate company, and is intended to measure the extent to which the Company's dividend distribution is covered by its operational income. GCP also provides a reconciliation of the EPRA Earnings to the FFO I, another widely-recognised and key performance measure, as it believes it to be a better measure of recurring operational profits and given that its dividend payout policy is based on the FFO I, supporting its importance and relevance.

For the year ended 31 December	2020	2019
	€'000	
Earnings per IFRS income statement	449,071	493,360
Property revaluations and capital gains	(343,409)	(401,132)
Change in fair value of financial assets and liabilities, net	19,876	15,757
Deferred tax expenses	61,267	84,213
Share of profit from investments in equity-accounted investees	(3,569)	(60)
Contribution from joint ventures	2,597	-
Contribution to minorities	(3,176)	(3,593)
EPRA Earnings	**182,657**	**188,545**
Weighted average number of ordinary shares (basic) in thousands	169,803	167,246
EPRA Earnings per share (in €)	**1.08**	**1.13**
Bridge to FFO I		
Add back: Depreciation	5,042	3,872
Add back: Finance-related costs	25,794	17,436
Add back: Equity settled share-based payments and other adjustments	1,561	2,113
Less: Adjustment for perpetual notes attribution	(32,848)	(33,000)
FFO I (previously defined as FFO I after perpetual notes attribution)	**182,206**	**178,966**
FFO I per share **(in €)** (previously defined as FFO I per share after perpetual notes attribution).	**1.07**	**1.07**

GCP generated an EPRA Earnings for the year of 2020 amounting to €183 million or €1.08 per share, as compared to €189 million and €1.13 per share in 2019. Although operational profitability performed well due to improved operational efficiencies leading to lower operating costs as well as steady organic rental growth of 1.8%, this was offset by higher one-off finance related costs as well as higher finance expenses. The bridge to FFO I, which excludes non-recurring and non-cash costs while also subtracting the attribution to perpetual notes investors, reflects the robustness of the Company's operational profitability which has increased on an absolute basis, albeit only marginally, while remaining stable on a per share basis as compared to the FFO I for 2019.

EPRA NET ASSET VALUE METRICS

The Net Asset Value is a key performance measure used in the real estate industry. However, due to the evolving nature of ownership structures, balance sheet financing as well as the inclusion of non-operating activities leading to entities being relatively more actively managed, EPRA has provided three different metrics to reflect this nature of property companies. The EPRA Net Asset Value Metrics are defined by EPRA and include the Net Reinstatement Value (NRV), Net Tangible Assets (NTA) and Net Disposal Value (NDV). In 2019 EPRA published an updated set of Net Asset Value Metrics which is implemented with effect from the annual report for FY 2020. Accordingly, GCP presents below the new and previous Net Asset Value Metrics, for full transparency and clarity.

EPRA Net Reinstatement Value (NRV) assumes that entities never sell their assets and aims to represent the value required to rebuild the entity. The EPRA NRV measure provides stakeholders with the value of net assets on a long-term basis and excludes assets and liabilities that are not expected to materialise. Furthermore, real estate transfer taxes are added back, since the intention of this metric is to reflect what would be required to reinstate the Company through existing investment markets and the Company's current capital and financing structures.

EPRA Net Tangible Assets (NTA) assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. Therefore, the EPRA NTA measure excludes the value of intangible assets while also taking into consideration the fact that companies acquire and dispose assets and, in the process, realise certain levels of deferred tax liabilities.

EPRA Net Disposal Value (NDV) represents the shareholders' value under a disposal scenario, where deferred taxes, financial instruments and certain other adjustments are considered to the full extent of their liability, net of any resulting tax. Therefore, the EPRA NDV measure is meant to provide stakeholders with the net asset value in the scenario that all assets are disposed and/or liabilities are not held until maturity.

in € '000 unless otherwise specified	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
			Dec 2020		
Equity attributable to the owners of the Company	**3,713,849**	**3,713,849**	**3,713,849**	**3,713,849**	**3,713,849**
Deferred tax liabilities	632,348 [1]	507,744 [2]	-	632,348 [1]	597,184 [3]
Fair value measurements of derivative financial instruments [4]	(3,940)	(3,940)	-	(3,940)	-
Intangible assets	-	(13,909)	-	-	-
Real estate transfer tax	433,422	362,682 [5]	-	-	-
Net fair value of debt	-	-	(262,132)	-	(262,132)
NAV	**4,775,679**	**4,566,426**	**3,451,717**	**4,342,257**	**4,048,901**
Basic number of shares including in-the-money dilution effects (in thousands)			172,000		
NAV per share (in €)	**27.8**	**26.5**	**20.1**	**25.2**	**23.5**

1 including balances held-for-sale
2 excluding deferred tax liabilities on assets held-for-sale, non-core assets and development rights in Germany
3 including balances held-for-sale and adjustment based on the Company's corporate structure and from actual transaction
4 not including net change in fair value of derivative financial instruments related to currency effect
5 excluding real estate transfer tax on assets held-for-sale, non-core assets and development rights in Germany

in € '000 unless otherwise specified	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NAV	EPRA NNNAV
			Dec 2019		
Equity attributable to the owners of the Company	**3,492,632**	**3,492,632**	**3,492,632**	**3,492,632**	**3,492,632**
Deferred tax liabilities	601,139 [1]	483,026 [2]	-	601,139 [1]	567,711 [3]
Fair value measurements of derivative financial instruments [4]	26,656	26,656	-	26,656	-
Intangible assets	-	(14,687)	-	-	-
Real estate transfer tax	450,437	370,090 [5]	-	-	-
Net fair value of debt	-	-	(169,511)	-	(169,511)
NAV	**4,570,864**	**4,357,717**	**3,323,121**	**4,120,427**	**3,890,832**
Basic number of shares including in-the-money dilution effects (in thousands)			168,087		
NAV per share (in €)	**27.2**	**25.9**	**19.8**	**24.5**	**23.1**

1 including balances held-for-sale
2 excluding deferred tax liabilities on assets held-for-sale, non-core assets and development rights in Germany
3 including balances held-for-sale and adjustment based on the Company's corporate structure and from actual transaction
4 not including net change in fair value of derivative financial instruments related to currency effect
5 excluding real estate transfer tax on assets held-for-sale, non-core assets and development rights in Germany

EPRA NRV

As of December 2020, GCP reported an EPRA NRV of €4.8 billion or €27.8 per share, 4% and 2% higher as compared to €4.6 billion or €27.2 per share, respectively as of year-end 2019. The increase in GCP's NAV metrics is primarily driven by profits generated during the year offset by dividend distribution during the year. The steady growth in the Company's valuation demonstrates GCP's capacity for sustainable shareholder value creation. As the EPRA NRV assumes that entities never sell assets and aims to represent the value required to rebuild the entity, the full amount of deferred tax and real estate transfer tax is added back.

EPRA NTA

GCP's EPRA NTA amounted to €4.6 billion or €26.5 per share as of year-end 2020. The primary differences between the EPRA NTA and the EPRA NAV values pertains to the treatment of deferred tax liabilities and real estate transfer tax. The ERPA NTA assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax and triggering real estate transfer tax, which reduces the net disposal price of the properties sold. Accordingly, GCP classified properties into four categories namely, Portfolio to be held long term, Investment properties held-for-sale, Portfolio classified in "Others" cities and Development rights in Germany. On a conservative basis, GCP only adds back the deferred taxes and real estate transfer taxes on the Portfolio to be held long term. The treatment for the remaining three categories is outlined below:

- **Investment properties held-for-sale:**
  These properties are actively managed for sale and the Company expects to dispose them within 12 months.
- **Propertied classified in its portfolio as "Others":**
  This portfolio may be disposed on an opportunistic basis and are located in cities which do not lie in the focus of GCP's portfolio, and therefore are conservatively classified as properties which may be disposed. However, it is also likely that they might remain in the portfolio for the long term. The Company will further evaluate the probability of these properties to be disposed or held long term in the next periods and will make the necessary adjustments.
- **Development rights in Germany:**
  As part of GCP's value creation process, the Company identifies development potential and is working towards obtaining development rights. Once the development rights are extracted, GCP will decide whether to dispose the rights or to develop the projects. As GCP is expected to dispose a portion of the building rights on an opportunistic basis, the deferred tax and real estate transfer tax regarding the building rights are not added back in the NTA calcuation.

Particulars	Fair Value	as % of total portfolio	% of deferred tax and real estate transfer tax added back
	€'000		
Portfolio to be held long term*	6,813,153	83%	100%
Investment properties held-for-sale	150,207	2%	0%
Portfolio classified in "Others" cities	999,476	12%	0%
Development rights in Germany	209,722	3%	0%
Total (including assets classified as held-for-sale)	**8,172,558**	**100%**	

* All Investment properties in the portfolio, except properties in "others" cities. Including inventories - trading property

EPRA NDV

GCP reported an EPRA NDV of €3.5 billion or €20.1 per share as of the end of December 2020, higher as compared to €3.3 billion or €19.8 per share as of December 2019. The EPRA NDV metric differs from the former EPRA NNNAV in its treatment of deferred tax liabilities. While the previous EPRA NNNAV, added back the value of deferred tax liabilities in its calculation, while only deducting an amount of deferred tax liabilities based on the Company's corporate structure and previous track record, the new EPRA NDV has no such adjustment. Additionally, the EPRA NDV does not add back any real estate transfer tax.

EPRA NAV METRICS DEVELOPMENT

EPRA NET INITIAL YIELD (NIY) AND EPRA 'TOPPED-UP' NIY

The EPRA Net Initial Yield (NIY) is intended to serve as a standardised portfolio valuation indicator. It is calculated by subtracting the passing non-recoverable operating costs from the passing net rental income as of the end of the period, and dividing the result by the fair value of the full property portfolio (including held-for-sale properties and inventories – trading properties) plus an allowance for estimated purchaser's costs. EPRA 'topped-up' NIY is an additional calculation that factors into consideration the effects of rent-free periods and other lease incentives. In line with EPRA recommendations, investments in equity accounted investees have been reflected in the calculation of the net initial yields based on GCP's shareholding at the end of the reporting period.

For the year ended 31 December	2020	2019
	€'000	
Investment property	8,005,893	7,956,034
Investment property - share of JV	169,511	-
Investment properties of assets held-for-sale	150,207	196,432
Inventories - trading properties	16,458	15,710
Less: Classified as development rights and new buildings	(453,368)	(461,077)
Complete property portfolio	**7,888,701**	**7,707,099**
Allowance for estimated purchaser's costs	584,898	624,900
Gross up complete property portfolio valuation	**8,473,599**	**8,331,999**
End of period annualised net rental income [1]	357,210	376,000
Operating costs [2]	(62,002)	(72,884)
Annualised net rent, after non-recoverable	**295,208**	**303,116**
Notional rent expiration of rent-free periods or other lease incentives	N/A	N/A
Topped-up net annualised rent	295,208	303,116
EPRA NIY	**3.5%**	**3.6%**
EPRA "topped-up" NIY	**3.5%**	**3.6%**

1 including net rental income from assets held-for-sale and GCP's share in equity-accounted investees
2 to reach annualised operating costs, cost margins were used for each respective period

The EPRA NIY of the GCP portfolio as of December 2020 was 3.5% as compared to 3.6%, at the end of December 2019. The portfolio value was improved by operational improvements and quality-accretive acquisitions, together resulting in an enhanced portfolio quality and a leaner operating cost structure. Additionally, portfolio valuations were supported by tailwinds from strong long-term fundamentals in GCP's core locations.

EPRA VACANCY

EPRA Vacancy is an operational measure that calculates a real estate company's economic vacancy rate based on the prevailing market rental rates, as opposed to in-place rents and physical vacancy. It is calculated by dividing the estimated market rental value of the vacant spaces in the portfolio by the monthly annualised rental value of the portfolio, including vacancy rented at market rents.

	Dec 2020	Dec 2019
	€'000	
Estimated rental value of vacant space (A)	22,647	26,260
December annualised net rent including vacancy rented at ERV (B)	362,663	393,799
EPRA Vacancy Rate (A/B) (%)	**6.2%**	**6.7%**

GCP's EPRA Vacancy rate as of December 2020 was 6.2%, lower as compared to 6.7% as of December 2019. GCP has been successful in consistently reducing vacancy and building stronger tenant structures. In addition, the sale of non-core assets among other disposals during the year, has also supported the decrease in vacancy.

EPRA COST RATIOS

The EPRA Cost Ratios provide a detailed analysis of a Company's operating costs structure and provide for increased comparability across companies. The cost ratio is derived by dividing the Company's direct administrative expenses and property operating expenses (including non-recoverable service charges) by the rental income for the year, excluding ground rents. The ratio is calculated both including and excluding the direct vacancy costs.

For the year ended 31 December	2020	2019
	€'000	
Operational expenses	36,244	[1] 42,198
Maintenance and refurbishment	27,280	33,488
Administrative expenses	10,719	[1] 11,370
Share of expenses from investments in equity accounted investees [2]	2,510	-
EPRA Costs (including direct vacancy costs)	**76,753**	**87,056**
Direct vacancy costs	(8,521)	(10,225)
EPRA Costs (excluding direct vacancy costs)	**68,232**	**76,831**
Rental and operating income	535,424	560,303
Less: operating income	(162,962)	(177,698)
Add: Share of net rental income from equity-accounted investees	7,972	-
Rental income, net	**380,434**	**382,605**
EPRA Cost Ratio (including direct vacancy costs)	**20.2%**	**22.8%**
EPRA Cost Ratio (excluding direct vacancy costs)	**17.9%**	**20.1%**

1 reclassified
2 including share of operating expenses recoverable from tenants

GCP's EPRA Cost Ratio including and excluding direct vacancy costs for 2020 decreased by 2.6 and 2.2 percentage points to 20.2% and 17.9% respectively, as compared to 2019. This decrease can be primarily attributed to the strong business efficiencies delivered by the Company's operational platform. Furthermore, capital recycling measures during the year which included the disposal of assets with a relatively higher operational cost structure, and acquisitions of quality assets with a lower operating cost profile also contributed to the optimisation of GCP's cost ratios.

EPRA CAPITAL EXPENDITURE

For the year ended 31 December	2020	2019
	€'000	
Acquisitions	616,830	681,465
Pre-letting modifications and others	21,261	16,932
Repositioning capex	62,406	76,017
EPRA property-related capex	**700,497**	**774,414**

Acquisitions and capex during 2020 amounted to €700 million, which compares to €774 million during the previous year. This represents the cost incurred for the purchase of investment properties along with capex invested into investment properties. Pre-letting modification and other capex refers to costs related to snagging and the final preparation of new buildings as well as re-opening of converted/refurbished buildings prior to leasing. This capital expenditure amounted to €21 million during the year 2020, as compared to €17 million outlay in 2019, which also includes modernisation capex incurred in 2019.

Repositioning capex in 2020 amounted to €62 million and comprised of investments to improve the long-term asset quality. Repositioning capex is made up of costs which are incurred to improve the product offering to tenants by enhancing aspects of the property that work together to increase the quality of the asset. These measures include apartment renovations, improvements to the staircases and corridors as well as other common spaces, façade refits and other similar measures.

ALTERNATIVE PERFORMANCE MEASURES

In this section, GCP provides an overview of the use of its alternative performance measures.
For enhanced transparency and more industry specific comparative basis, the Company provides market and industry standard performance indicators. GCP provides a set of measures that can be utilised to assess the Company's operational earnings, net asset value of the Company, leverage position, debt and interest coverage abilities as well as liquidity headroom. The following measurements apply to the real estate industry's specifications and include adjustments where necessary that are in compliance with the standards.

RECONCILIATION OF ADJUSTED EBITDA

The adjusted EBITDA is an industry standard figure indicative of the Company's recurring operational profits before interest and tax expenses, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as profits from disposal of buildings, share of profit from investment in equity-accounted investees and other adjustments. GCP starts from its *Operating profit* and adds back the item *Depreciation and amortisation* to arrive at the *EBITDA* value. Non-recurring and non-operational items are deducted such as the *Property revaluations and capital gains*, *Result on the disposal of buildings* and *Share of profit from investment in equity-accounted investees*. Further adjustments are labelled as *equity settled share-based payments and other adjustments* since these are non-cash expenses.

ADJUSTED EBITDA RECONCILIATION

Operating Profit
(+) Depreciation and amortisation
(=) EBITDA
(+/-) Property revaluations and capital gains
(+/-) Result on the disposal of buildings
(+/-) Share of profit from investment in equity-accounted investees
(+/-) Equity settled share-based payments and other adjustments
(=) Adjusted EBITDA

RECONCILIATION OF FUNDS FROM OPERATIONS I (FFO I)

Funds From Operations I (FFO I) is an industry-wide standard measure of the recurring operational cash flow of a real estate company, often utilised as a key industry performance indicator. It is calculated by deducting the *Finance expenses, Current tax expenses, Contribution to minorities, Adjustment for perpetual notes attribution* and adding the *Contribution from joint ventures*, to the *Adjusted EBITDA*.

FFO I RECONCILIATION

Adjusted EBITDA
(-) Finance expenses
(-) Current tax expenses
(-) Contribution from/(to) joint ventures and minorities, Net
FFO I before perpetual notes attribution
(-) Adjustment for perpetual notes attribution
(=) FFO I

RECONCILIATION OF ADJUSTED FUNDS FROM OPERATIONS (AFFO)

The Adjusted Funds From Operations (AFFO) is an additional measure of comparison which factors into the FFO I, the Company's repositioning capex, which targets value enhancement and quality increase in the portfolio. Modernisation and pre-letting capex are not included in the AFFO as it is considered as an additional investment program, similar to the property acquisitions, which is conducted at the Company's discretion. Therefore, in line with the industry practices, GCP deducts the *Repositioning capex* from the *FFO I* to arrive at the *AFFO*. As a result, AFFO is another widely used indicator which tries to assess residual cash flow for the shareholders by adjusting FFO I for recurring expenditures that are capitalised.

AFFO RECONCILIATION

FFO I
(-) Repositioning capex
(=) AFFO

RECONCILIATION OF FUNDS FROM OPERATIONS II (FFO II)

FFO II additionally incorporates on top of the FFO I the results from asset disposals, calculated as the difference between the disposal values and the property acquisition costs plus capex, reflecting the economic profit generated on the sale of the assets. Although property disposals are non-recurring, disposal activities provide further cash inflow that increase the liquidity levels. As a result, this measure is an indicator to evaluate operational cash flow of a company including the effects of disposals.

FFO II RECONCILIATION

FFO I
(+/-) Result from disposal of properties
(=) FFO II

RECONCILIATION OF EPRA EARNINGS

The EPRA Earnings indicator is intended to serve as a key indicator of the underlying operational profits for the year in the context of a real estate company, intended to measure the extent to which the Company's dividend distribution is covered by its operational income. GCP computes EPRA Earnings by excluding from its IFRS Earnings, *Property revaluations and capital gains*, *Result on the disposal of buildings*, *Changes in the fair value of financial assets and liabilities (net)*, *Deferred tax expenses*, its *Share of profit from investment in equity-accounted investees*, *Contribution to minorities* and adding the *Contribution from joint ventures*.

GCP also provides a reconciliation of the EPRA Earnings to the FFO I, another widely-recognised and key performance measure, as it believes it to be a better measure of recurring operational profits and given that its dividend payout policy is based on the FFO I, supporting its importance and relevance.

EPRA EARNINGS RECONCILIATION

EPRA Earnings
Earnings per IFRS income statement
Excluding:
(+/-) Property revaluations and capital gains
(+/-) Result on the disposal of buildings
(+/-) Change in fair value of financial assets and liabilities, net
(+) Deferred tax expenses
(+/-) Share in profit from investment in equity-accounted investees
(+/-) Contribution from joint ventures
(+/-) Contribution to minorities
EPRA Earnings

Bridge to FFO I
Including:
(+) Depreciation
(+) Finance-related costs
(+/-) Equity settled share-based payments and other adjustments
(-) Adjustment for perpetual notes attribution
(=) FFO I

RECONCILIATION OF THE NET REINSTATEMENT VALUE ACCORDING TO EPRA (EPRA NRV)

The Net Reinstatement Value measure provides stakeholders with the value of net assets on a long-term basis and excludes assets and liabilities that are not expected materialise. Furthermore, real estate transfer taxes are added back, since the intention of this metric is to reflect what would be required to reinstate the Company through existing investment markets and the Company's current capital and financing structures.

The reconciliation of the EPRA NRV starts from the *Equity attributable to the owners of the Company* and adds back *Deferred tax liabilities on investment property, fair value measurements of derivative financial instruments*. Further, the EPRA NRV includes *real estate transfer tax* in order to derive the *EPRA NRV* and provide the reader with a perspective of what would be required to reinstate the Company at a given point of time.

EPRA NRV RECONCILIATION

Equity attributable to the owners of the Company
(+) Deferred tax liabilities on investment property [1]
(+/-) Fair value measurements of derivative financial instruments, net [2]
(+) Real Estate Transfer Tax
(=) EPRA NRV

1 including balances held-for-sale
2 not including net change in fair value of derivative financial instruments related to currency effect

RECONCILIATION OF THE NET TANGIBLE ASSETS ACCORDING TO EPRA (EPRA NTA)

The Net Tangible Assets measure excludes the value of intangible assets while also taking into consideration the fact that companies acquire and dispose assets and, in the process, realise certain levels of deferred tax liabilities. Additionally, to the extent that tax optimisation is demonstrable, a corresponding portion of real estate transfer taxes are excluded to arrive at the Net Tangible Assets.

The reconciliation of the EPRA NTA begins at the *Equity attributable to the owners of the Company* and adds back *Deferred tax liabilities on investment property* excluding deferred tax liabilities related to the assets which are considered non-core, assets expected to be disposed within the following 12 months and the development rights in Germany. In addition, *Intangibles and Goodwill as per the IFRS Balance sheet* is subtracted and *fair value measurements of derivative financial instruments* are considered, for this measure of valuation by EPRA. Further, the EPRA NTA adds back the *real estate transfer tax* excluding real estate transfer tax related to assets which are considered non-core, assets expected to be disposed within the following 12 months and the development rights in Germany.

EPRA NTA RECONCILIATION

Equity attributable to the owners of the Company
(+) Deferred tax liabilities on investment property [1]
(+/-) Fair value measurements of derivative financial instruments, net [2]
(-) Intangibles assets
(+) Real Estate Transfer Tax [3]
(=) EPRA NTA

1 excluding deferred tax liabilities on non-core assets, assets held-for-sale and development rights in Germany
2 not including net change in fair value of derivative financial instruments related to currency effect
3 excluding real estate transfer tax on assets held-for-sale, non-core assets and development rights in Germany

RECONCILIATION OF THE NET DISPOSAL VALUE ACCORDING TO EPRA (EPRA NDV)

The Net Disposal Value measure is meant to provide stakeholders with the net asset value in the scenario that all assets are disposed and/or liabilities are not held until maturity. In this measure of net asset value, deferred tax liabilities, fair value measurements of financial instruments and certain other adjustments are considered to the full extent of their liabilities, without including any optimisation of real estate transfer tax.

Accordingly, to arrive at the EPRA NDV the starting point is the *Equity attributable to the owners of the Company* and includes an *Adjustment to reflect fair value of debt*. The adjustment is the difference between the market value of debt and book value of debt.

EPRA NDV RECONCILIATION

Equity attributable to the owners of the Company
(+/-) Adjustment to reflect fair value of debt
(=) EPRA NDV

EPRA NET INITIAL YIELD (NIY) AND EPRA 'TOPPED-UP' NIY

The EPRA Net Initial Yield (NIY) is intended to serve as a standardised portfolio valuation indicator. It is calculated by subtracting the passing non-recoverable operating costs from the passing net rental income as of the end of the period, and dividing the result by the fair value of the full property portfolio (including held-for-sale properties and inventories – trading properties) plus an allowance for estimated purchasers' costs. EPRA 'topped-up' NIY is an additional calculation that factors into consideration the effects of rent-free periods and other lease incentives.

The fair value of the full property portfolio is the sum of *investment property, share of investment properties in equity accounted investees, investment properties from assets held-for-sale* as well as the *inventories of trading properties*. In addition, this sum is grossed up with an *allowance for estimated purchaser's cost*. The *annualised net rental income* is arrived by subtracting non-recoverable *property operating costs* based on cost margins for comparability.

EPRA NIY AND 'TOPPED-UP' NIY RECONCILIATION

EPRA Net Initial Yield (NIY) and EPRA 'topped-up' NIY
(+) Investment property
(+) Investment properties – share of JV
(+) Investment properties of assets held-for-sale
(+) Inventories - trading properties
(-) Classified as development rights and new buildings
Complete property portfolio
(+) Allowance for estimated purchasers' costs
(=) (A) Gross up complete property portfolio valuation
(+) End of period annualised net rental income [1]
(-) Operating costs [2]
(=) (B) Annualised net rent, after non-recoverable
(+) Notional rent expiration of rent-free periods or other lease incentives
(=) (C) Topped-up net annualised rent
(B/A) EPRA NIY
(C/A) EPRA "topped-up" NIY

1 including net rental income from assets held-for-sale and GCP's share in equity-accounted investees
2 to reach annualised operating costs, cost margins were used for each respective period

EPRA VACANCY RATE

EPRA Vacancy rate is a key disclosure that provides for the comparable and consistent reporting of vacancy across companies. EPRA Vacancy rate is expressed as a percentage, being the *Estimated Rental Value (ERV) of vacant space* divided by the annualised rental value of the portfolio, including vacancy rented at market rents, for a given month.

EPRA VACANCY RATE RECONCILIATION

(A) ERV of vacant space
(B) Annualised net rent including vacancy rented at ERV, for a given month
(=) (A/B) EPRA Vacancy rate

EPRA COST RATIOS

EPRA Cost Ratio is a key measure to enable meaningful measurement of the changes in a company's operating costs as well as comparability between companies. EPRA Costs (including direct vacancy costs) is the sum of non-recoverable *operational expenses, maintenance and refurbishment expenses, administrative expenses and the share of expenses from investments in equity accounted investees*. *Depreciation expenses* are excluded. *EPRA Costs (excluding direct vacancy costs)* eliminate direct vacancy costs from the *EPRA Costs (including direct vacancy costs)*.

EPRA COST RATIOS RECONCILIATION

EPRA Cost Ratios
(+) Operational expenses
(+) Maintenance and refurbishment
(+) Administrative expenses
(+) Share of expenses from investments in equity accounted investees*
Excluding:
(-) Depreciation
(A) EPRA Costs (including direct vacancy costs)
Including:
Direct vacancy costs
(B) EPRA Costs (excluding direct vacancy costs)
Rental and operating income
(-) Operating income
(+) Share of net rental income from equity-accounted investees
(C) Rental income, net
(A/C) EPRA Cost Ratio (including direct vacancy costs)
(B/C) EPRA Cost Ratio (excluding direct vacancy costs)

* including share of operating expenses recoverable from tenants

EPRA CAPITAL EXPENDITURE

The EPRA capital expenditure disclosure is based on EPRA guidelines, which aims to provide a detailed analysis of the Company's capital expenditures.

Acquisitions represent the amount spent for the purchase of investment properties including capitalised transaction costs.

Pre-letting modification capex refer to costs related to snagging and the final preparation of new buildings as well as re-opening of converted/refurbished buildings prior to leasing.

Repositioning capex comprise of costs involved in improving the long-term asset quality

EPRA CAPITAL EXPENDITURE RECONCILIATION

EPRA capital expenditure
(A) Acquisitions
(B) Pre-letting modifications and others
(C) Repositioning Capex
(=) [(A) + (B) + (C)] EPRA capital expenditure

RECONCILIATION OF LOAN-TO-VALUE (LTV)

LTV ratio is an acknowledged measurement of the leverage position of a given firm in the real estate industry. This ratio highlights to which extent financial liabilities are covered by the Company's real estate asset value as well as how much headroom of the fair value of real estate portfolio is available compared to the net debt. Following the industry specifications, GCP calculates the LTV ratio by dividing the total net debt to the total value at the balance sheet date. Total value of the portfolio is a combination of the *Investment property* which includes the *Advanced payments and deposits, inventories - trading properties*, *Investment properties of assets held-for-sale* and the *investment in equity-accounted investees and excludes right-of-use assets*. For the calculation of net debt, total Cash and liquid assets are deducted from the *Straight bonds*, *Convertible Bonds* and *Total loan and borrowings*. Total loan and borrowings include the *Short-term loans and borrowings*, *debt redemption*, and *Financial debt held-for-sale* while Straight bonds include the *Bond redemption*. Cash and liquid assets is the sum of *Cash and cash equivalents*, *Financial assets at fair value through profit and loss*, and *Cash and cash equivalents held-for-sale*.

LOAN-TO-VALUE RECONCILIATION

(+) Investment property [1]
(+) Investment property of assets held-for-sale
(+) Investment in equity-accounted investees
(=) (A) Total value
(+) Total debt [2]
(-) Cash and liquid assets [3]
(=) (B) Net debt
(=) (B/A) LTV

1 including advanced payments and deposits, inventories - trading properties and excluding right-of-use assets
2 including loans and borrowings held-for-sale
3 including cash and cash equivalents held-for-sale

RECONCILIATION OF UNENCUMBERED ASSETS RATIO

The unencumbered assets ratio is a liquidity measure as it reflects the Company's ability to raise secure debt over these assets and thus provides an additional layer of financial flexibility and liquidity. Moreover, the unencumbered assets ratio is important for unsecured bondholders, providing them with an asset backed security. Hence, the larger the ratio is, the more flexibility a firm has in terms of headroom and comfort to its debtholders. Unencumbered assets ratio is calculated by dividing the *Unencumbered investment property* of the portfolio by the *Total investment properties* which is the sum of *Investment property, Inventories - trading property* and *Investment properties of assets held-for-sale*.

UNENCUMBERED ASSETS RATIO RECONCILIATION

(A) Unencumbered assets
(B) Total investment properties*
(=) (A/B) Unencumbered Assets Ratio

* including investment properties, investment properties of assets held-for-sale and inventories - trading property

RECONCILIATION OF ICR AND DSCR

Two widely recognised debt metrics Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) are utilised to demonstrate the strength of GCP's credit profile. These metrics are often used to see the extent to which interest and debt servicing are covered by recurring operational profits and provides implications on how much of cash flow is available after debt obligations. Therefore, ICR is calculated by dividing the Adjusted EBITDA by the *Finance expenses* and DSCR is calculated by dividing the *Adjusted EBITDA* by the *Finance expenses* plus the *Amortisation of loans from financial institutions*. With this ratio, GCP is able to show that with its high profitability and long-term oriented conservative financial structure, GCP consistently exhibits high debt cover ratios.

ICR RECONCILIATION

(A) Adjusted EBITDA
(B) Finance expenses
(=) (A/B) ICR

DSCR RECONCILIATION

(A) Adjusted EBITDA
(B) Finance expenses
(C) Amortisation of loans from financial institutions
(=) [A/(B+C)] DSCR

RECONCILIATION OF EQUITY RATIO

Equity Ratio is the ratio of Total Equity divided by Total Assets, each as indicated in the consolidated financial statements. GCP believes that the Equity Ratio is useful for investors primarily to indicate the long-term solvency position of the Company. The Equity Ratio is calculated by dividing the *Total Equity* by the *Total Assets*, both as per the consolidated financial statements of the Company.

EQUITY RATIO RECONCILIATION

(A) Total Equity
(B) Total Assets
(=) (A/B) Equity Ratio

MÖNCHENGLADBACH

BERLIN

RESPONSIBILITY STATEMENT

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

DISCLAIMER

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

Luxembourg, 15 March 2021

Christian Windfuhr
Chairman and member
of the Board of Directors

Simone Runge-Brandner
Member of the
Board of Directors

Daniel Malkin
Member of the
Board of Directors

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

REPORT OF THE RÉVISEUR D'ENTERPRISES AGRÉÉ

Report on the audit of the consolidated financial statements

OPINION

We have audited the consolidated financial statements of Grand City Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (the "CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 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 consolidated financial statements" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, 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 consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES

Refer to notes 16 and 25.2 to the consolidated financial statements for related disclosures. In notes 2.3, 3.10 and 3.12 to the consolidated financial statements you find the corresponding significant accounting judgements, estimates and assumptions, and the accounting policies, respectively.

a) Why the matter was considered to be one of most significant in our audit of the consolidated financial statements

As at 31 December 2020 the Group held a portfolio of investment properties with a fair value of TEUR 8,005,893 (31 December 2019: TEUR 7,956,034) and investment properties within Assets classified as held for sale with a fair value of TEUR 155,015 (31 December 2019: TEUR 201,329).

The valuation of investment properties is a significant judgement area and is underpinned by a number of assumptions.

The fair value measurement of investment property is inherently subjective and requires valuation experts and the Group's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could cause a significant change on the resulting fair value.

The Group uses external valuation reports issued by external independent professionally qualified valuers to determine the fair value of its investment properties.

The external valuers were engaged by management, and performed their work in compliance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards, TEGoVA European Valuations Standards and IVSC International Valuation Standard. The Valuers used by the Group have considerable experience of the markets in which the Group operates. In determining a property's valuation, the valuers take into account property-specific characteristics and information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.

The significance of the estimates and judgments involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement in the consolidated statement of profit or loss and consolidated statement of financial position, warrants specific audit focus in this area.

b) How the matter was addressed during the audit

Our procedures over valuation of investment properties include but are not limited to the following:

- We assessed the competence, capabilities, qualifications, independence and integrity of the external valuers and read their terms of engagement by Grand City Properties S.A. to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- Through the involvement of our own property valuation specialists, on a sample basis, we assessed that the valuation approach applied by the external valuer is in accordance with relevant valuation and accounting standards and suitable for use in determining the carrying value in the consolidated statement of financial position;
- Through the involvement of our own property valuation specialists, on a sample basis, we tested the integrity, accuracy and completeness of inputs used by the external valuers, as well as appropriateness of valuation parameters used, such as discount capitalisation rates, market rents per square meter and capital expenditure, vacancy rates, comparable price per square meter and development cost; and
- Through the involvement of our own property valuation specialists, on a sample basis, we assessed the valuation process, significant assumptions and critical judgement areas by benchmarking these to external industry data and comparable property transactions, in particular the yields applied.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the Board of Directors' report, EPRA Performance Measures, Alternative Performance Measures, the Corporate Governance Statement and Corporate Social Responsibility statement but does not include the consolidated financial statements and our report of the "Réviseur d'Entreprises agréé" thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

RESPONSIBILITIES OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements 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 23 July 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 consolidated financial statements.

Our responsibility is to assess whether the consolidated financial statements 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 23 July 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 consolidated financial statements, 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 Group'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 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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements 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 24 June 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is nine years.

The Board of Directors' report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement is presented on pages 37 to 43. 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 consolidated financial statements 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 Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as 31 December 2020 with relevant statutory requirements set out in the ESEF Regulation that are applicable to financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the consolidated financial statements of the Group as at 31 December 2020, identified as ESEF_grandcityproperties20201231.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Luxembourg, 15 March, 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Alessandro Raone

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2020	2019
	Note	€'000	
Revenue	6	**535,424**	**560,303**
Property revaluations and capital gains	7	343,409	401,132
Share of profit from investments in equity-accounted investees	14	3,569	60
Property operating expenses	8	(226,486)	* (253,384)
Administrative and other expenses	9	(10,719)	* (11,370)
Depreciation and amortisation	15	(5,042)	* (3,872)
Operating profit		**640,155**	**692,869**
Finance expenses	10.1	(52,760)	(45,041)
Other financial results	10.2	(45,670)	(33,193)
Profit before tax		**541,725**	**614,635**
Current tax expenses	11.2	(31,387)	(37,062)
Deferred tax expenses	11.3	(61,267)	(84,213)
Profit for the year		**449,071**	**493,360**
Profit attributable to:			
Owners of the Company		362,218	406,950
Perpetual notes investors		32,848	33,000
Non-controlling interests		54,005	53,410
		449,071	**493,360**
Net earnings per share attributable to the owners of the Company (in euro):			
Basic earnings per share	12.1	2.13	2.43
Diluted earnings per share	12.2	2.01	2.30

* reclassified

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2020	2019
	€'000	
Profit for the year	**449,071**	**493,360**
Other comprehensive loss		
Items that may be reclassified to profit or loss in subsequent periods, net of tax:		
Foreign currency translation, net of investment hedges of foreign operations	(22,476)	(912)
Cost of hedging	(15,383)	(9,834)
Total other comprehensive loss for the year, net of tax	**(37,859)**	**(10,746)**
Total comprehensive income	**411,212**	**482,614**
Total comprehensive income attributable to:		
Owners of the company	324,359	396,204
Perpetual notes investors	32,848	33,000
Non-controlling interests	54,005	53,410
	411,212	**482,614**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	Note	€'000	
Assets			
Equipment and intangible assets	15	27,442	27,233
Investment property	16	8,005,893	7,956,034
Advance payment and deposits		36,866	25,106
Investment in equity-accounted investees	14	107,880	21,020
Derivative financial assets	27	57,057	25,808
Other non-current assets	13	315,884	125,099
Deferred tax assets	11.3	50,665	42,345
Non-current assets		**8,601,687**	**8,222,645**
Cash and cash equivalents		1,412,199	914,054
Financial assets at fair value through profit and loss		279,743	148,706
Inventories - trading property		16,458	15,710
Trade and other receivables	17	394,711	342,285
Derivative financial assets	27	5,967	6,699
Assets held-for-sale	25.2	155,015	201,329
Current assets		**2,264,093**	**1,628,783**
Total assets		**10,865,780**	**9,851,428**

		As at 31 December	
		2020	2019
	Note	€'000	
Equity			
Share capital	18.1	17,186	16,790
Share premium and other reserves	18.4/18.5	439,240	* 583,482
Retained earnings		3,257,423	2,892,360
Total equity attributable to the owners of the Company		**3,713,849**	**3,492,632**
Equity attributable to perpetual notes investors		1,306,092	1,030,050
Total equity attributable to the owners and perpetual notes investors		**5,019,941**	**4,522,682**
Non-controlling interests		534,987	443,917
Total equity		**5,554,928**	**4,966,599**
Liabilities			
Loans and borrowings	20.1	427,470	521,110
Convertible bond	20.2	277,614	274,908
Straight bonds	20.2	3,361,162	2,920,010
Derivative financial liabilities	27	40,545	18,488
Other non-current liabilities	22	142,432	103,757
Deferred tax liabilities	11.3	634,329	592,274
Non-current liabilities		**4,883,552**	**4,430,547**
Current portion of long-term loans	20.1	9,667	12,136
Bond and loan redemption	20.1/20.2	137,316	21,126
Trade and other payables	21	209,065	287,664
Derivative financial liabilities	27	704	61,861
Tax payable		13,446	15,599
Provisions for other liabilities and charges	23	45,776	39,394
Liabilities held-for-sale	25.2	11,326	16,502
Current liabilities		**427,300**	**454,282**
Total liabilities		**5,310,852**	**4,884,829**
Total equity and liabilities		**10,865,780**	**9,851,428**

* reclassified

The Board of Directors of Grand City Properties S.A. authorised these consolidated financial statements to be issued on 15 March 2021

Christian Windfuhr
Chairman and member
of the Board of Directors

Simone Runge-Brandner
Member of the
Board of Directors

Daniel Malkin
Member of the
Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company											
€'000	Share capital	Share Premium	Equity component of convertible bond	Cost of hedging reserve	Foreign exchange translation reserves, net	Other reserves	Retained earnings	Total equity attributable to the owners of the company	Equity attributable to perpetual notes investors	Equity attributable to the owners of the Company and perpetual notes investors	Non-controlling interests	Total equity
Balance as at 31 December 2019	**16,790**	**566,680**	**12,657**	**(9,873)**	**(10,467)**	**24,485**	**2,892,360**	**3,492,632**	**1,030,050**	**4,522,682**	**443,917**	**4,966,599**
Profit for the year	-	-	-	-	-	-	362,218	362,218	32,848	395,066	54,005	449,071
Other comprehensive loss for the year	-	-	-	(15,383)	(22,476)	-	-	(37,859)	-	(37,859)	-	(37,859)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(15,383)**	**(22,476)**	**-**	**362,218**	**324,359**	**32,848**	**357,207**	**54,005**	**411,212**
Dividend distribution *	-	(138,407)	-	-	-	-	-	(138,407)	-	(138,407)	-	(138,407)
Scrip dividend *	385	67,009	-	-	-	-	-	67,394	-	67,394	-	67,394
Share-based payment	11	1,905	-	-	-	(621)	-	1,295	-	1,295	-	1,295
Initial consolidation, deconsolidation and transactions with non-controlling interests	-	-	-	-	-	-	2,845	2,845	-	2,845	37,065	39,910
Payment to perpetual notes investors	-	-	-	-	-	-	-	-	(33,000)	(33,000)	-	(33,000)
Repayment to perpetual notes investors	-	-	-	-	-	(36,269)	-	(36,269)	(410,166)	(446,435)	-	(446,435)
Issuance of perpetual notes	-	-	-	-	-	-	-	-	686,360	686,360	-	686,360
Balance as at 31 December 2020	**17,186**	**497,187**	**12,657**	**(25,256)**	**(32,943)**	**(12,405)**	**3,257,423**	**3,713,849**	**1,306,092**	**5,019,941**	**534,987**	**5,554,928**

* For additional information see note 18.6

	Equity attributable to the owners of the Company											
€'000	Share capital	Share Premium	Equity component of convertible bond	Cost of hedging reserve	Foreign exchange translation reserves, net	Other reserves	Retained earnings	Total equity attributable to the owners of the company	Equity attributable to perpetual notes investors	Equity attributable to the owners of the Company and perpetual notes investors	Non-controlling interests	Total equity
Balance as at 31 December 2018	**16,672**	**673,288**	**12,657**	**(39)**	**(9,555)**	**24,195**	**2,510,278**	**3,227,496**	**1,030,050**	**4,257,546**	**409,441**	**4,666,987**
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-	13,333	13,333	-	13,333	-	13,333
Restated balance as at 1 January 2019	**16,672**	**673,288**	**12,657**	**(39)**	**(9,555)**	**24,195**	**2,523,611**	**3,240,829**	**1,030,050**	**4,270,879**	**409,441**	**4,680,320**
Profit for the year	-	-	-	-	-	-	406,950	406,950	33,000	439,950	53,410	493,360
Other comprehensive loss for the year	-	-	-	(9,834)	(912)	-	-	(10,746)	-	(10,746)	-	(10,746)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(9,834)**	**(912)**	**-**	**406,950**	**396,204**	**33,000**	**429,204**	**53,410**	**482,614**
Dividend distribution *	-	(129,002)	-	-	-	-	-	(129,002)	-	(129,002)	-	(129,002)
Scrip dividend *	112	21,623	-	-	-	-	-	21,735	-	21,735	-	21,735
Share-based payment	6	771	-	-	-	290	-	1,067	-	1,067	-	1,067
Initial consolidation, deconsolidation and transactions with non-controlling interests	-	-	-	-	-	-	(38,201)	(38,201)	-	(38,201)	(18,934)	(57,135)
Payment to perpetual notes investors	-	-	-	-	-	-	-	-	(33,000)	(33,000)	-	(33,000)
Balance as at 31 December 2019	**16,790**	**566,680**	**12,657**	**(9,873)**	**(10,467)**	**24,485**	**2,892,360**	**3,492,632**	**1,030,050**	**4,522,682**	**443,917**	**4,966,599**

* reclassified

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2020	2019
		€'000	
Cash flows from operating activities:			
Profit for the year		**449,071**	**493,360**
Adjustments for the profit:			
Depreciation and amortisation	15	5,042	3,872
Property revaluations and capital gains	7	(343,409)	(401,132)
Share of profit from investments in equity-accounted investees	14	(3,569)	(60)
Net finance expenses	10	98,430	78,234
Tax and deferred tax expenses	11	92,654	121,275
Equity settled share-based payment	19.2	1,561	2,113
Change in working capital		(29,444)	(20,084)
		270,336	**277,578**
Tax paid		(28,184)	(28,087)
Net cash provided by operating activities		**242,152**	**249,491**
Cash flows from investing activities:			
Acquisition of equipment and intangible assets, net		(7,380)	(7,090)
Acquisition of investment property, capex and advances paid, net		(505,125)	(413,974)
Disposals of investment property, net		12,846	220,101
Acquisition of investees and loans, net of cash acquired		(117,555)	(202,811)
Disposal of investees and loans, net of cash disposed		664,232	233,577
Disposal (investment) of (in) financial and other non-current assets, net		(438,688)	117,072
Net cash used in investing activities		**(391,670)**	**(53,125)**

		For the year ended 31 December	
		2020	2019
	Note	€'000	
Cash flows from financing activities:			
Amortisation of loans from financial institutions	20.3	(11,907)	(9,178)
Proceeds (Repayment) of loans from financial institutions, net	20.3	(9,525)	(348,292)
Proceeds from straight bonds, net	20.3	580,840	721,482
Proceeds (payments) from (to) Perpetual notes investors, net		206,925	(33,000)
Transactions with non-controlling interests		6,637	(55,268)
Dividend distributed to the shareholders		(71,013)	(107,245)
Repayment of lease liabilities	20.3	-	(4,176)
Interest and other financial expenses, net	20.3	(51,337)	(49,523)
Net cash provided by financing activities		**650,620**	**114,800**
Net increase in cash and cash equivalents		**501,102**	**311,166**
Change in cash and cash equivalent held-for-sale	25.2	171	(166)
Cash and cash equivalents at the beginning of the year		**914,054**	**603,158**
Effect of foreign exchange rate changes		(3,128)	(104)
Cash and cash equivalents at the end of the year		**1,412,199**	**914,054**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

1.1. Incorporation and principal activities

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). Its registered office is at 1, Avenue du Bois L-1251 Luxembourg.

The Company 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's strategy is to improve its properties through targeted modernization and intensive tenant management, and create value by subsequently raising occupancy and rental levels.

These consolidated financial statements for the year ended 31 December 2020 comprise the Company and its investees ("the Group" or "GCP").

1.2. Listing on the Frankfurt Stock Exchange

Since 2012, the Company's shares are listed on the Frankfurt Stock Exchange. On 9 May 2017 the Company's shares were uplisted to the Prime Standard of the Frankfurt Stock Exchange.

Effective 18 September 2017, the Company's shares were included in the MDAX index of the Deutsche Börse.

As at 31 December 2020, the issued share capital consists 171,864,050 shares with a par value of euro 0.10 per share.

1.3. Capital increase, perpetual notes and bond issuances

Since 2012, the Company undertook several capital market transactions which include the issuance of straight bonds, convertible bonds, perpetual notes and equity.

In addition, the Company established Euro Medium Term Notes Programme ("the EMTN programme").

For more information see notes 18 and 20.2.

1.4. Group rating

On 23 November 2016, S&P upgraded its long-term corporate credit rating of the Company to 'BBB+' with a stable outlook from 'BBB'. In addition, S&P has revised the ratings of the senior unsecured debt of the Company to 'BBB+' from 'BBB' and on its subordinated perpetual notes to 'BBB-' from 'BB+'.

On 21 December 2016, S&P assigned the Company a short-term corporate credit rating of 'A-2'.

In September 2017, Moody's Investors Service ("Moody's") upgraded to 'Baa1' from 'Baa2' the long-term issuer rating of the Company. Concurrently, Moody's upgraded to 'Baa1' from 'Baa2' the Company's senior unsecured debt and to 'Baa3' from 'Ba1' the subordinated perpetual notes.

As at December 2020, the Group's credit rating was reaffirmed by both rating agencies, as described above.

As of the beginning of 2021 and as part of cost saving measures, the Group has terminated its contract with Moody's. However, Moody's has informed the Group that it intends to maintain a public credit rating on the Group on an unsolicited basis.

1.5 Definitions

In these consolidated financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees
GCP ltd	Grandcity Property Limited
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Company
Associates	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company using equity method of accounting
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24

2. BASIS OF PREPARATION

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Certain consolidated statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows' items related to the year ended 31 December 2019 have been reclassified to enhance comparability with 2020 figures and are marked as "reclassified".

The consolidated financial statements were authorised for issue by the Company's board of directors on 15 March 2021.

2.2. Basis of measurement

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of the following:

- Financial assets at fair value through profit or loss;
- Investment properties are measured at fair value;
- Investment in equity-accounted investees;
- Derivative financial assets and liabilities;
- Assets and liabilities classified as held-for-sale;
- Deferred tax liability on fair value gain on investment property and derivative financial instruments.

2.3. Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS requires from management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on current knowledge available at that time. Actual results may differ from such estimates.

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Leases

- **Property lease classification (the Group as lessor)** - The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease terms not constituting a major part of the economic life of the properties and the present value of the minimum lease payments not amounting to substantially all of the fair value of the properties, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Revenue from contracts with customers

- **Determination of performance obligations** - In relation to the services provided to tenants of investment property as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consume the benefits provided by the Group. With respect to the sale of property, the Group concluded the goods and services transferred in each contract constitute a single performance obligation.

- **Principal versus agent considerations (services to tenants)** - The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

- **Determining the timing of revenue recognition on the sale of property** - The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions. The Group has generally concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

Business combinations

- The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired and, in particular, the extent of services provided by the subsidiary. When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- **Valuation of investment property** - The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.
- **Taxes** - Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.
- **Impairment of financial assets assets measured at amortised cost** - When measuring expected credit loss (ECL) the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- **Impairment of non-financial assets (equipment and intangible assets**) - When there is an indication that an asset may be impaired or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit (CGU)'s fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.
- **Property leases** - estimating the incremental borrowing rate - The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available.

2.4. Functional and presentation currency

The Group's consolidated financial statements are presented in euro, which is also the Company's functional currency, and rounded to the nearest thousand (€'000) unless stated otherwise.

For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss, with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, liability, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. The exchange differences arising on translation for consolidation are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The Group's main foreign exchange rates versus the euro were as follows:

	EUR/ GBP	EUR/ HKD	EUR/ CHF	EUR/ JPY
As of 31 December 2020	0.899	9.514	1.080	126.490
As of 31 December 2019	0.851	8.747	1.085	121.940
Change (%)	5.64%	8.77%	(0.46%)	3.73%
Average exchange rate during the year	0.890	8.859	1.071	121.846

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Changes in accounting policies and disclosures

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year, except for items disclosed below.

There were several new and amendments to standards and interpretations which are applicable for the first time in 2020, but either not relevant or do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. See note 3.22.

- **Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform**
  The Group adopted Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result IBOR reform. Also, the reliefs allow the Group not to discontinue hedging relationships as a result of retrospective or prospective ineffectiveness if only caused by the reform.

- **Amendments to IFRS 3: Definition of a Business**
  The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. The other key amendments include: removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs; adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired; narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs; and adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  These amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any acquisition.

3.2. Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the parent company Grand City Properties S.A. and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or IAS 28 Investments in Associates and Joint Ventures.

3.3. Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities of the entity based on their relative values at the acquisition date. Such a transaction or event does not give rise to goodwill.

Business combinations are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4. Investments in associates and equity - accounted investees

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A jointly controlled entity is an entity in which two or more parties have interest.

The results and assets and liabilities of associates and equity-accounted investees are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, in which case it is accounted for in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the consolidated income statement and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount; any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements, however only to the extent of interests in the associate that are not related to the Group.

3.5. Revenue recognition

The Group's key sources of income include:

- Rental income
- Revenue from contracts with customers:
  - Services to tenants including management charges and other expenses recoverable from tenants
  - Sale of properties – inventories and investment property

The accounting for each of these elements is discussed below:

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are capitalised to the investment property and recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Group is reasonably certain that the tenant will exercise that option.

Revenue from services to tenants

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain ancillary services offered to tenants (i.e., customers). The consideration charged to tenants for these services includes fees and reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress.

The Group arranges for third parties to provide certain of these services to its tenants. The Group concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Group records revenue on a gross basis.

Sale of property

The Group enters into contracts with customers to sell properties that are either complete or under development.

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

For contracts relating to the sale of properties under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided. In such contracts, the goods and services are not distinct and are generally accounted for as a single performance obligation. Depending on the terms of each contract, the Group determines whether control is transferred at a point in time or over time.

The Group has elected to make use of the following practical expedients:

- Contract costs incurred related to contracts with an amortization period of less than one year have been expensed as incurred.
- The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations for contracts in which the Group has a right to consideration from tenants in an amount that corresponds directly with the value to the tenant of the Group's performance completed to date.
- The Group does not adjust the transaction price for the effects of significant financing component since at contract inception it is expected that the period between when the entity transfers the services to tenants and when the tenants pay for these services will be one year or less.

3.6. Finance income and expenses and other financial results

Finance income comprises interest income on funds invested.

Finance expenses comprise interest expense on bank loans, third party borrowings and bonds.

Other financial results represent changes in the time value of provisions, changes in the fair value of traded securities, gains or losses on derivative financial instruments, borrowing and redemption costs, loan arrangement fees, dividend income and other one-off payments.

Financial expenses are recognised as they are incurred in the consolidated statement of profit or loss, using the effective interest method.

3.7. Taxes

Current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income (OCI) or in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax also includes taxes on the holding of real estate property and construction.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and liability separately. The Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition, are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if there is new information about changes in facts and circumstances. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.8. Equipment and intangible assets

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss using the straight line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Furniture, fixtures and office equipment	10-50

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

The intangible assets of the Group consist of goodwill and software. Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization, and any accumulated impairment losses.

3.9. Deferred income

Deferred income represents income which relates to future periods.

- **Prepayments**
  The Group receives prepayments from tenants for ancillary services and other charges on a monthly basis. Once a year, the prepayments received from tenants are settled against the operating cost receivables
- **Tenancy deposits**
  Tenancy deposits are paid to ensure the tenant occupied real estate is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

3.10. Investment property

Investment property comprises property that is held, to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property comprises principally properties that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment property is measured initially at cost, including directly attributable expenditure such as transfer taxes, professional fees for legal services and other transaction costs.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Transfers are made to (or from) investment property only when there is evidence of a change in use (such as commencement of development or inception of an operating lease to another party). For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an inventory property becomes an investment property, the difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss. The Group considers as evidence the commencement of development with a view to sale (for a transfer from investment property to inventories) or inception of an operating lease to another party (for a transfer from inventories to investment property).

Investment property is derecognised either when it has been disposed of (i.e., at the date the recipient obtains control of the investment property in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15) or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in "Property revaluations and capital gains" in the consolidated statement of profit or loss in the period of derecognition. In determining the amount of consideration to be included in the gain or loss arising from the derecognition of investment property, the Group considers the effects of variable consideration, the existence of a significant financing component, noncash consideration, and consideration payable to the buyer (if any) in accordance with the requirements for determining the transaction price in IFRS 15.

Refer to the note 3.12 "Non-current assets held-for-sale" on the accounting for investment property classified by held-for-sale.

3.11. Trading property (Inventories)

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and net realisable value (NRV).

Cost incurred in bringing each property to its present location and condition includes:

- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

3.12. Non-current assets held-for-sale

The Group classifies non-current assets (principally investment property) and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held-for-sale (except for investment property measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Investment property held-for-sale continues to be measured at fair value. Assets and liabilities classified as held-for-sale are presented separately in the statement of financial position.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3.13. Financial instruments

A financial instrument is any contract that gives right to a financial asset of one entity and a financial liability or equity instrument of another entity.

I. Financial assets

i. Initial recognition and measurement

Financial assets are classified at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. See note 3.5.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

ii. Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

1. Financial assets at amortised cost (debt instruments)
2. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
3. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
4. Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired refer to expected credit loss model in determined impairment.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.
Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other financial results in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidate statement of profit or loss.

Dividends on listed equity instruments are also recognised as other financial results in the consolidated statement of profit or loss when the right of payment has established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the term of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified entirely as a financial asset at fair value through profit or loss.

iii. De-recognition

Financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

iv. Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from defaults events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group or when there is a breach of financial covenants by the debtor. Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

II. Financial liabilities

i. Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

iii. De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

III. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

IV. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

V. Convertible bonds

Convertible bonds, that can be converted to share capital at the option of the holder and the number of shares to be issued is fixed are separated into liability and equity component based on the terms of the contract.

On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible bonds, based on the allocation of the proceeds to the liability and equity components when the instruments are initially recognised.

On conversion, the financial liability is reclassified to equity and no gain or loss is recognised in the consolidated statement of profit or loss.

VI. Perpetual notes

Perpetual notes have no maturity date and may be redeemed by the Company, at its sole discretion, on certain dates. The Perpetual notes are recognised as equity attributable to its holders, which forms part of the total equity of the Group. 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. Upon occurrence of such an event, any Arrears of Interest would be re-classified as a liability in the Group's consolidated financial statements. The deferred amounts shall not bear interest.

3.14. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swap and cross-currency swap contracts, to hedge its foreign currency risks, interest rate risks and fair value risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised commitment.
- Cash flow hedges when hedging the exposures to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ration is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedge item. Hedges that meet all the qualifying criteria for hedge accounting are accounted for and further described below:

- **Fair value hedges**
  The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of profit or loss.

  The Group designates only the spot element as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve as time period related element and amortised to the consolidated statement of profit or loss over the hedged period.

  If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

- **Hedge of net investments in foreign operations**

  Hedges of a net investment in a foreign operation, including a hedge of monetary item that is accounted for as part of the net investment, are accounted for as follows:

  - The Group designates only the spot element as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve as time period related element and amortised to the consolidated statement of profit or loss over the hedged period.
  - Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss.
  - On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

3.15. Property operating expenses

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties. Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the consolidated income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

3.16. Operating segments

The Group has one reportable operating segment which refers to rental income from owned investment properties.

An operating segment is a component of the Group that meets the following three criteria:

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

3.17. Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

3.18. Earnings per share

Earnings per share are calculated by dividing the net profit attributable to owners of the Company by the weighted number of Ordinary shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential Ordinary shares (convertible securities such as convertible debentures, warrants and employee options) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential Ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is included based on the earnings per share of the investees multiplied by the number of shares held by the Company.

3.19. Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised 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 recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

3.20. Provisions for other liabilities and charges

Provisions are recognised when there is a present obligation, either legal or constructive, vis-à-vis third parties as a result of a past event, if it is probable that a claim will be asserted, and the probable amount of the required provision can be reliably estimated. Provisions are reviewed regularly and adjusted to reflect new information or changed circumstances.

Provisions include provisions for operating and administrative liabilities, as well as accruals of interest on straight and convertible bonds which have not become payable as at the reporting date.

3.21. Leased assets

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Initially, the right-of-use assets are measured at cost and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

In addition, the Group leases properties that meet the definition of investment property. The right-of-use assets are classified and presented as part of the line item 'Investment property' in the statement of financial position and subsequently measured at fair value.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. IFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

The Group presents cash payments for interest portion of lease liabilities under "interest and other financial expenses, net" in the consolidated statement of cash flows.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Refer to accounting policies on rental income in note 3.5.

3.22. Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below, if they are expected to have an impact on the Group's financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**
  In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies.

- **Reference to the Conceptual Framework – Amendments to IFRS 3**
  In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
  The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
  At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
  The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**
  In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
  The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
  The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

- **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- **Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16**

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting. The Group will apply IBOR reform Phase 2 from 1 January 2021.

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2020 and 31 December 2019 on a recurring basis:

	As at 31 December 2020					As at 31 December 2019				
			Fair value measurement using					Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observ-able inputs (Level 2)	Significant unob-servable inputs (Level 3)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observ-able inputs (Level 2)	Significant unob-servable inputs (Level 3)
	€'000									
Financial assets										
Financial assets at fair value through profit or loss *	308,877	308,877	232,597	76,280	-	162,220	162,220	139,274	22,946	-
Derivative financial assets	63,024	63,024	-	63,024	-	32,507	32,507	-	32,507	-
Total financial assets	**371,901**	**371,901**	**232,597**	**139,304**	**-**	**194,727**	**194,727**	**139,274**	**55,453**	**-**
Financial liabilities										
Derivative financial liabilities	41,249	41,249	-	41,249	-	80,349	80,349	-	80,349	-
Total financial liabilities	**41,249**	**41,249**	**-**	**41,249**	**-**	**80,349**	**80,349**	**-**	**80,349**	**-**

* including non-current financial assets at fair value through profit or loss, see note 13.

Fair value hierarchy

Level 1: the fair value of financial instruments traded in active markets (such as debt and equity securities) is based on quoted market prices at the end of the reporting period.

Level 2: the fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant input required to fair value of financial instrument are observable, the instrument is included in level 2.

Level 3: if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments as at 31 December 2020 and 31 December 2019:

	As at 31 December 2020					As at 31 December 2019				
			Fair value measurement using					Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€'000									
Financial liabilities										
Straight bonds *	3,498,478	3,834,864	3,643,580	191,284	-	2,920,010	3,115,599	2,924,039	191,560	-
Convertible bond	277,614	286,183	286,183	-	-	274,908	299,942	299,942	-	-
Total financial liabilities	**3,776,092**	**4,121,047**	**3,929,763**	**191,284**	**-**	**3,194,918**	**3,415,541**	**3,223,981**	**191,560**	**-**

* including bond redemption

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of input such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments and is discussed further below.

Valuation methods assumptions

The following methods and assumptions were used to estimate the fair values:

- The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted bonds is measured using the discounted cash flows method with observable inputs.
- There's an active market for the Group's listed equity investments and quoted debt instruments.
- Hybrid instruments are measured using a combination of a discount cash flows method for the host contract and a call pricing model for the embedded derivative (i.e., the conversion option). The models use observable inputs such as market price of the underlying asset and swap rate curve.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate and foreign exchange swap and forward, collar and cap contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.

According to the Group's policy, these transfers were recognised at the end of the relevant interim reporting periods.

5. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

- During the year, the Group obtained control over several portfolios through acquisitions of companies. The transactions did not meet the definition of business combination. The purchases of these companies were treated as acquisition of a group of assets and liabilities.

  Therefore, the total purchase costs amounted to euro 122 million were allocated between the assets and liabilities based on their relative fair value at the purchase date, without recognition of goodwill.

  As part of the acquisition, the Group initially consolidated investment property of euro 169 million, loans and borrowings of euro 10 million and recognised euro 55 million non-controlling interests.

- During the year, the Group changed its holdings rates in several subsidiaries without losing control. The carrying amount of the Group's interest and non-controlling interests was adjusted to reflect the changes in their relative interest in the subsidiaries, in the amount of euro 3 million and is presented in the consolidated statement of changes in equity. The results of the transactions are recognised directly in equity attributed to the owners of the Company.

6. REVENUE

	Year ended 31 December	
	2020	2019
	€'000	
Net rental income	372,462	382,605
Operating and other income	162,962	177,698
	535,424	**560,303**

The Group is not exposed to significate revenue derived from an individual customer.

Geographical information

	Year ended 31 December	
	2020	2019
	€'000	
Revenue		
Germany	474,044	529,364
United Kingdom	55,968	29,658
Others	5,412	1,281
	535,424	**560,303**

7. PROPERTY REVALUATIONS AND CAPITAL GAINS

	Year ended 31 December	
	2020	2019
	€'000	
Property revaluations	289,727	369,987
Capital gains	53,682	31,145
	343,409	**401,132**

8. PROPERTY OPERATING EXPENSES

	Year ended 31 December	
	2020	2019
	€'000	
Purchased services	(161,729)	(180,523)
Maintenance and refurbishment	(27,280)	(33,488)
Personnel expenses	(24,119)	(24,628)
Other operating costs	(13,358)	(14,745)
	(226,486)	***(253,384)**

* reclassified

As of 31 December 2020, the Group had 882 employees (2019: 950 employees). On an annual average, the Group had 916 (2019: 967) employees.

9. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December	
	2020	2019
	€'000	
Personnel expenses	(4,494)	(4,664)
Audit and accounting costs	(2,514)	(2,519)
Legal and professional consultancy fees	(1,924)	(2,068)
Marketing and other expenses	(1,787)	(2,119)
	(10,719)	***(11,370)**

* reclassified

During the year, the Group recorded euro 1.9 million (2019: euro 1.7 million) and euro 0.7 million (2019: euro 0.4 million) related to audit and audit-related fees provided by KPMG audit firms and other audit firms, respectively, and euro 0.2 million (2019: euro 0.2 million) and euro 0.1 million (2019: euro 0.1 million) related to tax and consultancy services provided by KPMG audit firms and other audit firms, respectively.

10. NET FINANCE EXPENSES

10.1 Finance expenses

	Year ended 31 December 2020	2019
	€'000	
Finance expenses from financial institutions and third parties, net	(3,770)	(7,659)
Finance expenses from straight and convertible bonds, net	(48,990)	(37,382)
	(52,760)	**(45,041)**

10.2 Other financial results

	Year ended 31 December 2020	2019
	€'000	
Changes in fair value of financial assets and liabilities, net	(19,876)	(15,757)
Finance-related costs	(25,794)	(17,436)
	(45,670)	**(33,193)**

11. TAXATION

11.1 Tax rates applicable to the group

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 24.94% (2019: 24.94%).

The German subsidiaries with property are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15% as of 31 December 2020 (2019: 15%), plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

German property taxation includes taxes on the holding of real estate property.

The Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5% (2019: 12.5%).

Under certain conditions interest income of the Cypriot companies may be subject to defense contribution at the rate of 30% (2019: 30%). In such cases this interest will be exempt from corporation tax.

In certain cases, overseas dividend income of Cyprus tax resident companies may be subject to special defense contribution at a flat rate of 17%. In such case, this dividend income will be exempt from Cyprus income (corporation) tax. Under certain conditions, dividend income earned from Cyprus tax resident companies is exempt from special defense contribution and Cyprus income (corporation) tax.

The United Kingdom subsidiaries with property are subject to taxation under the laws of the United Kingdom. Income taxes are calculated using a federal corporate tax (that includes capital gains) of 19% for 31 December 2020 (2019: 19%).

A change to the main United Kingdom corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 remains at 19%, rather than the previously enacted reduction to 17%.

Subsidiaries in other jurisdictions are subject to corporate tax rate of up to 25%.

11.2 Current tax in consolidated statement of profit and loss

	Year ended 31 December 2020	2019
	€'000	
Corporate income tax	(15,919)	(18,574)
Property tax	(15,468)	(18,488)
Charge for the year	**(31,387)**	**(37,062)**

11.3 MOVEMENT IN DEFERRED TAX ASSETS (LIABILITIES) NET

€'000	Fair value gains on investment property, net	Derivative financial instruments, net	Loss carried forward	Other	Total
Balance as at 1 January 2019	**(523,097)**	**1,723**	**34,953**	**-**	**(486,421)**
Opening balance adjustment for initial application of IFRS 16	(2,533)	-	-	-	(2,533)
Credit (charge) to profit or loss for the year	(87,602)	(5,210)	8,117	482	(84,213)
Credit (charge) to other comprehensive income for the year	(4,622)	4,598	-	-	(24)
Transfer	10,165	-	-	(10,165)	-
Deconsolidation	16,233	-	(1,606)	-	14,627
Change in liabilities/assets held-for-sale	8,865	-	(230)	-	8,635
Balance as at 31 December 2019	**(582,591)**	**1,111**	**41,234**	**(9,683)**	**(549,929)**
Credit (charge) to profit or loss for the year	(80,564)	1,466	18,313	(482)	(61,267)
Credit (charge) to other comprehensive income for the year	(9,693)	(8,660)	-	-	(18,353)
Deconsolidation	55,557	(109)	(8,825)	-	46,623
Change in liabilities/assets held-for-sale	(681)	-	(57)	-	(738)
Balance as at 31 December 2020	**(617,972)**	**(6,192)**	**50,665**	**(10,165)**	**(583,664)**

As at 31 December 2020 the Group has unused tax losses for which no deferred tax assets have been recognised as it is not considered probable that there will be future taxable profits available. These deferred tax assets which have not been recognised amounted to approximate euro 21 million (2019: 28 million) of which euro 10 million (2019: 10 million) and euro 11 million (2019: 18 million) are related unused tax losses that can be carried forward indefinitely and for a maximum period of 17 years, respectively.

The Group has applied the initial recognition exception on acquisitions of investment property which did not meet the definition of business combination. As at 31 December 2020, the deferred tax liabilities which have not been recognised in the consolidated financial statement of financial position amounted to euro 63 million (2019: 56 million).

11.4 RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended 31 December	
	2020	2019
	€'000	
Profit before tax	541,725	614,635
Statutory tax rate	24.94%	24.94%
Tax computed at the statutory tax rate	135,106	153,290
Decrease in taxes on income resulting from the following factors:		
Group's share of earnings from companies accounted for at equity	(890)	(15)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(55,069)	(56,067)
Others	13,507	24,067
Tax and deferred tax expenses	**92,654**	**121,275**

12. NET EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

12.1 Basic earnings per share

The calculation of basic earnings per share as of 31 December 2020 is based on the profit attributable to ordinary shareholders of euro 362,218 thousand (2019: euro 406,950 thousand), and a weighted average number of ordinary shares outstanding of 169,803 thousand (2019: 167,246 thousand), calculated as follows:

	Year ended 31 December	
Profit attributed to ordinary shareholders (basic)	2020	2019
	€'000	
Profit for the year, attributable to the owners of the Company	362,218	406,950

	Year ended December 31	
Weighted average number of ordinary shares (basic)	2020	2019
	In thousands of shares	
Issued ordinary shares on January 1	167,896	166,718
Capital increase	1,907	528
Weighted average number of ordinary shares as at 31 December	**169,803**	**167,246**
Basic earnings per share (euro)	**2.13**	**2.43**

12.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2020 is based on profit attributable to ordinary shareholders of euro 365,625 thousand (2019: euro 410,315 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 181,509 thousand (2019: 178,736 thousand), calculated as follows:

	Year ended 31 December	
Profit attributed to ordinary shareholders (diluted)	2020	2019
	€'000	
Profit for the year, attributable to the owners of the Company (basic)	362,218	406,950
Expense on convertible bond	3,407	3,365
Profit for the year, attributable to the owners of the Company (diluted)	**365,625**	**410,315**

	Year ended 31 December	
Weighted average number of ordinary shares (diluted)	2020	2019
	In thousands of shares	
Issued ordinary shares on January 1	167,896	166,718
Capital increase	1,907	528
Effect of exercise of convertible bond "Series F"	11,316	10,994
Effect of warrants	251	240
Effect of equity settle share-based payment	139	256
Weighted average number of ordinary shares as at 31 December	**181,509**	**178,736**
Diluted earnings per share (euro)	**2.01**	**2.30**

13. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
	€'000	
Tenancy deposit [1]	35,334	41,119
Investment in other long-term assets [2]	244,059	65,586
Financial assets at fair value through profit and loss	29,134	13,514
Others	7,357	4,880
	315,884	**125,099**

1 Tenancy deposits mainly include 1-3 months net rent from the tenants which are paid at the beginning of the lease. The deposits are considered as a security payment by the tenant and the Group can use those funds mainly if the tenant has unpaid debts or causes damages to the property. Past experience shows that the majority of the leases are long term and therefore the deposits are presented as long term assets.

2 Include non-current prepayments, Group's loans as a seller as well as loans connected with future real-estate transactions.

14. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES

The Group has interests in a number of individually immaterial associates.

The following table analyses, in aggregate, the carrying amount of the Group's interests in these associates (including loans related to these associates) and the share of profit for the year in these associates.

	2020	2019
	€'000	
Carrying amount of the interests in investees as at 31 December	107,880	21,020
Share of profit from investees for the year ended 31 Decemeber	3,569	60

15. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill, softwares and other intangible assets	Total
		€'000	
Cost			
Balance as at 1 January 2019	16,342	16,998	33,340
Additions	5,626	3,619	9,245
Equipment and intangible assets arising from initial consolidation	22	-	22
Deconsolidation	(71)	(2,156)	(2,227)
Balance as at 31 December 2019	**21,919**	**18,461**	**40,380**
Additions, net	4,183	3,184	7,367
Deconsolidation	(337)	(1,779)	(2,116)
Balance as at 31 December 2020	**25,765**	**19,866**	**45,631**
Depreciation/Amortisation			
Balance as at 1 January 2019	7,023	2,252	9,275
Depreciation/Amortisation for the year	2,350	1,522	3,872
Balance as at 31 December 2019	**9,373**	**3,774**	**13,147**
Depreciation/Amortisation for the year	2,859	2,183	5,042
Balance as at 31 December 2020	**12,232**	**5,957**	**18,189**
Carrying amounts			
Balance as at 31 December 2020	**13,533**	**13,909**	**27,442**
Balance as at 31 December 2019	**12,546**	**14,687**	**27,233**

16. INVESTMENT PROPERTY

16.1 Reconciliation of investment property

	2020	2019
	Level 3*	Level 3*
	€'000	
As at 1 January	**7,956,034**	**7,227,290**
Plus: investment property classified as held-for-sale	196,432	132,137
Total investment property	**8,152,466**	**7,359,427**
Adjustment for initial application of IFRS 16	-	68,678
Acquisitions of investment property	616,830	681,465
Capital expenditure on investment property	83,667	92,949
Disposals of investment property	(920,013)	(464,277)
Fair value adjustment	289,727	369,987
Effect of foreign currency exchange differences	(66,577)	46,017
Transfers (from)/to investment property	-	(1,780)
Total investment property	**8,156,100**	**8,152,466**
Less: investment property classified as held-for-sale	(150,207)	(196,432)
As at 31 December	**8,005,893**	**7,956,034**

* classified in accordance with the fair value hierarchy. Since one or more of the significant inputs is not based on observable market data, the fair value measurement is included in level 3.

As at 31 December 2020 and 2019, the fair values of the properties are based on valuations performed by accredited independent valuers.

As at 31 December 2020, approximately 18% (2019: 21%) of the Group's investment properties were encumbered to bank loans and therefore subject to certain restrictions on the realisability of the properties.

16.2 Geographical information

	As at 31 December	
	2020	2019
	€'000	
Investment property *		
Germany	6,371,688	6,803,282
United Kingdom	1,524,423	1,073,701
Others	109,782	79,051
	8,005,893	**7,956,034**

* not including properties held-for-sale.

16.3 Measurement of fair value

The fair value of the properties of the Group is determined at least once a year by external, independent and certified valuators, who are specialist in valuing real estate properties. The prime valuator, responsible for the major part of the portfolio is Jones Lang LaSalle GmbH (JLL) and is considered as one of the market leading valuators in the European real estate market. The fair value of the properties was prepared in accordance with the RICS Valuation-Professional Standards (current edition) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuations Standards, and in accordance with IVSC International Valuation Standard (IVS), the International Accounting Standard (IAS), International Financial Reporting Standards (IFRS) as well as the current guidelines of the European Securities and Market Authority (ESMA) based on the Market Value. This is included in the General Principles and is adopted in the preparation of the valuations reports of JLL. Therefore, the valuation is based on internationally recognized standards.

As part of the engagement, the Company and the valuators confirm that there is no actual or potential conflict of interest that may have influenced the valuators status as external and independent. The valuation fee is determined on the scope and complexity of the valuation.

The fair value of the investment property is determined using the following valuation methods:

- **Discounted cash flow (DCF) method**

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, and refurbishment. The appropriate durations are typically driven by market behaviour that is a characteristic of the class of real property.

Periodic cash flows are typically estimated as gross income less vacancy, non-recoverable expenses, collection losses on future rents, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

- **Comparable approach**

Properties in UK were generally valued using the market comparable approach, due to a high volume of transactions involving comparable property in the area during the year. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter (sqm).

In general, enquiries have been made of the valuers and public databases, local sales offices and recent transactions. The main components of the valuation are the location of the property, the condition of the property with its units; provision of concierge and residents facilities, provision and layout of accommodation, as well as market sentiment and how the individual units would be received by the market. The most recent sales data for individual units within the subject property and comparable evidence within the immediate area will be taken into account and adjusted by premium according to the specifics of the property and its units. The achieved market sales price per sqm will be multiplied by the area of the property to achieve the property specific market value.

- **Residual value approach**

The residual value assesses the various factors associated with a conversion or a new development of a property. The goal of this method is to calculate an objective value for the site, which is either undeveloped or suboptimally utilised. The residual value is determined by first calculating the net capital value of the property after completion of the planned development project. This figure is derived by subtracting the non-recoverable operating costs (e.g. maintenance and management costs) from the potential gross sale value. In order to determine the net capital value, the purchaser's costs have to be deducted. The costs for the assumed development are subtracted from the net capital value, resulting in the remainder (residuum). These costs include building fees as well as other required fees, which are necessary for the construction of a building, depending on its type of use.

The additional construction costs are also part of the total development costs. The following additional costs are common for constructions: planning, construction, official review and approval costs as well as financing required immediately for construction. The amount of additional construction costs depends on the type of building, its finishes and the location. All of the construction and additional building costs as well as other project costs including financing costs and developer's profit are subtracted from the calculated gross sale value of the completed development. The difference of the gross sale value and the development costs results in the remainder (residuum). In order to acquire the residual value, financing and additional purchasing costs for the property are deducted from this remainder. The residual value represents the amount, which an investor would spend for the development of the property under specific economic conditions.

As at 31 December 2020, 92% (2019: 85%) of investment property have been valued using the discounted cash flows method, 3% (2019:12%) comparable approach and 5% (2019:3%) residual value approach.

The key assumptions used to determine the fair value of the investment properties are further discussed below.

Valuation technique	Significant unobservable inputs	As of 31 December	
		2020	2019
		Range (weighted average)	
DCF method	Rent growth p.a. (%)	0.2 - 2.1 (1.4)	0.3 - 3.0 (1.4)
	Long-term vacancy rate (%)	0 - 8.6 (3.8)	0.0 - 7.0 (4.9)
	Discount rate (%)	1.9 - 10.9 (5.1)	2.8 - 9.4 (5.3)
	Capitalization rate (%)	1.8 - 8 (4.1)	2.1 - 7.5 (4.5)
Market comparable approach	Price per sqm (in euro)	3,700- 12,650 (8,500)	4,300 - 13,700 (8,600)
Residual value approach	Sale price per sqm (in euro)	5,000 - 15,100 (6,500)	4,000 - 8,100 (6,600)
	Rent price per sqm (in euro)	11- 24 (15.8)	11.3 - 20.8 (15.6)
	Development cost per sqm (in euro)	1,884 - 6,256 (2,792)	2,066 - 6,502 (2,782)
	Developer margin (%)	7.5 - 25 (11.6)	7.5 - 18.0 (10.9)

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

Highest and best use

As at 31 December 2020, the current use of all investment property is considered the highest and best use, except for 3% (2019: 7%) of the investment properties, for which the Group determined that fair value based the development and the sale of such properties is the highest and best use. These properties are currently being used to earn rental income, in line with the Group's business model of buying and holding investment property to earn rental income. By increasing the rental income and improving these properties, the value of these properties will grow and reach the level of properties being sold.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	€'000	
Operating cost receivables [1]	147,453	174,685
Rent and other receivables	80,335	88,009
Prepaid expenses	4,573	4,466
Other short-term assets [2]	162,350	75,125
	394,711	**342,285**

1 Operating costs receivables represent a right to consideration in exchange for ancillary services that the Group has transferred to tenants and other charges billed to tenants. Once a year, the operating cost receivables are settled against advances received from tenants (see note 21).
2 Include non-current prepayment, Group's loan as seller as well as loans connected with future real estate transaction.

During the year, the Group recognised a loss allowance for expected credit losses on trade and other receivables in total amount of euro 7,852 thousand (2019: euro 6,918 thousand).

18. EQUITY

18.1 Share capital

	As at 31 December			
	2020		2019	
	Number of shares	€'000	Number of shares	€'000
Authorised				
Ordinary shares of euro 0.10 each	400,000,000	40,000	400,000,000	40,000
Issued and fully paid				
Balance as of 1 January	167,895,560	16,790	166,718,395	16,672
Issuance of new ordinary share as part of scrip dividend	3,853,379	385	1,118,687	112
Issuance of new ordinary shares as part of share-based payment	115,111	11	58,478	6
Balance on 31 December	**171,864,050**	**17,186**	**167,895,560**	**16,790**

18.2 Authorised capital

The Company's authorised share capital as of 31 December 2020 amounts to euro 40,000,000.

18.3 Issued capital during 2019-2020

On 10 July 2020, the company issued 3,853,379 (2019: 1,118,687) new shares in total value of euro 67 million (2019: euro 22 million) in connection with the scrip dividend. See note 18.6.

As at 31 December 2020, the subscribed and fully paid-up share capital amounts to euro 17,186 thousand, represented by 171,864,050 ordinary shares with par value of euro 0.10 per share. As of 31 December 2020, the Company does not hold its own shares. For additional information see note 33.

18.4 Share premium

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

The dividend distributions are paid out of the share premium.

18.5 Other reserves

The other reserves include shareholder loans that have been converted to equity and therefore can be distributed at any time, and proceeds from financial instruments and share-based payments reserves which temporarily cannot be distributed.

18.6 Resolution of dividend distribution

As part of the shareholders' annual meetings it was resolved upon the distribution of cash dividend for the following years:

For the year	Amount per share (in cents)	Gross amount (€'000)	Ex-date	Payment date
2014	20.00	24,344	25 June 2015	3 July 2015
2015	25.00	38,447	30 June 2016	1 July 2016
2016	68.25	112,468	29 June 2017	1 July 2017
2017	73.00	120,296	30 June 2018	17 July 2018
2018	77.35	129,002	27 June 2019	22 July 2019
2019	82.38	138,407	25 June 2020	14 July 2020

On 24 June 2020, the annual general meeting of shareholders of the Company has resolved upon the distribution of a dividend of euro 0.8238 (gross) (2019: euro 0.7735) per share (in total euro 138,407 thousand) to the holders of record on 26 June 2020. The company has also provided shareholders with the option to receive their dividend through a scrip dividend. From 25 June 2020 to 7 July 2020, 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 2020, and the Company issued 3.9 million new shares in total value of euro 67 thousand on 10 July 2020.

The proposed dividend for the year 2020, based on the Company's dividend policy and subject to the shareholders' annual general meeting which will take place on 30 June 2021, is euro 0.82 per share. The proposed dividend has not been recognised as a liability in the consolidated financial statements.

18.7 Perpetual notes

(a) On 9 December, 2020, the Company issued euro 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 October 2031 and by another 75 basis points (to 318.4 basis points p.a.) as of October 2046.

(b) On 11 December 2020 the Company bought back euro 414.6 million principal amount of perpetual notes 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. see note 33.

These perpetual notes are presented in the consolidated statement of financial position as equity reserve attributable to its holders, which is part of the total equity of the Group. The coupon is deferrable until payment resolution of a dividend to the shareholders. The deferred amounts shall not bear interest.

18.8 Non-controlling interests

The majority of the non-controlling interests is held by Edolaxia Group ltd.

19. SHARE-BASED PAYMENT AGREEMENTS

19.1 Description of share-based payment arrangements

As of 31 December 2020, the Group had the following share-based payment arrangements:

- **Incentive Share Plan**

The annual general meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive 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-.

- **The key terms and conditions related to the programs are as follows:**

Grant date	Number of shares	Weighted vesting period	Contractual life of the shares
January 1, 2017 – June 30, 2024	297,196	2 years	Up to 4 years

19.2 Reconciliation of outstanding share options

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

	2020	2019
	Number of shares	Number of shares
	'000	
Outstanding on January 1	384	251
Granted during the year	51	241
Exercised during the year *	(138)	(108)
Outstanding on 31 December	**297**	**384**

* In accordance with the terms and conditions of the incentive share plan, the Group withheld 67 thousand (2019: 50 thousand) shares equal to the monetary value of the employees' tax obligation from the total number of shares exercised. As a result, only 71 thousand (2019: 58 thousand) shares were issued.

During the year, the total amount recognised as share-based payment was euro 1,561 thousand (2019: euro 2,113 thousand). It was presented as Property operating expenses and as Administrative and other expenses in the consolidated statement of profit or loss and as share-based payment reserve in the consolidated statement of changes in equity.

LONDON

20. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

20.1 Loans and borrowings

	Weighted average interest rate *	Maturity *	As at 31 December	
			2020	2019
			€'000	
Non-current				
Bank loans	1.2%	2022-2082	427,470	521,110
Total non-current			**427,470**	**521,110**
Current				
Current portion long-term loans	1.2%	2021	9,667	12,136
Loan redemption			-	21,126
Total current			**9,667**	**33,262**

* as at 31 December 2020

Approx. euro 1.5 billion (2019: euro 1.7 billion) of investment properties are encumbered.

All bank loans are generally non-recourse loans with the related assets serving, among others, as a security. As at 31 December 2020 under the existing loan agreements, the Group is fully compliant with its obligations and loan covenants to the financing banks.

20.2 Straight and convertible bonds

Composition

	Note	Nominal amount outstanding	Effective coupon	Maturity	As at 31 December 2020	2019
		'000			€'000	€'000
Convertible bond						
Non - current						
Convertible bond series F	(l)	EUR 280,800	0.25%	Mar-2022	277,614	274,908
Current						
Accrued interest on convertible bond [2]					231	231
					277,845	**275,139**
Straight bonds						
Non-current						
Straight bond series D					-	24,649
Straight bond series E		EUR 550,000	1.50%	Apr-2025	533,604	529,893
Straight bond series G		EUR 600,000	1.38%	Aug-2026	584,963	582,422
Straight bond series H		EUR 255,000	2.00%	Oct-2032	242,136	241,045
Straight bond series I		HKD 900,000	[1] 1.00%	Feb-2028	94,083	102,266
Straight bond series J		EUR 667,600	1.50%	Feb-2027	660,170	658,934
Straight bond series K		CHF 125,000	0.96%	Sep-2026	115,231	114,594
Straight bond series L		JPY 7,500,000	1.40%	Jun-2038	57,561	59,606
Straight bond series M	(k)	EUR 47,000	[1] 1.70%	Jul-2033	44,713	53,883
Straight bond series N	(a)	EUR 88,000	[1] 3M Euribor + 1.71%	Feb-2039	84,663	84,479
Straight bond series O	(b)	EUR 15,000	[1] 3M Euribor + 1.68%	Feb-2034	14,648	14,622
Straight bond series P	(c)	HKD 290,000	[1] 3M Euribor + 1.38%	Mar-2029	29,905	32,450
Straight bond series Q	(d)	CHF 130,000	0.57%	Jun-2024	119,981	119,301
Straight bond series R	(e)	EUR 40,000	2.50%	Jun-2039	39,787	39,775
Straight bond series S					-	60,414
Straight bond series T					-	51,959
Straight bond series U	(h)	EUR 80,000	0.75%	Jul-2025	79,817	79,777
Straight bond series V	(i)	EUR 70,000	[1] 1.50%	Aug-2034	69,949	69,941
Straight bond series W	(j)	EUR 600,000	1.7%	Apr- 2024	589,951	-
					3,361,162	**2,920,010**
Current						
Straight bond series D [3]		EUR 25,000	2.00%	Oct-2021	24,836	-
Straight bond series S [3]	(f)	EUR 60,500	0.00%	Jan-2021	60,495	-
Straight bond series T [3]	(g)	EUR 52,000	3M Euribor + 0.60%	Jul-2021	51,985	-
					137,316	**-**
Accrued interest straight bonds [2]					30,779	24,400
					3,529,257	**2,944,410**

1 including hedging impact.
2 presented in provisions for other liabilities and other charges in the consolidated statement of financial position.
3 presented in bond and loan redemption in the consolidated statement of financial position.

As of 31 December 2020, the weighted average interest rate on the outstanding loans, borrowings and bonds, after taking into account hedging impact, is 1.3% (2019: 1.3%)

As of 31 December 2020, the Company has established a euro 10 billion EMTN programme. Notes issued under the EMTN programme are guaranteed by the Company.

Movement during 2019-2020

(a) On 25 February 2019, under the EMTN Programme, the Company issued euro 88 million straight bond series N due 2039, at an issue price of 95.822% of the principal amount with effective euro coupon 1.707% + 3m Euribor.

(b) On 25 February 2019, under the EMTN Programme, the Company issued euro 15 million Straight bond series O due 2034, at an issue price of 97.327% of the principal amount with effective euro coupon 1.677% + 3m Euribor.

(c) On 19 March 2019, under the EMTN Programme, the Company issued Hong Kong Dollars (HKD) 290 million (euro 33 million) straight bond series P due 2029, at an issue price of 100% of the principal amount. The Company hedged the currency risk of the principal amount and the interest payments. The effective euro coupon is 1.382% plus 3M Euribor.

(d) On 24 June 2019, under the EMTN Programme, the Company issued Swiss Franc (CHF) 130 million (euro 116 million) straight bond series Q due 2024, at an issue price of 100% of the principal amount. The Company hedged the currency risk of the principal amount. The CHF coupon is 0.57%.

(e) On 27 June 2019, under the EMTN Programme, the Company issued euro 40 million straight bond series R due 2039, at an issue price of 100% of the principal amount. The euro coupon is 2.5%.

(f) On 23 July 2019, under the EMTN Programme, the Company issued euro 60.5 million straight bond series S due 2021, at an issue price of 100% of the principal amount with euro coupon 0%.

(g) On 24 July 2019, under the EMTN Programme, the Company issued euro 52 million straight bond series T due 2021, at an issue price of 100% of the principal amount with euro coupon 0.6% + 3m Euribor.

(h) On 25 July 2019, under the EMTN Programme, the Company issued euro 80 million straight bond series U due 2025, at an issue price of 100% of the principal amount with euro coupon 0.75%.

(i) On 8 August 2019, under the EMTN Programme, the Company issued euro 70 million straight bond series V due 2034, at an issue price of 100% of the principal amount. The effective interest rate for the first 5 years is 1.5% and for the next 10 years 1.472% + 6m Euribor.

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

(k) On 15 April 2020 the Company bought back euro 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.

(l) On 2 July, 2020, as a result of the dividend distribution, the conversion price of the convertible bond series F has been adjusted from euro 24.8141 to euro 23.9270.

COVENANTS

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

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

   a. The sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and

   b. The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series D Bonds, the Series E Bonds and any further secured bonds of any series and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series D Bonds and the Series E Bonds and any further secured bonds of any series and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication):

(i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);

2. The Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 2.0;

3. 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.

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

The Company has covenanted, among other things, the following under its EMTN Programme (capitalised terms having the meaning set forth in the EMTN Programme):

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

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

    b. (i) the Consolidated Secured Indebtedness (excluding the Secured Notes (if any) and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Secured Notes (if any) and less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 45 per cent. of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the value of all assets acquired or contracted for acquisition by the Group, as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Issuer in the latest Financial Statements as certified by the auditors of the Issuer, since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

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

3. Up to and including the Final Discharge Date, the Issuer undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 1.8.

As at 31 December 2020 Under its outstanding bond series the Group is fully compliant with its covenants.

20.3 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOW ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities after hedging impact, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

		Finance cash flows		Non-cash changes					
€'000	31 Dec 2019	Finance expenses paid	Other cash flows	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held-for-sale	Other [1]	Other changes [2]	31 Dec 2020
Convertible bond [3]	275,139	(703)	-	-	-	-	2,706	703	277,845
Straight bonds [3]	2,944,643	(40,967)	580,840	-	(12,315)	-	8,384	48,672	3,529,257
Loans and borrowings [4]	554,372	(6,057)	(21,432)	(109,849)	-	4,337	-	15,766	437,137
Lease liabilities	61,002	(3,610)	-	(6,344)	(509)	-	950	3,610	55,099
	3,835,156	**(51,337)**	**599,408**	**(116,193)**	**(12,824)**	**4,337**	**12,040**	**68,751**	**4,299,338**

		Finance cash flows		Non-cash changes						
€'000	31 Dec 2018	Finance expenses paid *	Other cash flows *	Acquisition (disposal) of subsidiaries, net	Initial application of IFRS 16	Foreign exchange effect	Change in liabilities held-for-sale	Other [1] *	Other changes [2] *	31 Dec 2019
Convertible bond [3]	272,477	(703)	-	-	-	-	-	2,662	703	275,139
Straight bonds [3]	2,194,066	(32,341)	721,482	-	-	12,560	-	8,966	39,910	2,944,643
Loans and borrowings [4]	867,267	(13,414)	(357,470)	35,621	-	-	(1,097)	-	23,465	554,372
Lease liabilities	2,974	(3,065)	(4,176)	7,628	52,812	-	-	1,764	3,065	61,002
	3,336,784	**(49,523)**	**359,836**	**43,249**	**52,812**	**12,560**	**(1,097)**	**13,392**	**67,143**	**3,835,156**

* reclassified

1 other non-cash changes include discount and issuance cost amortisation for the bonds and remeasurement of lease liabilities.
2 other changes include interest accruals, results on early repayment of debt and results on linked derivatives.
3 including accrued interest. see note 20.2.
4 other cash flows include net repayment and amortisation of bank loans.

21. TRADE AND OTHER PAYABLES

	As at 31 December 2020	As at 31 December 2019
	€'000	
Trade and other payables	38,318	38,795
Prepayments received from tenants *	136,856	163,418
Deferred income	14,072	15,997
Other liabilities	19,819	69,454
	209,065	**287,664**

* The Group receives prepayments from tenants for ancillary services and other charges on a monthly basis. Once a year, the prepayments received from tenants are settled against the operating cost receivables.

22. OTHER NON-CURRENT LIABILITIES

	As at 31 December 2020	As at 31 December 2019
	€'000	
Tenancy deposits	36,264	42,328
Lease liability	55,099	61,002
Others *	51,069	427
	142,432	**103,757**

* Includes mainly long-term positions with non-controlling interest

22.1 Lease liability

Set out below are the carrying amounts of lease liabilities of the Group as a lessee and the movements during the year:

	2020	2019
	€'000	
As at 1 January	61,002	2,974
Initial application of IFRS 16	-	52,812
Additions (Disposals), net	(6,343)	4,106
Expenses	4,050	4,175
Payments	(3,610)	(3,065)
As at 31 December	**55,099**	**61,002**

As at 31 December 2020, all lease liabilities are related to right-of-use assets accounted for as investment property, see note 16.

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	€'000
Balance as at 1 January 2019	25,011
Movement during the year	14,383
Balance as at 31 December 2019	39,394
Movement during the year	6,382
Balance as at 31 December 2020	45,776

24. RELATED PARTY TRANSACTION

24.1. Directors and executive management personnel remuneration

For the year ended 31 December 2020

€'000	Executive Management		Independent Directors		Total
	Refael Zamir (CEO and CFO)	Christian Windfuhr (Chairman of the Board of Directors)	Daniel Malkin	Simone Runge-Brandner	
Fix remuneration [1]	498	199	112	112	921
Fixed and variable incentive [2]	608	341	-	-	949
Total remuneration	1,106	540	112	112	1,870

1 including salary, director fee and supplementary payment based on employer cost.
2 including share incentive program and bonus.

On 24 September 2020 the Board of Directors of the Company resolved that effective as of 1 October 2020, Mr. Christian Windfuhr withdraw from his position as the CEO in order to replace Mr. Refael Zamir as a member and Chairman of the Board of Directors.

Mr. Refael Zamir, became the Company's CEO effective as of 1 October 2020, Mr. Zamir continues to serve as the Company's CFO.

There were no other transactions between the Group and its directors and executive management during the year. For further information on the share incentive program see note 19.

24.2 OTHER RELATED PARTY TRANSACTIONS

The Group's transactions and arrangements with related parties and their effect on the consolidated financial statements are stated below:

	For the year ended 31 December	
	2020	2019
	€'000	
Rental and operating income	1,400	1,133
Interest income on loans to equity-accounted investees*	2,176	484
Consulting services income	500	500
Consulting services expenses	(500)	(500)
	3,576	**1,617**

* As of 31 December 2020, the Group's investment in loans to equity-accounted investees amounted to euro 88 million (2019: 17 million).

25. DISPOSALS

25.1 Disposals of investment property during the year

The following table describes the amounts of assets and liabilities disposed:

	For the year ended 31 December	
	2020	2019
	€'000	
Investment property	920,013	464,277
Other assets, net	8,239	13,954
Loan borrowings	(120,005)	(28,156)
Deferred tax liabilities, net	(46,623)	(14,627)
Total net assets disposed	**761,624**	**435,448**
Non-controlling interests disposed	21,322	3,399
Total consideration	793,984	463,194
Profit from disposal of subsidiaries	53,682	31,145

25.2 Disposal group held for sale

The Group resolved an intention to sell several properties. These properties were identified by the Group as either non-core, primarily due to the location of the properties, or mature properties with lower than average upside potential in their current condition. The intention of the Group to dispose non-core and mature properties is part of its capital recycling plan of is following a strategic decision to increase the quality of its portfolio.

Some properties are expected to be disposed through sale of subsidiaries. Accordingly, assets and liabilities relating to these subsidiaries ("Disposal Group") and some properties which are expected to be disposed through asset deals are presented as assets held for sale and as liabilities held for sale in the consolidated statement of financial position.

Efforts to sell the properties have started and a sale is expected within twelve months.

The major classes of assets and liabilities comprising the Disposal Group classified as held for sale are as follows:

	As at 31 December	
	2020	2019
	€'000	
Assets classified as held-for-sale		
Investment property	150,207	196,432
Cash and cash equivalents	389	560
Other assets	4,419	4,337
Total assets classified as held for sale	**155,015**	**201,329**
Liabilities classified as held for sale		
Loans and borrowings	-	4,337
Other liabilities	11,326	12,165
Total liabilities classified as held for sale	**11,326**	**16,502**

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

26.1 Financial assets

Set out below, is an overview of financial assets, held by the Group as at 31 December 2020 and 31 December 2019:

	As at 31 December	
	2020	2019
	€'000	
Financial assets at amortised cost:		
Cash and cash equivalent [1]	1,412,588	914,614
Trade and other receivables [1]	397,945	345,452
Other non-current assets [2]	286,750	111,585
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss [3]	308,877	162,220
Derivative financial assets [4]	43	102
Total	**2,406,203**	**1,533,973**

1 including assets held for sale.
2 excluding finance lease assets and non-current financial assets at fair value through profit or loss.
3 including non-current financial assets at fair value through profit or loss included in other non-current assets (see note 13).
4 excluding derivative financial assets designated as hedging instruments in hedge relationships (see note 27).

26.2 Financial liabilities

Set out below, is an overview of financial liabilities, held by the Group as at 31 December 2020 and 31 December 2019:

	As at 31 December	
	2020	2019
	€'000	
Financial liabilities at amortised cost:		
Trade and other payables [1]	211,701	290,685
Tax payable	13,446	15,599
Loans and borrowings [2]	437,137	558,709
Straight bonds [3]	3,498,478	2,920,010
Accrued interest on straight bonds	30,779	24,400
Convertible bond	277,614	274,908
Accrued interest on convertible bonds	231	231
Other long-term liabilities [1]	142,717	104,029
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities [4]	10,041	6,018
Total	**4,622,144**	**4,194,589**

1 including liabilities held for sale.
2 including liabilities held for sale and loan redemption.
3 including bond redemption.
4 excluding derivative financial liabilities designated as hedging instruments in hedge relationships (see note 27).

26.3 Risks management objectives and polices

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, convertible and straight bonds, trade and other payable, tax payable and non-current liabilities. The Group's principal financial assets include trade and other receivables, cash and cash equivalent and other non-current asset. The Group also holds investments in debt and equity instruments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is supported by a risk committee that advices on financial risks and the appropriate financial risk governance framework for the Group. The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities.

26.3.1 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 three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by hedging long-term debt with floating rate using swap, collar and cap contracts. For additional information see note 27.

As at 31 December 2020, after taking into account the effect of the hedging, the interest profile of the Group's interest-bearing debt was as follows:

	Nominal amount outstanding as at 31 December	
	2020	2019
	€'000	
Fixed rate	3,980,329	3,370,370
Capped rate	113,086	207,584
Floating rate	195,681	262,155
	4,289,096	**3,840,109**

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of long-term debt affected, after the impact of hedging. With all other variables held constant, the Group's profit before tax and pre-tax equity are affected through the impact on floating rate long-term debt, as follows:

	Increase/decrease in basis points	Effect on profit before tax and pre-tax equity
		€'000
2020	+100	(2,779)
	-100	2,502
2019	+100	(3,352)
	-100	2,224

Foreign currency risk
The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investment in foreign subsidiaries and to several straight bonds issued in a foreign currency.

During the year, the Company issued several straight bonds in different currencies and in fixed and floating interest. The Company used cross currency swap contracts to hedge the fair value risk derived from the changes in exchange rates and interest rates as explained in note 27.1.

Due to the hedging above there is no material residual foreign currency risk.

In addition, the Company used forwards contracts to hedge the fair value of its net investment in foreign operation which operates in British pound (GBP) as explained in note 27.2.

Equity price risk
The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

As at 31 December 2020, the exposure to listed equity instruments was 168,653 thousand (2019: euro 98,933 thousand).

26.3.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash and cash equivalents held in banks, derivatives and other financial instruments.

Trade and other receivables
Customer credit risk is managed by the property managers subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision to measure expected credit loss. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic condition may also not be representative of customer's actual default in the future.

The Group has no significant concentration of credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 26.1.

The aging of rent receivables at the end of the reporting period that were not impaired was as follows:

	As at 31 December	
	2020	2019
	€'000	
Neither past due and past due 1-30 days	14,431	13,383
Past due 31-90 days	11,604	9,587
Past due above 90 days	8,593	7,255
	34,628	**30,225**

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on the historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

Financial instruments and cash and cash equivalents
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's investment in debt instruments at fair value through profit or loss consist of quoted debt securities that are graded in the investment category.

The Group holds its cash and cash equivalents and its derivative financial instruments with high-rated banks and financial institutions with high credit ratings. Concentration risk is mitigated by not limiting the exposure to a single counter party.

26.3.3 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 Group 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.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2019 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

As at 31 December 2020	Carrying amount	Contractual cash flows including interest [1]					
		Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	€'000						
Financial liabilities							
Bank loans	437,137	574,747	585	13,397	68,281	14,026	478,458
Straight bonds *	3,498,478	3,933,828	72,682	116,729	51,377	51,377	3,641,663
Convertible bond	277,614	281,853	-	702	281,151	-	-
Lease liabilities	55,099	890,749	-	3,215	3,215	3,215	881,104
Trade and other payables	209,065	209,065	34,844	174,221	-	-	-
Total	**4,477,393**	**5,890,242**	**108,111**	**308,264**	**404,024**	**68,618**	**5,001,225**

* including bond redemption

As at 31 December 2019	Carrying amount	Contractual cash flows including interest					
		Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
	€'000						
Financial liabilities							
Bank loans *	558,709	628,646	1,849	45,685	20,689	106,034	454,389
Straight bonds	2,920,010	3,326,563	12,334	28,481	178,278	40,194	3,067,276
Convertible bond	274,908	282,555	-	702	702	281,151	-
Lease liabilities	61,002	968,294	-	3,539	3,539	3,539	957,677
Trade and other payables	287,664	287,664	47,944	239,720	-	-	-
Total	**4,102,293**	**5,493,722**	**62,127**	**318,127**	**203,208**	**430,918**	**4,479,342**

* including bank loans held-for-sale and loan redemption

26.3.3 Operating risk

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

26.3.3 Other risks

The general economic environment prevailing internationally may affect the Group'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 Group.

The Group's portfolio is located in major cities and strong markets throughout Germany and London. The current regional distribution structure enables the Group on one hand to benefit of economic scale, and on the other provides a diverse, well allocated and risk-averse portfolio.

Brexit

On 29 March 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 GCP's operational and financial performance.

GCP maintains a diversified portfolio supported by investments in locations with their own distinct economic drivers. As at 31 December 2020 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 GCP 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 Company's performance. GCP'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, GCP maintains a conservative financial policy and a strong liquidity position amounting to approx. euro 1.7 billion as of December 2020, shielding the Company in case of a significant downturn.

Berlin Mitendeckel (Rent-cap)

On 30 January, 2020 the Berlin state parliament (Landtag) passed the Berlin Mietendeckel law which effectively not only capped rent levels but also reversed rents based on the age, location and quality of the apartment. The rent levels for different kinds of apartments are specified in a rent table published with the law, which became effective starting 23 February, 2020. Most importantly, as per the law, landlords will be required to reduce rents that are above 120% of the limits of the rent table. Reletting of new apartments will be carried at 100% of the rent table or previous rent, whichever is lower. These limits may be exceeded if the unit was extensively modernized or if the unit included additional elements such as – elevator, fitted kitchen, low energy consumption, high-quality flooring and/or sanitary equipment. From 2022, the Berlin Senate will be required to adjust the rent table according to real wages, however, rents may increase by no more than 1.3%. The law was implemented beginning from November 2020 and is currently in force. Accordingly, GCP's Berlin rent was reduced to and aligned with the rent cap levels. The rent cap is currently under judicial consideration and a ruling is widely expected during the first half of 2021.

GCP's management shares the opinion of other legal minds with respect to the unconstitutional nature of this law and views such measures as being counterproductive and detrimental to the housing shortage in Berlin. Shortening the building permit approval process, freeing up land and building rights within city limits and introducing incentives to support construction of subsidized units, are measures which the Company considers to be the only solution to Berlin's housing scarcity.

27. HEDGING ACTIVITIES AND DERIVATIVES

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments is interest rate risk and currency risk.

The Group's risk management strategy and how it is applied to manage risk are explained in note 26.3.

		As at 31 December	
		2020	2019
		€'000	
Derivative financial assets			
Derivatives that are designated as hedging instruments in fair value hedge	27.1	37,786	32,405
Derivatives that are designated as hedging instruments in net investment hedge	27.2	25,195	-
Derivatives that are not designated in hedge accounting relationships	27.3	43	102
		63,024	32,507
Derivative financial liabilities			
Derivatives that are designated as hedging instruments in fair value hedge	27.1	25,037	12,470
Derivatives that are designated as hedging instruments in net investment hedge	27.2	6,171	61,861
Derivatives that are not designated in hedge accounting relationships	27.3	10,041	6,018
		41,249	**80,349**

27.1 DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS IN FAIR VALUE HEDGE

As at 31 December 2020, the Group had foreign exchange rate swap agreements in place, as follows:

Hedging instrument	Group receives	Group pays
	'000	
Swap	HKD 900,000	Euro 92,631
Swap	CHF 125,000	Euro 116,233
Swap	JPY 7,500,000	Euro 75,500
Swap	HKD 290,000	Euro 32,768
Swap	CHF 130,000	Euro 119,441

* all swaps are linked to bonds' maturity

In addition, the Group has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 20.2.

The swaps are being used to hedge the exposure to changes in fair value of the Group's straight bonds which arise from foreign exchange rate and interest rate risks.

There is an economic relationship between the hedged items and the hedging instruments as the terms of foreign exchange rate and interest rate swaps match the terms of the hedged items as described above. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange rate and the interest rate swaps is identical to hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different foreign exchange and interest rates' curve applied to the hedge items and hedging instruments
- Differences in timing of cash flows of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

The impact of the hedging instruments on the consolidated statement of financial position is, as follows:

Risk category	Carrying amount Assets	Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	€'000	€'000		€'000
As at 31 December 2020				
Foreign exchange rate and interest rate swaps	37,786	25,037	Derivative financial assets/ liabilities	5,154
As at 31 December 2019				
Foreign exchange rate and interest rate swaps	32,405	12,470	Derivative financial assets/ liabilities	28,404

The impact of the hedged items on the consolidated statement of financial position is, as follows:

	Carrying amount	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	€000		€000
As at 31 December 2020			
Straight bonds	630,734	Straight bonds	6,715
As at 31 December 2019			
Straight bonds	651,143	Straight bonds	26,750

The ineffectiveness recognised in the consolidated statement of profit or loss was euro 1,561 (2019: 1,654) thousand.

27.2 Derivatives designated as hedging instruments in net investment in foreign operation

The Group uses foreign exchange forward contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

The foreign exchange forward contracts are being used to hedge the Group's exposure to the GBP foreign exchange risk on these investments. Gains or losses on the retranslation of the forward contracts are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instruments as the net investment creates a translation risk that will match the foreign exchange risk on the forward contracts. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiaries becomes lower than the amount of the fixed rate borrowing.

The impact of the hedging instruments on the consolidated statement of financial position is, as follows:

Risk category	Notional amount outstanding	Carrying amount Assets	Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	GB£000	€000	€000		€000
As at 31 December 2020					
Foreign currency forward contracts	1,454,479	25,195	6,171	Derivative financial assets and derivative financial liabilities	55,070
As at 31 December 2019					
Foreign currency forward contracts	1,025,000	-	61,861	Derivative financial liabilities	48,568

The impact of the hedged item on the consolidated statement of financial position is, as follows:

	Foreign currency translation reserves	Change in fair value used for measuring ineffectiveness
	€000	€000
As at 31 December 2020		
Net investment in foreign subsidiaries	59,264	55,070
As at 31 December 2019		
Net investment in foreign subsidiaries	44,261	48,568

The hedging gains and losses recognised in OCI before tax are equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

27.3 DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Group uses interest rate swaps, collars, caps and floors to manage its exposure to interest rate movements on its bank borrowings. These derivative financial instruments are linked to the bank loans maturity (see note 20.1).

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with a LTV to remain at a target below 45%. As at 31 December 2020 and 2019 the LTV ratio was 31% and 33%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

29. LEASES

The Group has entered into long-term rent agreements as a lessor of some of its investment property. The future minimum rental income receivable under non-cancellable operating leases is as follows:

	As at 31 December	
	2020	* 2019
	€'000	
Less than one year	36,754	34,065
One to two years	31,282	34,180
Two to three years	27,933	22,650
Three to four years	25,362	22,261
Four to five yeaes	21,725	19,424
More than five years	115,028	90,597
	258,084	**223,177**

* reclassified

30. COMMITMENTS

As at the reporting date, the Group had several financial obligations in total amount of approximately euro 50 million.

31. CONTINGENT ASSETS AND LIABILITIES

The Group does not have significant contingent assets and liabilities as at 31 December 2020.

32. GROUP SIGNIFICANT HOLDINGS

The details of the significant holdings in the Group as at 31 December 2020 are as follows:

	Place of incorporation	Principal activities	As at 31 December 2020 Holding %	2019 Holding %
Significant subsidiaries held directly by the Company:				
Grandcity Property Ltd.	Cyprus	Holding of investments	94.8%	94.8%
Grandcity Holdings Ltd.	Cyprus	Holding of investments	100%	100%
Grand City Properties Holdings B.V.	the Netherlands	Holding of investments	100%	100%
Grand City Properties Holdings S.à r.l	Luxembourg	Holding of investments	100%	-

	Place of incorporation	Principal activities	As at 31 December 2020 Holding %	2019 Holding %
Significant subsidiaries held directly by Grandcity Property Ltd.:				
Gutburg holding Limited	Cyprus	Holding of investments	100%	100%
Carmiliana Limited	Cyprus	Holding of investments	100%	100%
Sparol Limited	Cyprus	Holding of investments	94%	94%
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	100%
GCP Holdings GmbH	Germany	Holding of investments	100%	100%
Seperole Limited	Cyprus	Holding of investments	100%	100%

	Place of incorporation	Principal activities	As at 31 December 2020 Holding %	2019 Holding %
Significant subsidiaries held directly by Grandcity Holdings Ltd.:				
Grandcity Towers Ltd	Cyprus	Holding of investments	100%	100%

Significant Group entities referring to investing in real estate properties in Germany and London and their mother companies.

The holding percentage in each entity equals to the voting rights the holder has in it.

There are no restrictions on the ability of the Group to access or use the assets of its subsidiaries to settle the liabilities of the Group.

33. EVENTS AFTER THE REPORTING PERIOD

- On 11 January 2021 under the EMTN Programme, the Company issued euro 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 euro 272.8 million and euro 220 million principal amount of straight bond series E and W for a purchase price of 106.843% and 105.977% of the nominal amount respectively, excluding any accrued interest.
- On 25 January 2021 the Company repaid euro 60.5 million principal amount of straight bond series S.
- On 28 January 2021 the board of directors resolved to utilize the authorization of the annual general meeting of 24 June 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 euro 20.00 to euro 21.25 per share. On 17 February 2021 the Company announced that 3,370,708 shares of the Company have been validly tendered into the offer. The settlement done on 23 February 2021.
- On 4 February 2021 the Company redeemed euro 85.4 million principal amount of perpetual notes with coupon rate of 3.75% for a purchase price of 100% of the nominal amount, excluding any accrued interest.
- After the reporting period, the Group signed but not yet completed the sale of non-core and mature properties of approx. euro 200 million.

LONDON

BERLIN

COLOGNE

GRAND CITY
Properties S.A.