GRAND CITY
Properties S.A.

Condensed Interim Consolidated Financial Statements

for the six month period ended
June 30, 2019

Cologne

Dortmund

Contents

IMPRINT

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Key financials

Balance sheet highlights

in €'000 unless otherwise indicated	Jun 2019	Dec 2018	Dec 2017
Total Assets	9,277,661	8,860,526	7,508,292
Total Equity	4,722,045	4,666,987	3,849,662
Loan-to-Value	34%	34%	36%
Equity Ratio	51%	53%	51%

P&L highlights

in €'000 unless otherwise indicated	H1 2019	Change	H1 2018
Rental and operating income	278,195	4%	268,275
EBITDA	356,386	-8%	387,544
Adjusted EBITDA	146,253	7%	136,749
FFO I	106,030	7%	99,113
FFO I per share (in €)	0.64	7%	0.60
FFO I per share after perpetual notes attribution (in €)	0.54	4%	0.52
FFO II	191,060	2%	187,006
Profit for the period	249,567	-8%	271,457
EPS (basic) (in €)	1.28	-10%	1.43
EPS (diluted) (in €)	1.21	-9%	1.33

NAV highlights

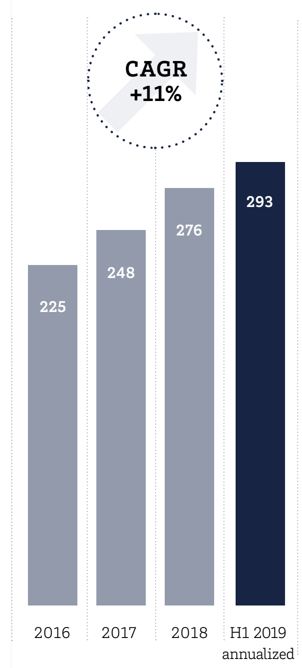
in €'000 unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes
Jun 2019	4,272,312	3,857,114	4,879,279
Jun 2019 per share (in €)	25.6	23.1	29.2
Per share growth (dividend adjusted)	+6%	+6%	+4%
Per share growth (excl. adjustment for dividend)	+3%	+3%	+2%
Dec 2018	4,162,463	3,753,022	4,783,072
Dec 2018 per share (in €)	24.9	22.5	28.7

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

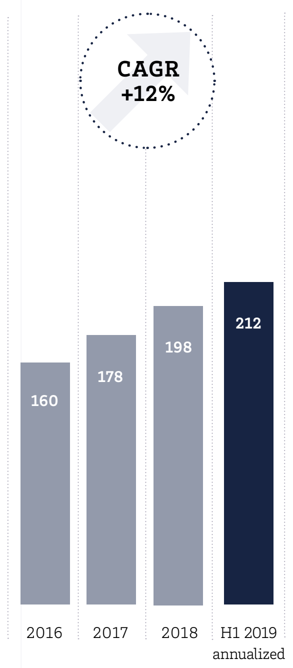
Berlin

Highlights

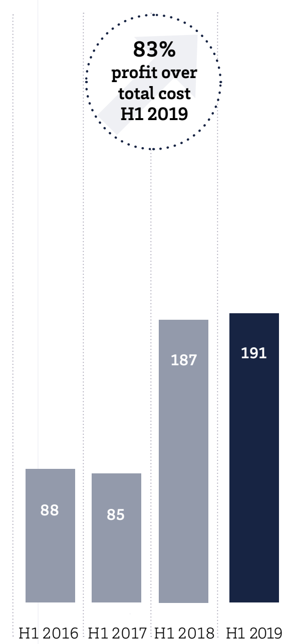
Adjusted EBITDA (in € millions)



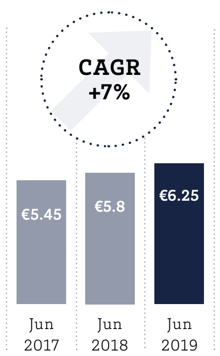
FFO I (in € millions)



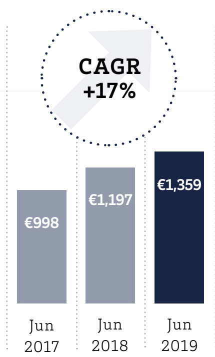
FFO II (in € millions)



In-place rent (in €/sqm)



Value/sqm (in €/sqm)



Accretive capital recycling

83% over total costs

7% over book value

+3.5% L-F-L In-place rent growth June 2019

+3.8% L-F-L Total net rent growth June 2019

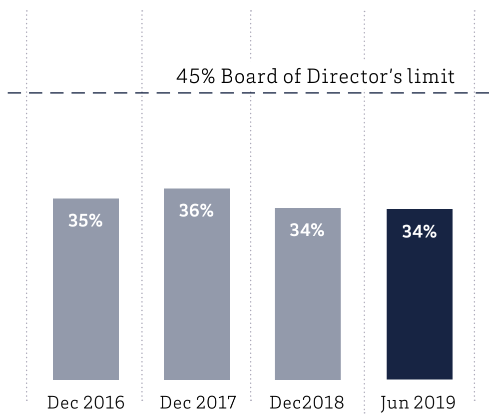
+0.3% L-F-L Occupancy growth June 2019

Decreasing the average cost of debt to historical low while sustaining long average debt maturity

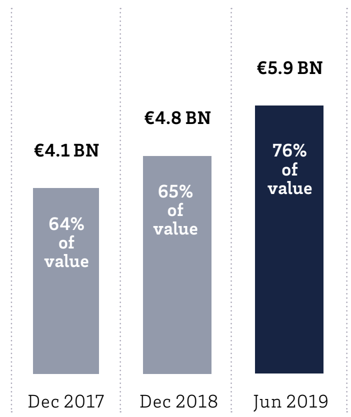
8.4 years
Average debt maturity

1.4%
Average cost of debt

Low Leverage (Loan-To-Value)



Unencumbered assets



Interest Coverage Ratio (H1 2019)

6.4x
Interest Coverage Ratio

Credit rating

Long-term target

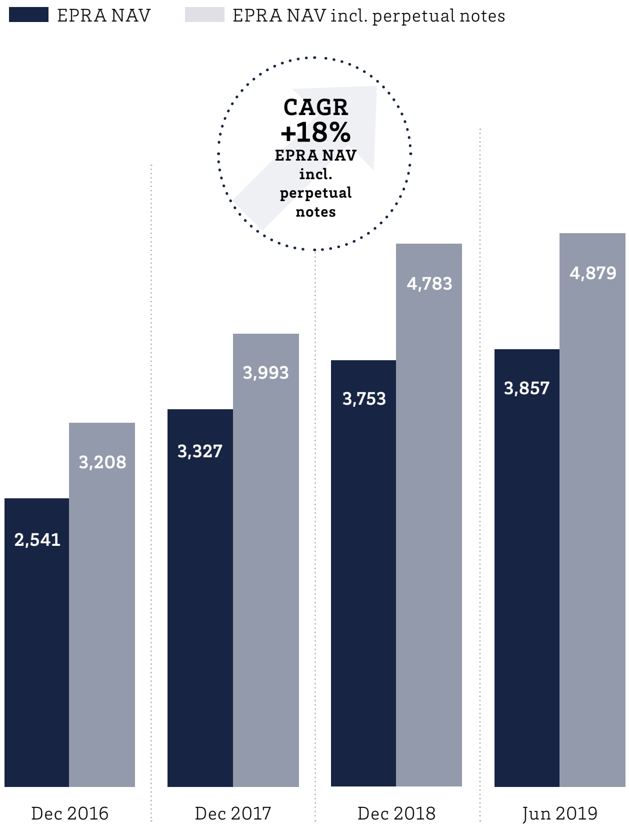
Moody's A3

S&P A-

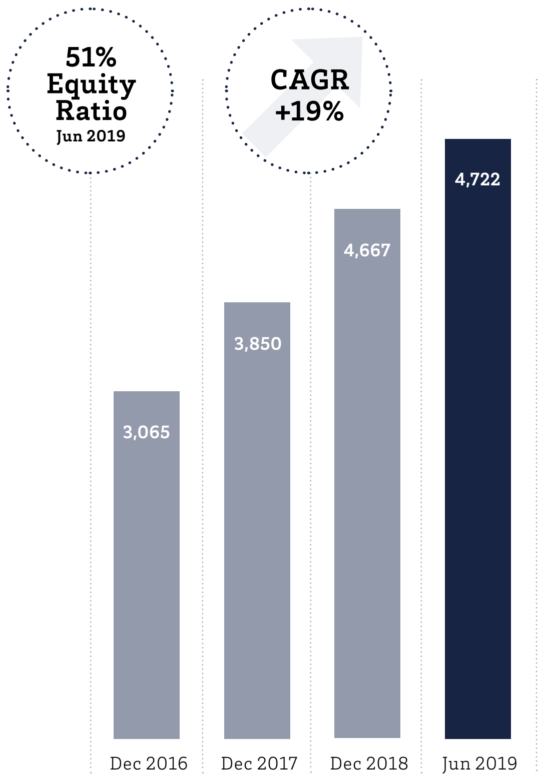
Moody's Baa1

S&P BBB+

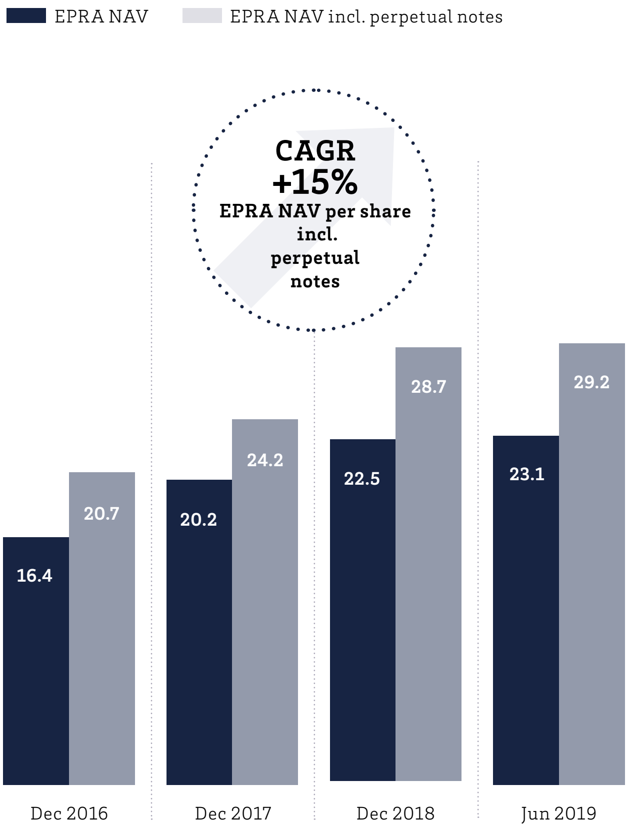
EPRA NAV (in € millions)



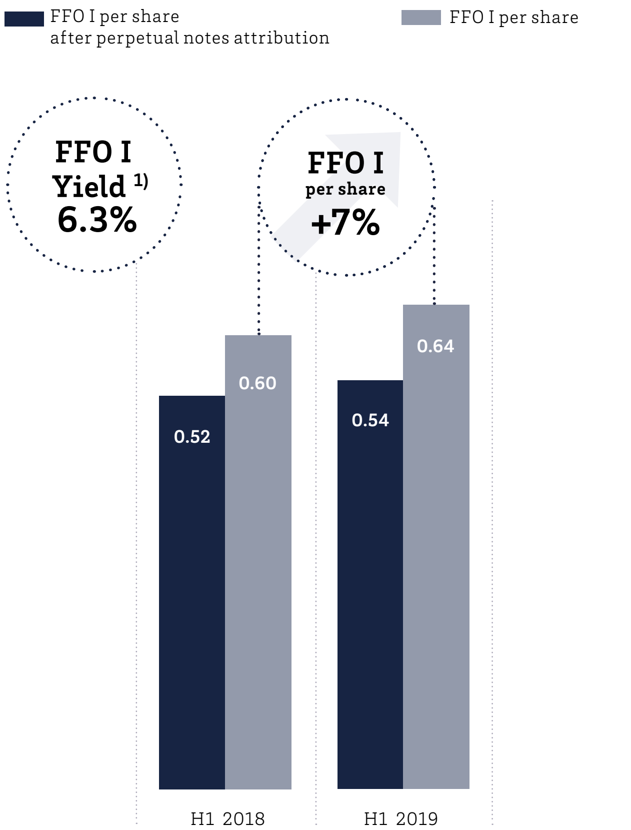
Equity (in € millions)



EPRA NAV per share (in €)



FFO I per share (in €)



1) based on a share price of €20.4

Profitability highlights

in €'000 unless otherwise indicated	H1 2019	H1 2018
Rental and operating income	**278,195**	**268,275**
EBITDA	356,386	387,544
Adjusted EBITDA	**146,253**	**136,749**
Profit for the period	249,567	271,457
EPS (basic) (in €)	1.28	1.43
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FFO I per share (in €)	0.64	0.60
FFO I per share after perpetual notes attribution (in €)	0.54	0.52
FFO II	**191,060**	**187,006**
Interest Cover Ratio	6.4x	5.9x
Debt Service Cover Ratio	5.3x	4.9x

Financial position highlights

in €'000 unless otherwise indicated	Jun 2019	Dec 2018
Total Assets	**9,277,661**	**8,860,526**
Investment Property [1)]	7,592,863	7,243,915
Cash and liquid assets [2)]	**768,991**	**760,374**
Total Equity	**4,722,045**	**4,666,987**
EPRA NAV	**3,857,114**	**3,753,022**
EPRA NAV including perpetual notes	**4,879,279**	**4,783,072**
Loans and borrowings [3)]	649,151	870,507
Straight bonds	2,473,076	2,177,267
Convertible bond	273,559	272,246
Loan-to-Value	34%	34%
Equity Ratio	51%	53%

1) including inventories - trading properties
2) including cash and cash equivalents held for sale
3) including short-term loans and borrowings, debt redemption, and financial debt held for sale

Leipzig

The Company

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors (the "Board") hereby submits the interim report as of June 30, 2019.

The figures presented in this Board of Director's Report are based on the condensed interim consolidated financial statements as of June 30, 2019, unless stated otherwise.

GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany. The Group's portfolio as of June 2019 consists of 81k 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 in London.

GCP is focused on assets in densely populated urban locations with solid 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 specialized employees.

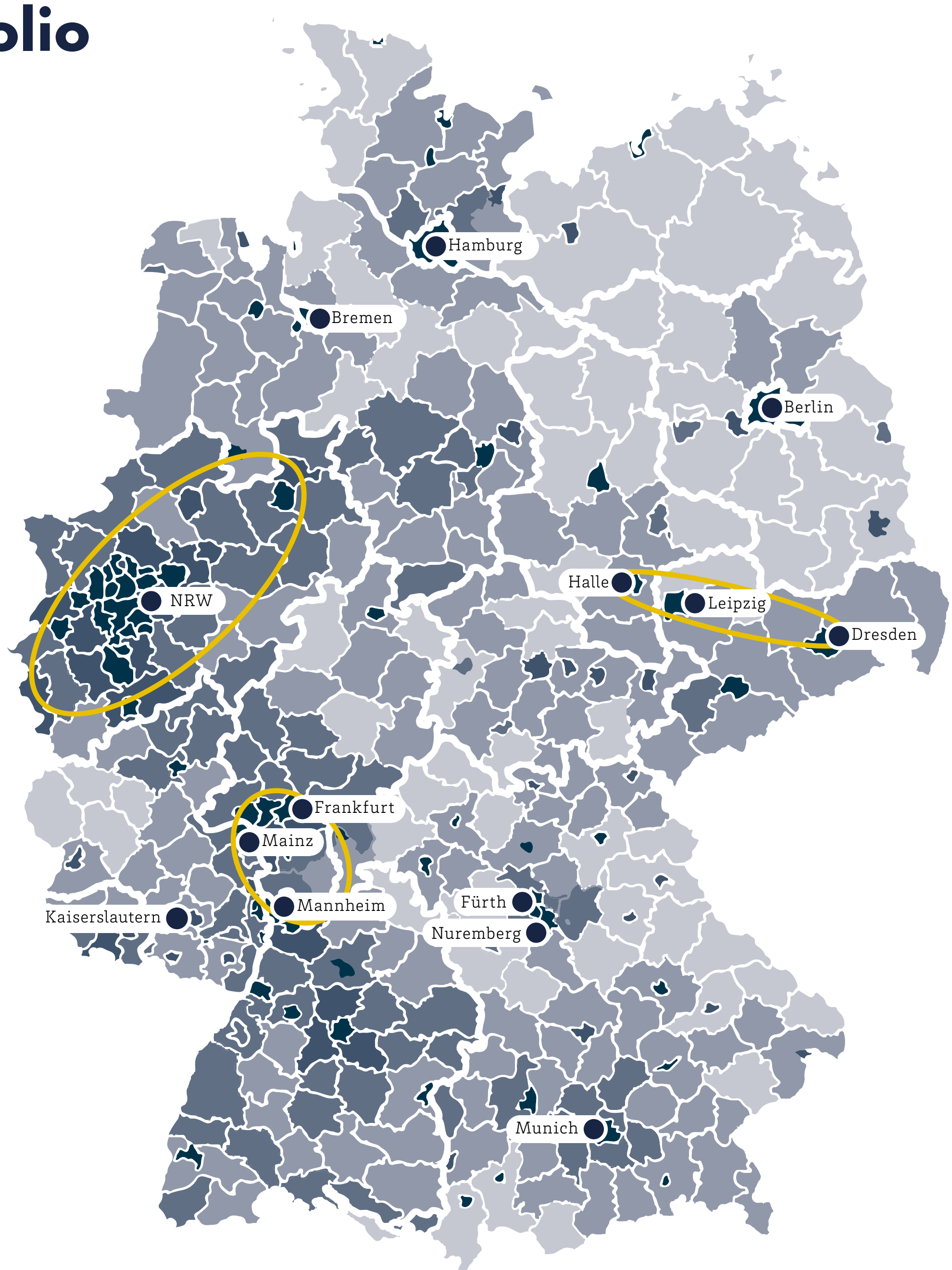
In addition, GCP's economies of scale allow for considerable benefits of a strong bargaining position, a centralized management platform supported by advanced in-house IT/software systems, and a network of professional connections.

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

London

The Portfolio

Population density in Germany



inhabitants per sqkm (2015)

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

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 27% of its Portfolio being located in NRW, 21% in Berlin, 14% in the metropolitan region of Dresden, Leipzig and Halle, with additional holdings in other major urban centers with strong fundamentals such as, Nuremberg, Munich, Mannheim, Frankfurt, Hamburg and Bremen.

Additionally, this diversification is further accompanied by a position of 11% of the total portfolio value in London. London follows the Company's strategy of pursuing opportunities and acquiring properties with significant upside potential in densely populated areas characterized by strong demand and market fundamentals.

Portfolio overview

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.

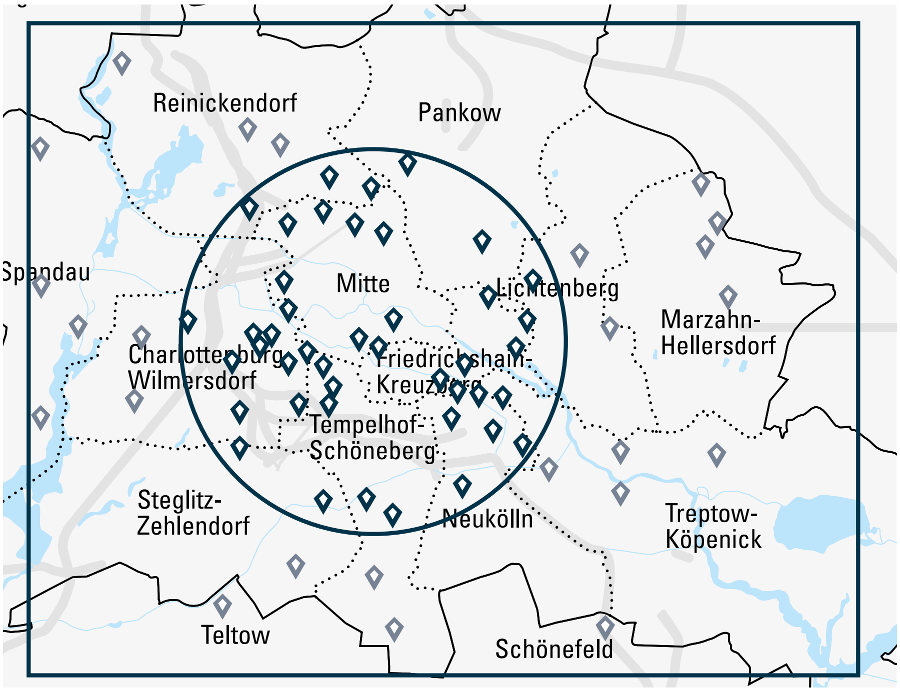
June 2019	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	2,010	1,842	8.0%	118	5.7	27,592	1,091	5.8%
Berlin	1,477	539	5.9%	47	7.6	7,188	2,739	3.2%
Dresden/Leipzig/Halle	990	947	9.2%	53	5.2	16,350	1,046	5.3%
Mannheim/KL/Frankfurt/ Mainz	414	267	4.7%	22	7.1	4,441	1,547	5.4%
Nuremberg/Fürth/Munich	223	102	3.6%	10	8.1	1,471	2,180	4.5%
Hamburg/Bremen	368	297	5.0%	20	6.0	4,272	1,236	5.5%
London	501	61	9.7%	20	30.8	1,213	8,226	4.0%
Others	1,006	1,086	7.1%	66	5.7	18,513	928	6.6%
Development rights and new buildings*	604							
Total	**7,593**	**5,141**	**7.3%**	**356**	**6.25**	**81,040**	**1,359**	**5.1%**

*including land for development, building rights on existing buildings (€278m) and pre-marketed buildings in London (€326m)

Berlin portfolio - Best in class

Quality locations in top tier Berlin neighborhoods

21% of GCP's portfolio

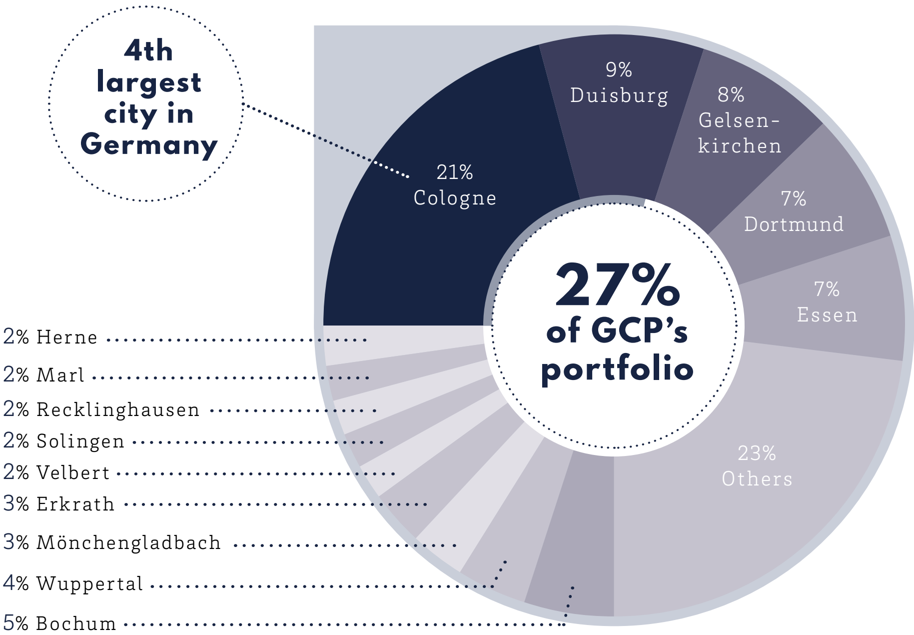


2/3
of the Berlin portfolio is located in top tier neighborhoods: Charlottenburg, Wilmersdorf, Mitte, Kreuzberg, Friedrichshain, Lichtenberg, Neukölln, Schöneberg, Steglitz and Potsdam.

1/3
is well located located primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf.

North Rhine-Westphalia

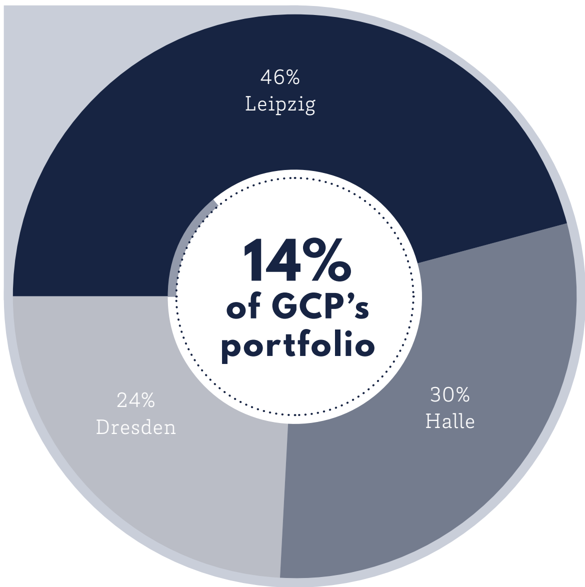
Well positioned in the largest metropolitan area in Germany

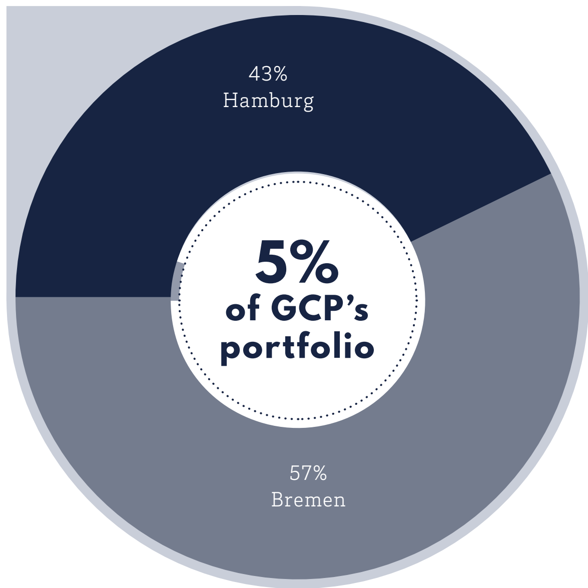


The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 21% of the NRW portfolio is located in Cologne, the largest city in NRW, 9% in Duisburg, 8% in Gelsenkirchen, 7% in Dortmund and 7% in Essen.

Quality east & north portfolio

GCP's East portfolio is well distributed in the growing and dynamic cities of Dresden, Leipzig and Halle. The North portfolio is focused on the major urban centers of Hamburg and Bremen – the largest cities in the north of Germany.





London

High quality assets located in strong middle class neighborhoods

11%
of GCP's
portfolio

The total London portfolio, including pre-marketed units, amounts to over 2,100 units and approx. €830 million value.

Over **90%** of the portfolio is situated within a short walking distance to an underground/overground station.

The map represents approx. 90% of the London Portfolio

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 65% of FFO I per share

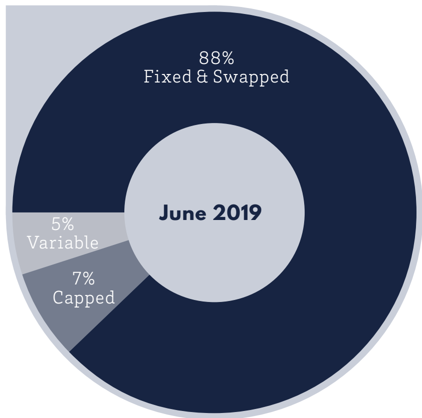
As part of the conservative financial approached adopted by management the Company continuously maintains high liquidity, with €769 million in cash and liquid assets.

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.

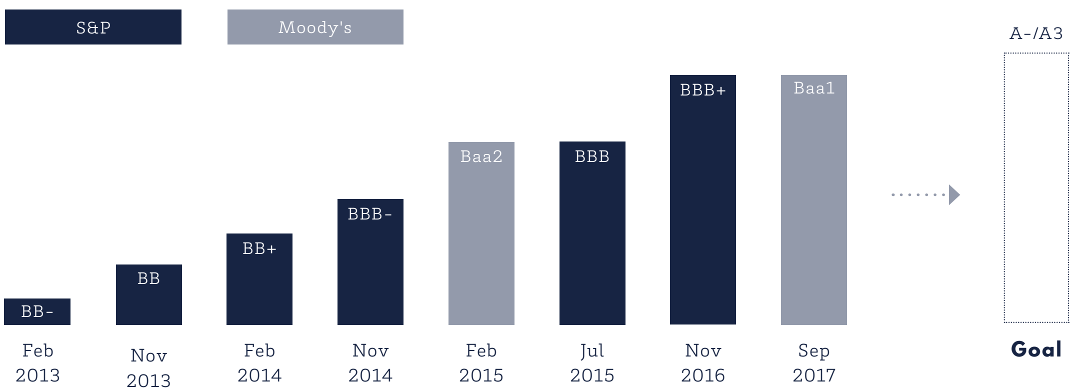
As part of GCP's conservative financial policy, bonds issued in foreign currencies are hedged to Euro until maturity.



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. 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.

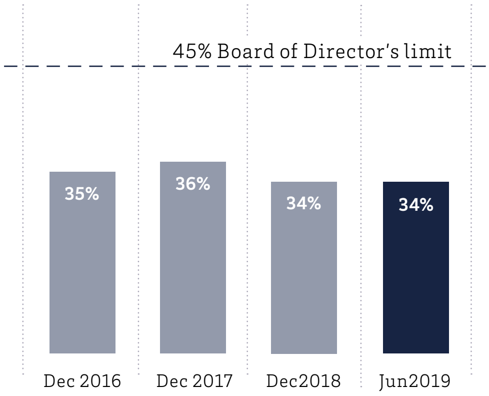
The Company has established a strong track record of achieving rating improvements owing to continuous improvements in its business and financial profile.



Loan-to-value

GCP strategically maintains its strong financial profile characterized by long debt maturities, hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of June 30, 2019 is at 34%, below the management limit of 45%.

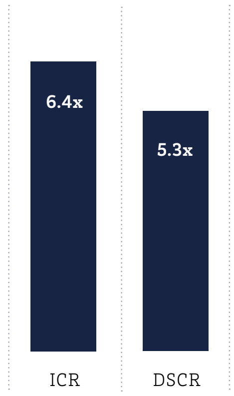
Low Leverage (Loan-To-Value)



Debt and interest cover 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 first six months of 2019, the Interest Cover Ratio was 6.4x and the Debt Service Cover Ratio was 5.3x.

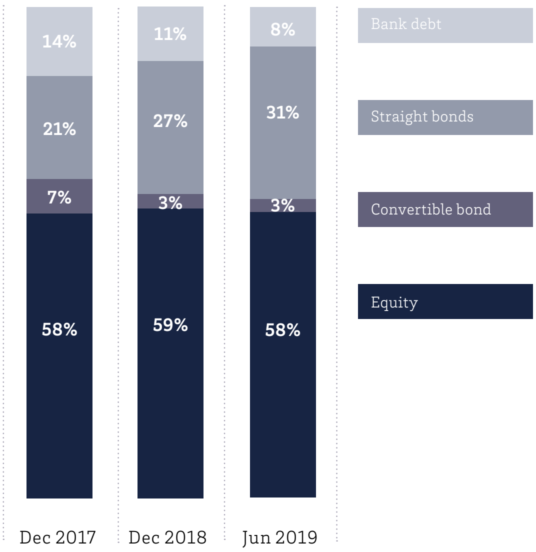
Coverage Ratios (1 – 6/2019)



Financing sources mix

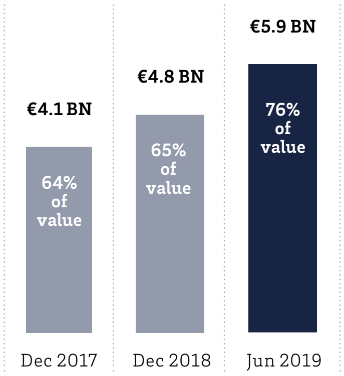
An important component of GCP's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital 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 dozens of 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 €5.9 billion in unencumbered assets as of June 2019, representing 76% of the total portfolio value.



Company strategy and business model

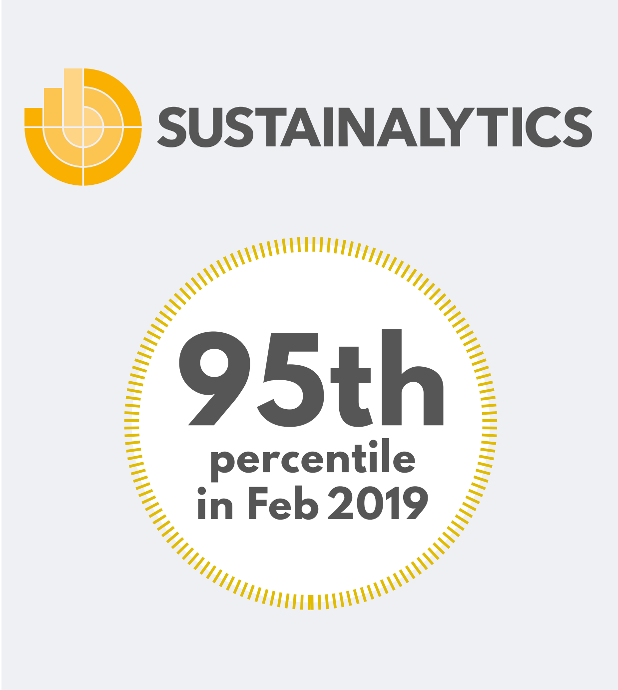
»Focus on value-add opportunities in attractive, densely populated regions, while keeping a conservative financial policy and investment-grade rating«

GCP's investment focus is on the German residential 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, as well as other major cities and urban centers in Germany and is complemented by a stake in London.

The Company believes its platform has the right abilities and systems in place to continue its strong performance and to further realize on the high upside potential embedded in the portfolio. The Group also believes that there are acquisition opportunities in these attractive markets to support its external growth strategy.

For its acquisitions, the Company adheres to the following 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
- Purchase price below replacement costs and/or below market values
- Potential to reduce the operating cost per sqm



Sustainability at the core of the business

As a large organization with a wide-reaching impact from its operational activities, it is of crucial importance to Grand City Properties to ensure the sustainability of its operations and properties and maintain a high standard of responsibility to all its stakeholders, from tenants to employees to shareholders, as well as creditors, suppliers, the environment and the communities in which GCP operates. This is carried out through the Company's various ESG measures and initiatives which are conceived and implemented by a dedicated Corporate Responsibility (CR) department with strategic direction and oversight provided by the Corporate Responsibility Steering Committee chaired by the CEO. The Company considers ESG to be a pillar for the overall success of the organization and as such all ESG activity is closely monitored and reviewed by the CEO of the Company. The Corporate Responsibility Report for 2018 was published in April 2019 and details efforts and initiatives undertaken in 2018. The report is also available for download on GCP's website.

GCP's ongoing commitment to sustainability measures was recognized in February 2019 by **Sustainalytics**, a leading sustainability rating agency, **which ranked GCP in the 95th percentile among 300 global real estate peers**, as well as noting GCP as a leader in its peer group.

In September 2018, for the second consecutive year, 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.

Cash flow improvements through focus on rental income and cost discipline

GCP seeks to maximize 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 realized, 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.

TÜV approved Service Center

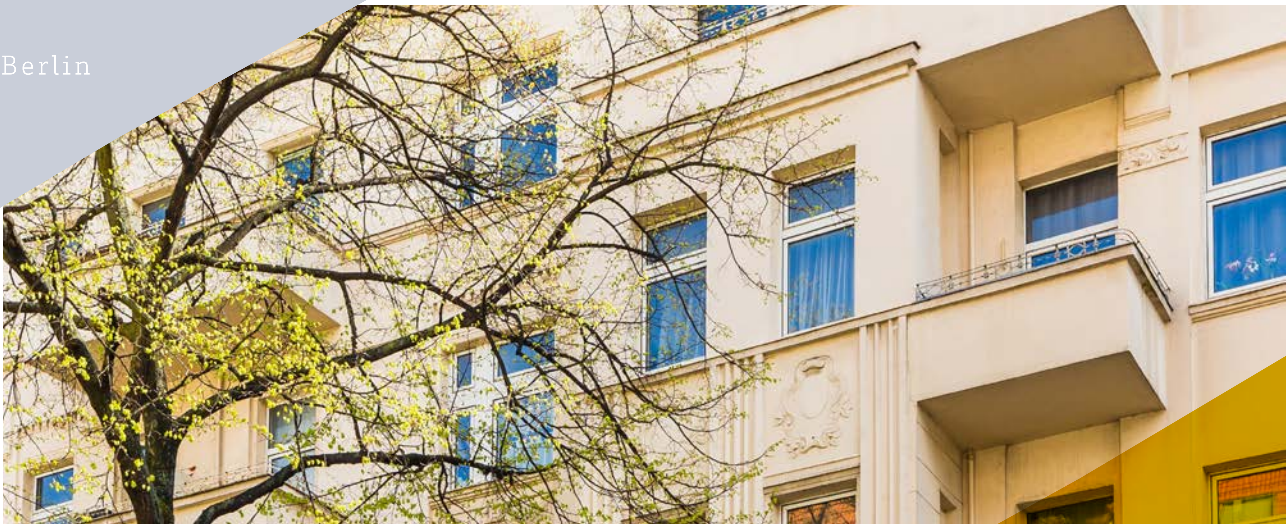
Maximize tenant satisfaction

A key pillar of the overall success of GCP is tenant satisfaction. The GCP Service Center ensures prompt responses to queries. The quality of the Service Center offering was validated with the ISO 9001:2015 certification received in February 2019. The Company places strong emphasis on enhancing the living quality and environment of its tenants through various measures. GCP strives to develop a community feeling amongst its tenants by installing playgrounds, improving accessibility at the properties, organizing family-friendly events, supporting local associations as well as through various other initiatives. Some of the Company's regularly organized tenant events include Santa Claus celebrations for Christmas, Easter egg-searching events as well as different summer events, such as "GCP Summer Games" parties that are organized annually. The Company has also worked towards providing children with study areas, organizing youth programs, mother-baby groups, and senior citizen meeting points so as 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 centralized IT/software

The Group's proprietary and centralized 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 not only on the portfolio but also on existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, 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.

Berlin



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. 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 30 June 2019)	166,776,873 ordinary shares with a par value of EUR 0.10 per share
Nominal share capital (as of 30 June 2019)	16,677,687.30 EUR
Number of shares on a fully diluted basis (as of 30 June 2019)	179,005,960
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Key index memberships	MDAX FTSE EPRA/NAREIT Index Series STOXX Europe 600 MSCI Index Series GPR 250 DIMAX

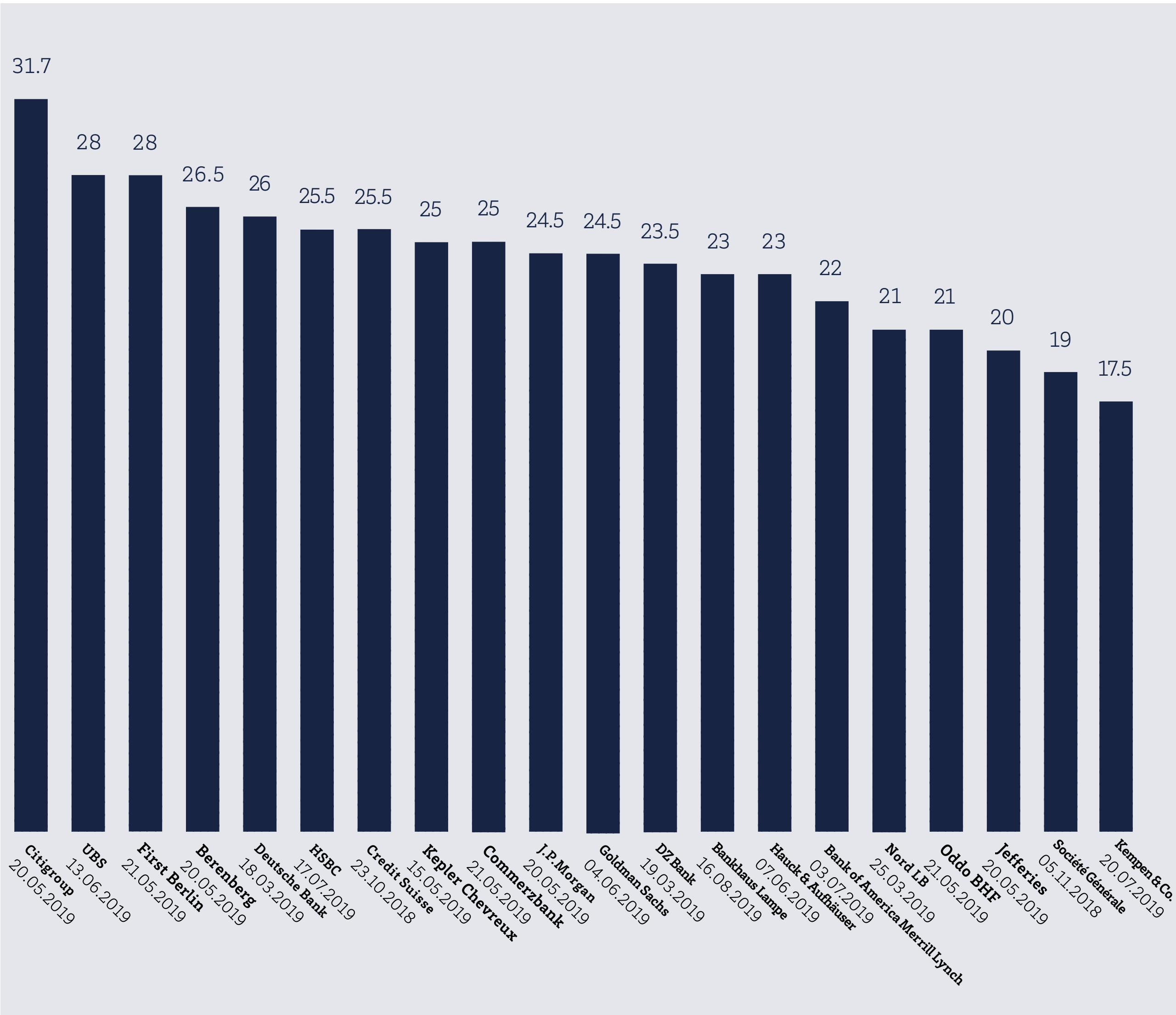
As of the date of this report

Number of shares (as of the date of this report)	167,895,560
Market capitalisation (as of the date of this report)	3.4 bn EUR
Shareholder structure (as of the date of this report)	Freefloat: 61.1% - of which EdgePoint: 5.0% Edolaxia Group 38.9%

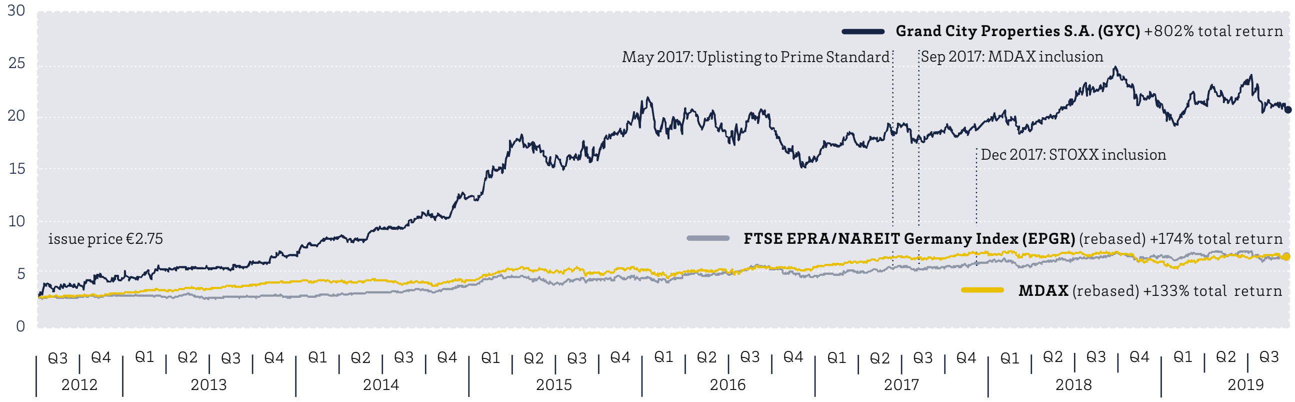
Vast and proven track record in capital markets

The Company has established over the years an impressive track record in capital markets, continuously accessing various markets through its strong relationships with the 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 1.4%). Since 2012, GCP has issued over €6 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 period of time of financial instruments of various kinds, sizes, currencies and maturities. Through its strong access to capi tal markets, GCP is able to proactively and effectively manage its debt structure, contributing to a long average debt maturity of approx. 8.4 years.

Analyst Recommendations

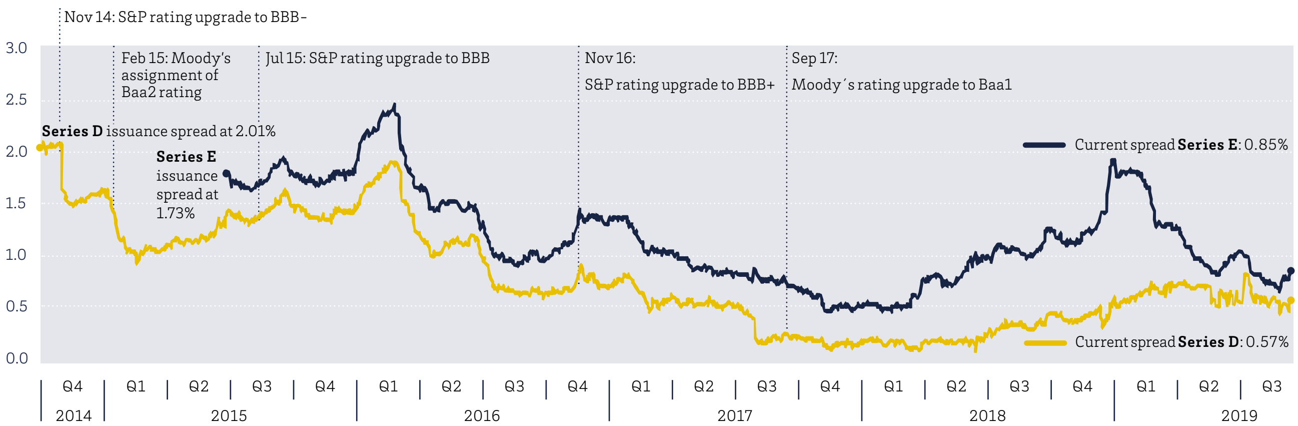


Share price performance and total return comparison since first equity placement (19.07.2012)

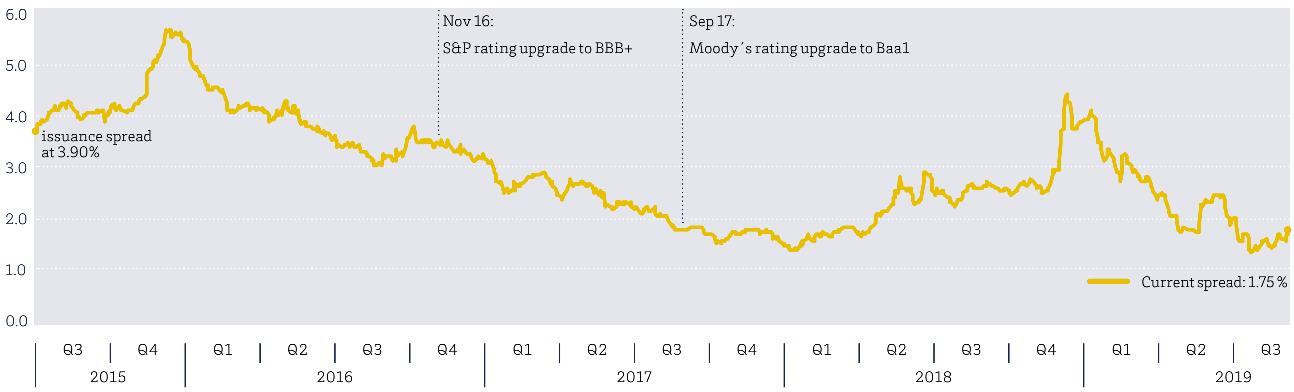


Straight bond Series D and E – Spread over mid-€-swap

Series D: remaining 2 years | **Series E**: remaining 6 years



3.75% perpetual notes spread over mid-€-swap



Notes on business performance

Selected consolidated income statement data

For the period of six months ended 30 June	2019	2018
	€'000	
Rental and operating income	278,195	268,275
Net rental income	189,320	181,682
Property revaluations and capital gains	210,877	249,985
Property operating expenses	(128,581)	(127,076)
Administrative & other expenses	(6,015)	(6,062)
Operating profit	354,798	386,528
Adjusted EBITDA	**146,253**	**136,749**
Finance expenses	(22,807)	(23,322)
Other financial results	(19,731)	(24,061)
Current tax expenses	(15,429)	(13,600)
Deferred tax expenses	(47,264)	(54,088)
Profit for the period	**249,567**	**271,457**
FFO I	**106,030**	**99,113**
FFO II	**191,060**	**187,006**

Revenue

For the period of six months ended 30 June	2019	2018
	€'000	
Net rental income	**189,320**	**181,682**
Operating and other income*	88,875	86,593
Rental and operating income	**278,195**	**268,275**
Revenue from sale of apartments	-	250
Revenue	**278,195**	**268,525**

* defined as revenue from contracts with customers under note 5

At the end of the first half of 2019, GCP achieved a total revenue of €278 million, growing the top line by 4% from €269 million reported during the same period in 2018. Revenues are made up of rental and operating income, which is the lion's share of the revenues, and revenue from sale of apartments.

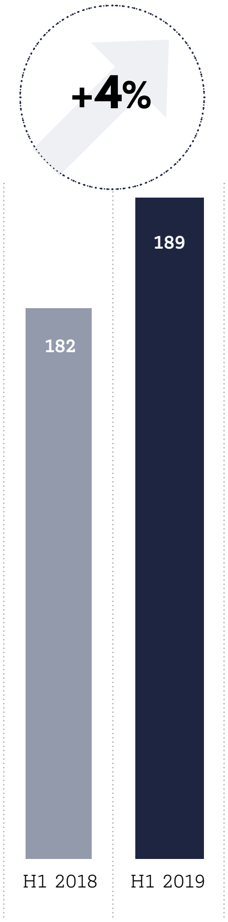
Rental and operating income increased by 4% as well as a result of the rental growth performance of the portfolio. The like-for-like rental growth for the first half of 2019 was 3.8% of which in-place rental improvement was 3.5% and 0.3% growth was due to the increase in occupancy. The rental growth as a result of accretive acquisitions was partially offset due to disposals in the first half of 2019 in the amount of €187 million. Additional offset occurred due to the disposals of properties at an amount of half a billion Euros in 2018 which had a full period effect in H1 2019, while being partly included in H1 2018 figures. Nevertheless, the strength of the portfolio and the contribution of the accretive capital recycling has been demonstrated in the sustained growth of the top line and provides further growth opportunities vis-à-vis the rent reversionary potential of the portfolio.

Net rental income periodic development (in € million)

+3.8% L-F-L

Total net rent growth

Over the last 12 months



Notes on business performance

Property revaluations and capital gains

For the period of six months ended 30 June	2019	2018
	€'000	
Property revaluations and capital gains	**210,877**	**249,985**

During the first half of 2019 GCP recorded €211 million of property revaluations and capital gains, compared to €250 million recorded for the corresponding period in 2018. The tried and tested strategy that GCP has executed successfully of identifying and acquiring assets with value upside potential to the portfolio continues to materialize due to operational improvements as well as strong market dynamics. The strategically selected properties in fundamentally strong locations provide a further boost to the valuation gains.

The fair values of the properties are externally appraised by independent, certified valuators at least once a year. As of June 2019, the average value per sqm was €1,359 compared to €1,257 as of the end of December 2018, resulting in a net rental yield of 5.1%.

During the first six months of 2019, the Company recorded disposals of mature and non-core properties in the amount of €187 million generating a margin of 83% over total cost, which translates to a gain of 7% over the last-appraised book value. The disposed assets were located in Berlin, Halle and Merseburg and contributed €85 million to the FFO II.

Property operating expenses

For the period of six months ended 30 June	2019	2018
	€'000	
Property operating expenses	**(128,581)**	**(127,076)**

Through the first six months of 2019, GCP recorded €129 million of property operating expenses as compared to the €127 million reported for the first half of 2018. These expenses are primarily connected to the rental operations of the Company and are mainly made up of ancillary costs which are recoverable from tenants such as water, cleaning, heating, trash disposal, etc. Furthermore, maintenance and refurbishments, operational personnel expenses and other operating expenses are also included under this expense heading. Tenant satisfaction remains a central part of GCP's value proposition and in this regard, efforts have been made to further enhance the quality of service provided. GCP has worked towards reinforcing the operating platform not only to maintain the high standard of services provided, but also to preserve a lean operating cost structure and thereby strategically support the business. The Company's 24/7 Service Center received the DIN EN ISO 9001:2015 certification during the first half of 2019, indicative of the high quality of services provided.

Due to the first implementation of IFRS 16 in 2019, there has also been an offsetting effect, leading to an expense of approx. €1.5 million being reclassified from property operating expenses to finance expenses.

Maintenance, capex and modernization

GCP regularly undertakes various maintenance and refurbishment measures in order to preserve and maintain the high asset quality, which also plays a significant role in ensuring high tenant satisfaction and the quality of both tenants and the portfolio. Furthermore, the Company identifies properties that possess potential that may be unlocked through strategic capex outlays such as vacancy reduction, improving the cost efficiency and increasing of rents per sqm on a case-by-case basis.

Maintenance and refurbishment expenses for the first half of 2019 amounted to €17 million, and €3.3 on an average sqm basis marginally higher as compared to the first six months of 2018. Such costs are incurred in the normal course of business to ensure the level of comfort for tenants is not adversely affected. The Company's 24/7 Service Center provides for multiple channels of communication which include General Data Protection Regulation compliant chat systems, that may be used to request for assistance as may be required.

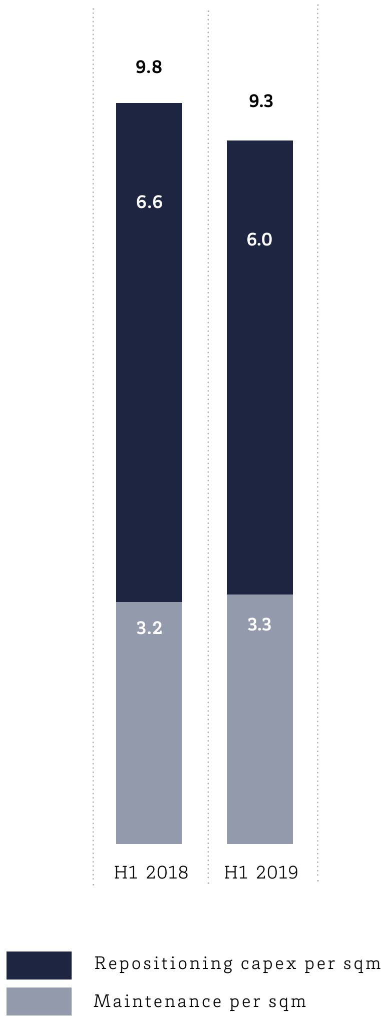
For the first six months of 2019, GCP invested €31 million towards repositioning capex with a further €7 million invested into modernization measures in the portfolio.

Repositioning capex are outlays incurred in order to achieve a long-term value improvement of the portfolio through a variety of methods that include but are not limited to, upgrading of apartments, improvements to common areas of a building, including playgrounds, staircases and safety improvements. Repositioning capex for the first half of 2019 was €6.0 per average sqm, as compared to the €6.6 per average sqm during the corresponding period in 2018.

Modernization capex is incurred in order to enable higher standards of apartments and to improve the energy efficiency of such apartments and is done on a targeted and relatively small-scale basis. These investments are intended to achieve further rent increases and include various measures such as addition of balconies, energy saving enhancements like upgraded insulations, replacement of windows, reconditioning of façades and other similar upscaling overhauls. For the first half of 2019, modernization capex investments were €1.4 per average sqm. 0.3% of the like-for-like net rental growth is the result of the modernization capex investments and is testament to the worthwhile nature of such investments.

Notwithstanding the above, GCP invested a further €5 million towards pre-letting modifications during the first half of 2019. These are investments in connection with snagging and completion of the final stages of new buildings and re-opening of renovated/converted properties in London, prior to the letting out of such properties.

Maintenance and capex development (€/sqm)



Notes on business performance

Administrative and other expenses

For the period of six months ended 30 June	2019	2018
	€'000	
Administrative and other expenses	**(6,015)**	**(6,062)**

Administrative and other expenses recorded during the first half of 2019 have been steady at €6 million, compared to the comparable period in 2018. These expenses include administrative personnel costs, marketing & other expenses, audit & accounting costs and legal fees.

Finance expenses

For the period of six months ended 30 June	2019	2018
	€'000	
Finance expenses	**(22,807)**	**(23,322)**

Finance expenses for the first six months of the year 2019 was stable at €23 million as compared to the corresponding period in the previous year. The slight decrease in finance expenses is as a result of the proactive debt optimization initiatives of the Company which has resulted in a lower cost of debt of 1.4%. Through its debt optimization efforts GCP also maintained a long average debt maturity of 8.4 years. The Company's stable and secure financial structure is apparent in the strong debt metrics such as the ICR of 6.4x and DSCR of 5.3x for the first half of 2019.

GCP maintains a robust credit profile, confirmed by the investment grade credit ratings from both Moody's (Baa1) as well as S&P (BBB+), which enables the Company to regularly access capital markets in order to maintain a strong financial platform at an impressive cost of debt. During the first half of the year, the Company prepaid over €200 million of high interest-bearing bank loans and issued a total of approx. €300 million straight bonds in favorable terms throughout various capital market transactions.

Other financial results

For the period of six months ended 30 June	2019	2018
	€'000	
Other financial results	**(19,731)**	**(24,061)**

GCP recorded an expense of €20 million under this line item for the first six months of 2019 in comparison to €24 million for the corresponding period in 2018. Other financial results is made up of refinancing and loan prepayment fees, issuance expenses, changes in fair value of financial assets and hedging instruments and other non-recurring financing costs. Over the first six months of 2019, GCP issued several bonds totaling close to €300 million while also prepaying over €200 million of near maturity and relatively high interest rate bank loans in order to maintain its strong debt profile. Both, bond issuances as well as bank loan prepayments are accompanied by non-recurring expenses which are included under other financial results.

London

Notes on business performance

Taxation

For the period of six months ended 30 June	2019	2018
	€'000	
Current tax expenses	(15,429)	(13,600)
Deferred tax expenses	(47,264)	(54,088)
Total tax expenses	**(62,693)**	**(67,688)**

For the first half of 2019, GCP recorded a total tax expense of €63 million, as compared to the €68 million reported for the same period in 2018. The decrease is primarily as a result of the decrease in deferred tax expenses, which at €47 million was lower by 13% from the corresponding period in the previous year. Deferred tax expenses are a non-cash item which are mainly connected to the portfolio revaluation gains recorded during the period, and accounts for a theoretical future disposal in the form of an asset deal at the full corporate tax rate according to the location of the property.

Current tax expenses consist of property taxes as well as corporate income tax, which increased along the growth of the Company to €15 million for the first six months of 2019, compared to €14 million in the corresponding period in 2018.

Profit for the period

For the period of six months ended 30 June	2019	2018
	€'000	
Profit for the period	**249,567**	**271,457**
Profit attributable to owners of the Company	214,040	235,809
Profit attributable to perpetual notes investors	16,365	13,632
Profit attributable to non-controlling interests	19,162	22,016

For the first half of 2019, the Company reported a net profit of €250 million, as compared to the €271 million for the comparable period in 2018. The decrease in the bottom line has largely been due to the lower property revaluations gain which are non-recurring in nature. The fundamental business profitability continued to grow with the adjusted EBITDA and the FFO I, improving by 7% as compared to a year earlier. GCP's steady like-for-like net rental growth of 3.8% further supported the company's profitability, with 3.5% growth due to in-place rent increases and 0.3% due to occupancy increases.

Profit attributable to perpetual notes investors for the first half of 2019 grew to €16 million, from €14 million during the first six months of 2018, driven by the full period effect of the issuance of €350 million 2.5% perpetual notes in April 2018.

Earnings per share

For the period of six months ended 30 June	2019	2018
Basic earnings per share (in €)	1.28	1.43
Diluted earnings per share (in €)	1.21	1.33
Weighted average basic shares (in thousands)	166,723	164,789
Weighted average diluted shares (in thousands)	178,133	178,861

For the first six months of 2019, GCP recorded a basic earnings per share of €1.28 and a diluted earnings per share of €1.21. In comparison, the Company reported a basic earnings per share of €1.43 and a diluted earnings per share of €1.33 for the first half of 2018. The robust top line performance complemented by a lean operating platform has led to an increase in profitability. However, this was offset by a lower property revaluation gain as well as the higher average share count between the two periods. The diluted earnings per share considers dilutive effects such as the theoretical impact of potential future conversions of the Series F convertible bonds, which are currently out-of-the-money.

Düsseldorf

Notes on business performance

Adjusted EBITDA and Funds From Operations (FFO I)

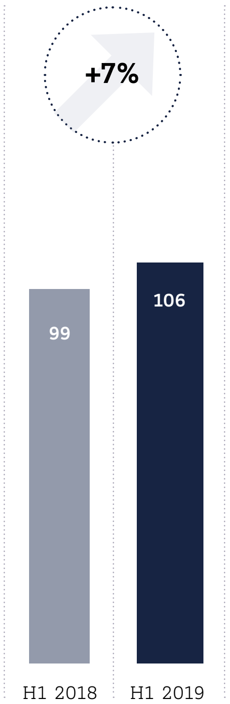
For the period of six months ended 30 June	2019	2018
	€'000	
Operating profit	354,798	386,528
Depreciation and amortization	1,588	1,016
EBITDA	**356,386**	**387,544**
Property revaluations and capital gains	(210,877)	(249,985)
Results on the disposal of buildings sold	-	(56)
Share of profit from investments in equity-accounted investees	(322)	(1,350)
Other adjustments	1,066	596
Adjusted EBITDA	**146,253**	**136,749**
Finance expenses [1)]	(22,807)	(23,322)
Current tax expenses	(15,429)	(13,600)
Contribution to minorities	(1,987)	(714)
FFO I	**106,030**	**99,113**
Weighted average basic shares in thousands [2)]	166,723	164,789
FFO I per share (in €)	**0.64**	**0.60**

1) including the effects of IFRS 16
2) not considering the dilution effect of the management share plan as it is immaterial

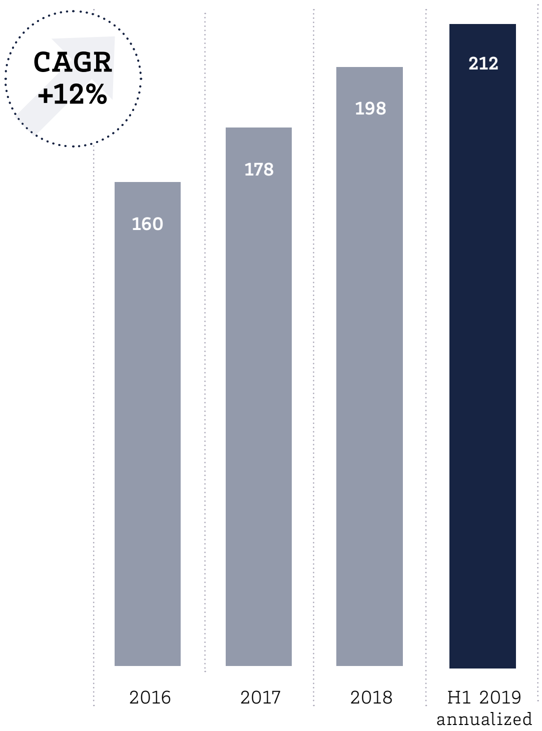
The adjusted EBITDA is an industry standard figure displaying the Company's recurring operational profits before interest, depreciation and tax expenses, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as profits from disposal of inventories, share of profit/loss from investment in equity-accounted investees and other adjustments. GCP reported, for the first half of 2019, an adjusted EBITDA of €146 million, growing 7% as compared to the €137 million for the first half of 2018. The increase in adjusted EBITDA has been primarily driven by the strong top line growth as a result of the consistent like-for-like rental improvement seen in the business as well as from the net acquisitions during the period. Total like-for-like rental growth was 3.8%, with in-place rent increases contributing 3.5% and occupancy increases contributing 0.3%. The growth in the adjusted EBITDA from accretive acquisition was offset by disposals H1 2019 as well as in 2018 which did not contribute to the 2019 figures but the 2018 only. In 2018 GCP disposed properties at the amount of half a billion Euros and in H1 2019 €187 million. The sustained growth in the adjusted EBITDA, despite the offsetting effect of the disposals, is the result of GCP's success of tapping its portfolio's reversionary potential as well as recycling the capital from disposals into accretive acquisitions.

Funds From Operations I (FFO I) is an industry-wide standard measure of the recurring operational cash flow of a real estate company, often utilized as a key bottom line industry performance indicator. It is calculated by deducting finance expenses, current tax expenses and the contribution to minorities from the adjusted EBITDA. GCP reported an FFO I of €106 million for the first half of 2019, which was 7% higher than the €99 million reported for the corresponding period in 2018. This growth was the result of a strong business with a growing top line built on the foundation of a lean and efficient operating and financial platform evident in the lower financing expenses over comparable periods.

FFO I periodic development (in € millions)



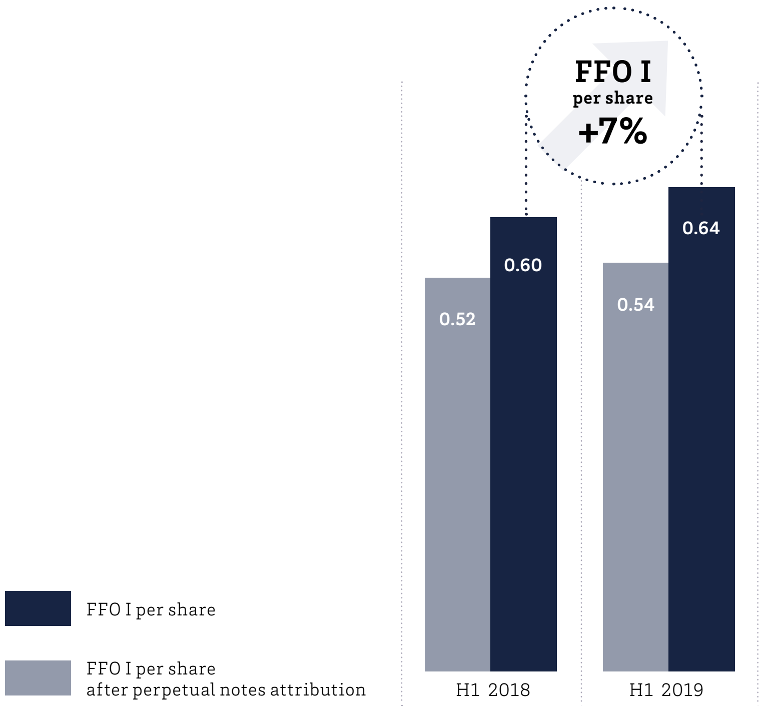
FFO I annual development (in € millions)



FFO I per share

GCP produced an FFO I per share of €0.64 for the first six months of 2019, rising 7% over the €0.60 per share reported for the first half of 2018. On an annualized basis the FFO I yield is 6.3%. The growth in FFO I was slightly offset by a higher share count between the two periods.

FFO I per share development (in €)



Notes on business performance

FFO I per share after perpetual notes attribution

For the period of six months ended 30 June	2019	2018
	€'000	
FFO I	**106,030**	**99,113**
Adjustment for accrued perpetual notes attribution	(16,365)	(13,632)
FFO I after perpetual notes attribution	**89,665**	**85,481**
Weighted average basic shares (in thousands)*	166,723	164,789
FFO I per share after perpetual notes attribution (in €)	**0.54**	**0.52**

* not considering the dilution effect of the management share plan as it is immaterial

According to IFRS accounting treatment, attribution to perpetual notes are recorded through changes in equity and not as a financial expense and thus not reflected in the FFO I. With the intention to provide an enhanced transparency, GCP additionally reports its FFO I per share after attributing the share of profit attributable to the Company's perpetual notes investors. Consequently, the Company recorded, for the first half of 2019, an FFO I per share after perpetual notes attribution of €0.54, 4% higher than the €0.52 per share reported for the first six months of 2018. This increase was due to the improved FFO I per share, which was partially offset by the full effect of the €350 million perpetual note issuance in April 2018, which bore a coupon of 2.5%, as well as the increased share count between the two periods.

Adjusted Funds From Operations (AFFO)

For the period of six months ended 30 June	2019	2018
	€'000	
FFO I	**106,030**	**99,113**
Repositioning capex	(31,387)	(35,899)
AFFO	**74,643**	**63,214**

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 provides a further division of its capital expenditures into repositioning capex, modernization capex and pre-letting modifications which are treated in different ways. Among these three types of capex, modernization capex is aimed at directly increasing rents, therefore it is treated in a similar manner to the acquisition of properties, as is the case with pre-letting modifications. On the other hand, repositioning capex targets value creation and quality development in the portfolio, which GCP deems as being relevant for its AFFO calculation. GCP's AFFO for the first half of 2019 was €75 million, increasing 18% as compared to the €63 million recorded for the corresponding period in 2018, due to an increase in FFO I and lower repositioning capex spending.

FFO II

For the period of six months ended 30 June	2019	2018
	€'000	
FFO I	**106,030**	**99,113**
Result from disposal of properties*	85,030	87,893
FFO II	**191,060**	**187,006**

* the excess amount of the sale price to cost price plus capex of the disposed properties

FFO II is a supplementary performance measure that includes the disposal effects on top of FFO I. Result from disposal of properties refers to the excess amount of the sale price to cost price plus capex of disposed properties. The Company's FFO II for the first half of the year stood at €191 million, as compared to the €187 million during the corresponding period in 2018. This positive development was due to the increase of disposal gains during the first six months of 2019 over 2018, as a result of the accretive capital recycling measures undertaken by the Company, as well as an increase in FFO I. GCP disposed €187 million worth of mature and non-core assets at a profit margin of 83% over total cost (reflecting an €85 million excess amount of the sale price to the cost price, including capex invested), resulting in a 7% gain over book values.

Essen

Notes on business performance

Berlin

Cash flow

For the period of six months ended 30 June	2019	2018
	€'000	
Net cash provided by operating activities	125,007	115,982
Net cash used in investing activities	(56,775)	(486,261)
Net cash (used)/provided by financing activities	(51,476)	918,332
Net change in cash and cash equivalents	**16,756**	**548,053**

Net cash provided by operating activities increased to €125 million in the first six months of 2019 from €116 million in the first six months of 2018. This is due to the growth of the operational profitability, reflected in the 7% increase in the adjusted EBITDA and FFO I period over period.

Net cash used in investing activities was €57 million for the first half of 2019 as compared to the €486 million for the first six months of 2018. Through the first half of 2019, the Company acquired approx. €300 million of assets, which were offset by the disposals during the reporting period.

Net cash used in financing activities during the first six months of 2019 was €51 million as compared to the €918 million provided for the comparable period in 2018. GCP prepaid over €200 million in bank loans during the reporting period which, along with the bond issuances during the first half of 2019, contributed towards reducing the average cost of debt to 1.4%, while maintaining the average debt maturity period at a solid 8.4 years.

Assets

	Jun 2019	Dec 2018
	€'000	
Non-current assets	**7,876,533**	**7,622,911**
Investment property [1)]	7,592,863	7,243,915
Current assets	**1,401,128**	**1,237,615**
Cash and liquid assets [2)]	768,991	760,374
Total Assets	**9,277,661**	**8,860,526**

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

Total assets at the end of June 2019 were €9.3 billion, increasing 5% from €9 billion as at the end of 2018. The increase in total assets was chiefly as a result of the increase in investment property.

Non-current assets at the end of June 2019 were reported at €7.9 billion. In comparison, non-current assets as of December 2018 were €7.6 billion. The growth of non-current assets was on the back of the rise in the value of investment properties to €7.6 billion, which was due to accretive acquisitions as well as the revaluations of the existing portfolio, partially offset by disposals as part of the capital recycling initiatives. Through the first half of 2019, GCP acquired a total of approx. 600 units at an average multiple of 20x. Furthermore, the Company also acquired approx. 400 units in London which are in the pre-letting stage and would be leased out in the months ahead. In total, acquisitions in the first half of 2019 amounted to nearly €300 million. During the first half of 2019, GCP disposed mature assets at an amount of €187 million, which offset the growth of investment properties due to acquisitions and revaluations. These disposals were at an attractive margin of 83% over the total cost as well as amounted to a 7% premium over their last appraised book values and were disposed at an average multiple of 19x. Investment property additionally includes €69 million related to the implementation of IFRS 16 which was done first time in 2019.

Current assets of €1.4 billion were reported as of the end of June 2019, higher by 13% as compared to the end of December 2018 due to the increase in assets held for sale, trade and other receivables and cash and liquid assets. The balance of cash and liquid assets was €769 million, marginally higher as compared to the end of December 2018. The primary reason for the marginal increase was the cash from capital market activities as well as disposals that are part of existing capital recycling initiatives, which was offset by the accretive acquisitions during the period as well as debt repayments. The strong liquidity levels maintained, allow the Company a fair amount of flexibility and financial headroom which are essential to respond to opportunities when they arise. The balance of assets held for sale increased by €71 million due to a reclassification of assets and trade and other receivables grew by €80 million since year-end 2018 due to the prepayments of ancillary costs which are recoverable from the tenants.


London

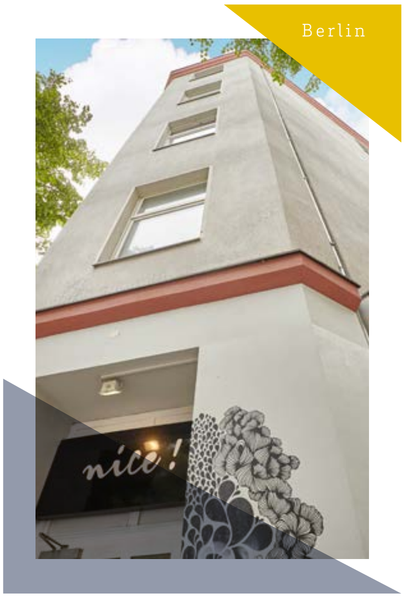
Notes on business performance

Liabilities

	Jun 2019	Dec 2018
	€'000	
Loans and borrowings [1)]	649,151	870,507
Straight bonds	2,473,076	2,177,267
Convertible bond	273,559	272,246
Deferred tax liabilities [2)]	574,004	525,278
Other long-term liabilities and derivative financial instruments [3)]	115,026	69,224
Current liabilities [4)]	470,800	279,017
Total Liabilities	**4,555,616**	**4,193,539**

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 reported for the half year ending 30th June 2019 were €4.6 billion, as compared to the €4.2 billion reported as of year-end 2018. The primary drivers of the increase in liabilities were the bond issuances and declaration of dividend, which took place in the period. Through the first six months of 2019 GCP issued approx. €300 million in bonds, which included €88 million through Series N straight bonds, €15 million through Series O straight bonds, HKD 290 million (equivalent to approx. €33 million, with a full currency hedge to EUR until maturity) through Series P straight bonds, CHF 130 million (equivalent to approx. €116 million, with a currency hedge to EUR of the notional amount until maturity) through Series Q straight bonds and €40 million through Series R straight bonds. Offsetting this increase, was the prepayment of relatively high interest-bearing bank loans to the extent of over €200 million. Overall, these debt optimization efforts lead to a lower cost of debt to 1.4% while the Company continued to maintain a long average debt maturity of 8.4 years. After the reporting date the Company issued additional €430 million, supporting the debt structure and maintaining the low average cost of debt. Additionally, total liabilities as of June 2019 included €48 million of finance lease liability, which increased from €3 million as of year-end 2018 due to the first-time implementation of IFRS 16.



Besides the above, deferred tax liabilities is the other line-item that holds some significance by virtue of amounting to 13% of the total liabilities. Deferred tax liabilities change as a result of the revaluation of the portfolio.

Current liabilities increased mainly due to the provision of around €130 million for the dividends which were paid out in July 2019. As GCP offered its shareholders the option to elect to receive their dividend in the form as shares (scrip dividend) the actual cash dividend payment amounted to €107 million in July 2019. Current liabilities increased as well due to the increase in trade and other payables from the payments of ancillary costs which are recoverable from the tenants, in line with the item trade and other receivables under current assets.

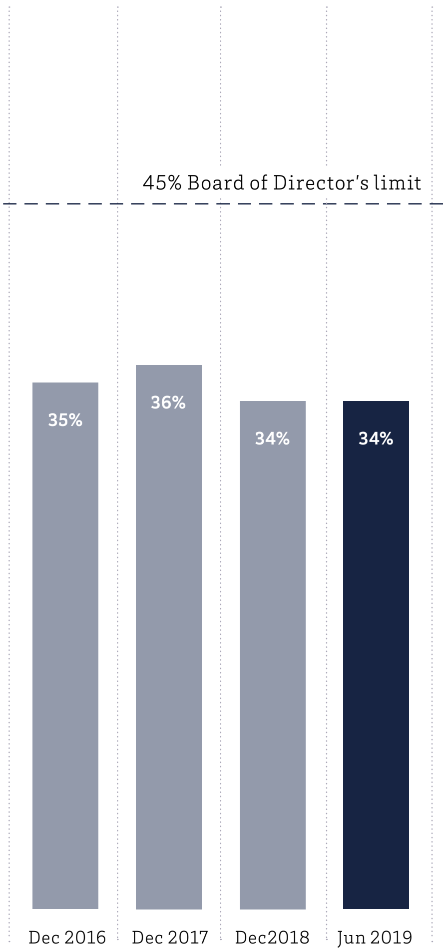
Debt Financing KPIs

Loan-To-Value

	Jun 2019	Dec 2018
	€'000	
Investment property [1]	7,557,960	7,298,879
Investment properties of assets held for sale	203,861	132,137
Equity-accounted investees	27,037	26,207
Total value	**7,788,858**	**7,457,223**
Total debt [2]	3,395,786	3,320,020
Cash and liquid assets [3]	768,991	760,374
Net debt	**2,626,795**	**2,559,646**
LTV	**34%**	**34%**

1) including advanced payments for real estate *transactions* and inventories – trading properties and excluding the effects of IFRS 16
2) including loans and borrowings held for sale
3) including cash and cash equivalents held for sale

The Company works towards maintaining a financial structure that is both sustainable and strategic in nature while also adhering to the limits set by the Board of Directors for the Company. As of the end of June 2019, GCP's LTV was 34%, well below the internal limit of 45% set by the Board of Directors. As the limit set by the Board of Directors is stricter than the Company's debt covenants the current LTV level maintains ample headroom in case of adverse changes to market dynamics. Total debt increased since year end of 2018, however the value of investment property also increased leading to a stable LTV. The conservative and sustainable financial approach chosen by GCP is evident in its strong credit metrics such as a low LTV, high coverage ratios, low average cost of debt along with a long average debt maturity and is further affirmed by investment grade ratings by both Moody's (Baa1) and S&P (BBB+).



The solid financial platform that GCP maintains is underlined by the strong interest coverage as well as debt service coverage ratios. These are as a result of the high level of recurring operational cash flows generated by the properties, which highlight the sustainable nature of the financial structure. In addition, the Company also continues to hold a significant ratio of unencumbered assets to the value of its total investment properties. As of the end of June 2019, GCP had an ICR of 6.4x as well as a DSCR of 5.3x. The ratio of unencumbered assets to its total investment properties was 76%, providing the Company with more than sufficient headroom above its debt covenants. The increase in unencumbered assets ratio was driven by the prepayment of bank loans, supplemented by the acquisition of unencumbered properties during the reporting period. The Company aims to preserve a high unencumbered assets ratio in order to support the conservative financial structure.

Notes on business performance

Unencumbered Assets

	Jun 2019	Dec 2018
	€'000	
Unencumbered Assets	5,941,109	4,777,824
Total Investment properties [1)]	7,796,724	7,376,052
Unencumbered Assets Ratio	**76%**	**65%**

1) including investment property held for sale and inventories – trading properties

Interest Coverage Ratio (ICR)

	2019	2018
For the period of six months ended 30 June	€'000	
Adjusted EBITDA	146,253	136,749
Finance Expenses	22,807	23,322
Interest Coverage Ratio	**6.4x**	**5.9x**

Debt Service Coverage Ratio (DSCR)

	2019	2018
For the period of six months ended 30 June	€'000	
Adjusted EBITDA	146,253	136,749
Finance Expenses	22,807	23,322
Amortization of loans from financial institutions	4,709	4,674
Debt Service Coverage Ratio	**5.3x**	**4.9x**


Munich

Notes on business performance

EPRA NAV

The EPRA NAV is defined by EPRA as the net asset value of the Company adjusted in order to include real estate properties as well as other investment interests at their fair values while excluding certain items that are not expected to materialize in a long term real estate business model. The purpose of the EPRA NAV is to adjust the IFRS NAV so as to provide stakeholders with the most relevant information on the Group's balance sheet items in the context of a real estate investment company with a long-term oriented investment strategy. As perpetual notes are classified as equity in accordance with IFRS treatment, GCP additionally reports the EPRA NAV including the perpetual notes.

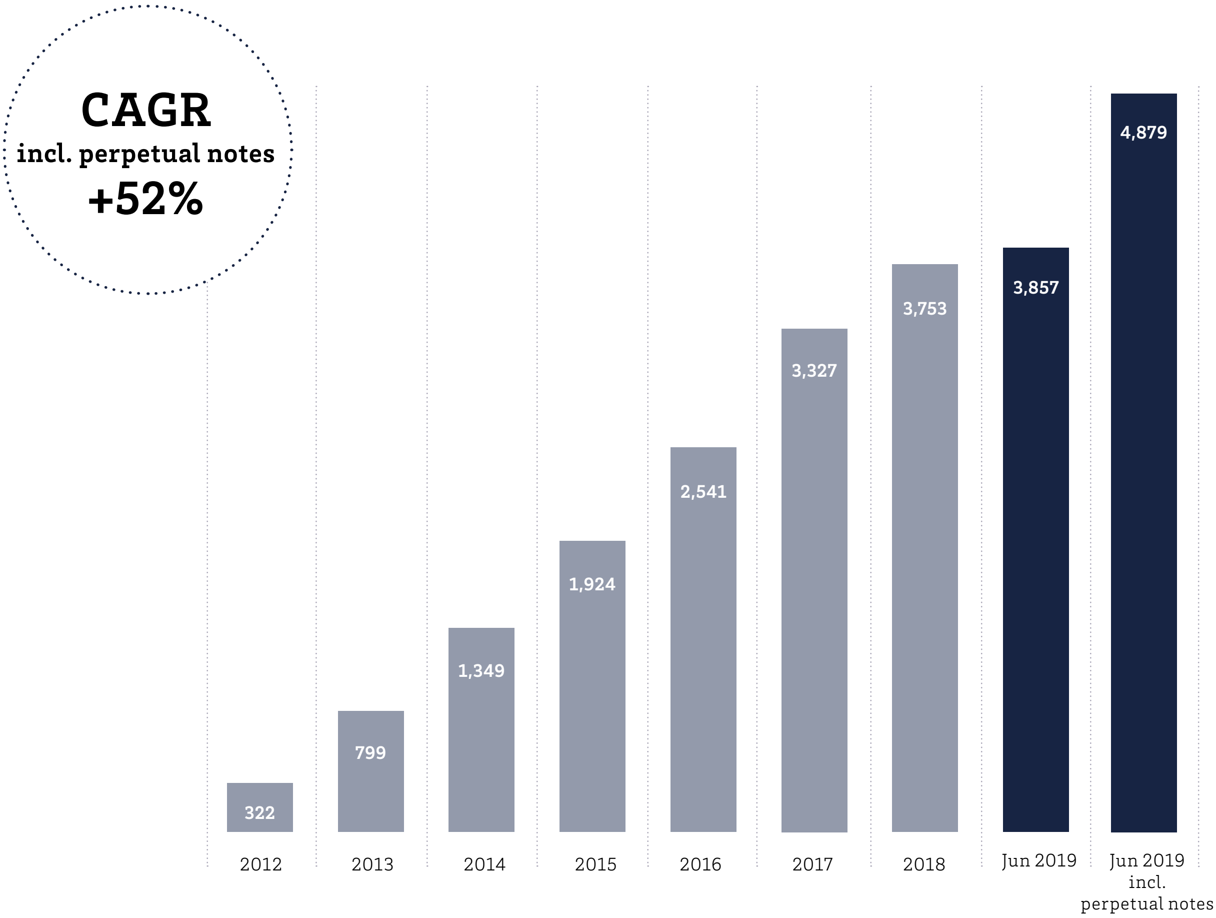
	Jun 2019		Dec 2018	
	€'000	€ per share	€'000	€ per share
Equity per the financial statements	**4,722,045**		**4,666,987**	
Equity attributable to perpetual notes investors	(1,022,165)		(1,030,050)	
Equity excluding perpetual notes	**3,699,880**		**3,636,937**	
Fair value measurements of derivative financial instruments, net	(1,572)		248	
Deferred tax liabilities 1)	574,004		525,278	
NAV	**4,272,312**	**25.6**	**4,162,463**	**24.9**
Non-controlling interests	(415,198)		(409,441)	
EPRA NAV	**3,857,114**	**23.1**	**3,753,022**	**22.5**
Equity attributable to perpetual notes investors	1,022,165		1,030,050	
EPRA NAV incl. perpetual notes	**4,879,279**	**29.2**	**4,783,072**	**28.7**
EPRA NAV	**3,857,114**		**3,753,022**	
Fair value measurements of derivative financial instruments	1,572		(248)	
Adjustment to reflect fair value of debt	(139,345)		29,217	
Deferred tax liabilities 2)	(31,919)		(29,210)	
EPRA NNNAV	**3,687,422**	**22.1**	**3,752,781**	**22.5**
Basic amount of shares including in-the-money dilution effects (in thousands)	166,912		166,903	

1) including balances held for sale
2) adjustment based on the Company's corporate structure and from actual transactions

EPRA NAV as of 30th June 2019 was €3.9 billion, 3% higher than the €3.8 billion reported as of the end of December 2018. This increase was largely due to the profit generation during the reporting period. The growth was offset due to the provision set for the dividend payments executed in July 2019 in the amount of around €130 million. On a per share basis, EPRA NAV grew from €22.5 as of the end of December 2018 to €23.1 as of the end of June 2019, up 3%. Excluding the dividend distribution, the NAV per share for June 2019 increased by 6% from the end of 2018. This demonstrates GCP's success in translating business performance to sustainable value creation at the shareholder level. EPRA NAV including perpetual notes as of June 2019, amounted to €4.9 billion and €29.2 on a per share basis.

The EPRA NNNAV, accounting for the debt at market prices, decreased in H1 2019 to €3.7 billion from €3.8 billion in year-end 2018 due to the positive performance of GCP's bonds which market value has increased compared to year-end 2018 when the market value of the bonds was less than the book value.

EPRA NAV development (in € millions)



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 utilized to assess the Company's operational earnings, net value of the Company, leverage position, debt coverage abilities as well as liquidity headroom. 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 inventories, share of profit/(loss) from investment in equity-accounted investees and other adjustments. GCP starts from its *Operating profit* and adds back the item *Depreciation and amortization* to arrive at *EBITDA* value. Non-recurring and non-operational items are deducted such as the *Capital gains, property revaluations and other income, Result on the disposal of inventories-trading properties* and *Share in profit/loss from investment in equity-accounted investees*. Further adjustments are labeled as *Other adjustments* which are equity settled share-based payments since these are non-cash expenses.

Adjusted EBITDA reconciliation

Operating Profit
(+) Depreciation and amortization
(=) EBITDA
(-) Capital gains, property revaluations and other income
(-) Result on the disposal of inventories - trading properties
(-) Share in profit/(loss) from investment in equity-accounted investees
(+) 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 utilized as a key industry performance indicator. It is calculated by deducting the *Finance expenses*, *Current tax expenses*, *Contribution to minorities* from the *Adjusted EBITDA*.

FFO I reconciliation

Adjusted EBITDA
(-) Finance expenses
(-) Current tax expenses
(-) Contribution to minorities
(=) FFO I

Reconciliation of FFO I after perpetual notes attribution

In line with the IFRS standards, GCP recognizes perpetual notes as equity in its balance sheets. Therefore, attributions to this item is recorded through changes in equity. GCP reports FFO I after perpetual notes attribution for enhanced transparency. In this case, GCP deducts the *Adjustment for accrued perpetual notes attribution* from the *FFO I*.

FFO I after perpetual notes attribution reconciliation

FFO I
(-) Adjustment for accrued perpetual notes attribution
(=) FFO I after perpetual notes attribution

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. Modernization and pre-letting capex are not included in the AFFO as they are considered as additional investment programs, similar to the property acquisitions, which are 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 capitalized.

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

* the excess amount of the sale price to cost price plus capex of the disposed properties

Reconciliation of the Net Asset Value according to EPRA (EPRA NAV)

The EPRA NAV is defined by EPRA as the net asset value of the Company adjusted to include real estate properties and other investment interests at fair values and exclude certain items that are not expected to materialize in a long-term real estate business model. The purpose of the EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the Group's balance sheet items in the context of a true real estate investment company with a long-term oriented investment strategy. As perpetual notes are classified as equity in accordance with IFRS treatment, GCP additionally reports the EPRA NAV including the perpetual notes.

The reconciliation of the EPRA NAV starts from the *Equity per the financial statements* and deducts the *Equity attributable to perpetual notes investors* to get to the *Equity excluding perpetual notes*. Adding the *Fair value measurements of derivative financial instruments* and the *Deferred tax liabilities* which include balances from held for sale results into the *NAV*. Both of these items are added back in line with EPRA standards since they are not expected to materialize in a long-term basis. Finally, equity that is attributable to the *Non-controlling interests* is deducted from the *NAV* to derive at the *EPRA NAV*. Adding to the *EPRA NAV* the balance of the *Equity attributable to perpetual investors* results in the *EPRA NAV including perpetual notes*.

EPRA NAV reconciliation

Equity per the financial statements
(-) Equity attributable to perpetual notes investors
(=) Equity excluding perpetual notes
(+) Fair value measurements of derivative financial instruments, net
(+) Deferred tax liabilities*
(=) NAV
(-) Non-controlling interests
(=) EPRA NAV
(+) Equity attributable to perpetual investors
(=) EPRA NAV incl. perpetual notes

* including balances held for sale

Alternative Performance Measures

Reconciliation of the Triple Net Asset Value according to EPRA (EPRA NNNAV)

The EPRA NNNAV is derived by adjusting the EPRA NAV by marking to market the values of the Company's financial debt, derivative financial instruments and deferred taxes. The purpose of the EPRA NNNAV is to provide stakeholders with the most relevant information on the Company's financial liabilities by reporting them at their fair values as of the end of the period. Accordingly, to derive at the EPRA NNNAV, the *Fair value measurements of derivative financial instruments* is deducted from the EPRA NAV as well as an *Adjustment to reflect fair value of debt*. The adjustment is the difference between the market value of debt and book value of debt, adjusted for taxes. Lastly, *Deferred tax liabilities*, which according to EPRA's best practice recommendations should be based on evidence observed in the market, are deducted to reach to the *EPRA NNNAV*.

EPRA NNNAV reconciliation

EPRA NAV
(-) Fair value measurements of derivative financial instruments
(-) Adjustment to reflect fair value of debt
(-) Deferred tax liabilities*
(=) EPRA NNNAV

*adjustment based on the Company's corporate structure and from actual transactions

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 for real estate transactions and inventories - trading properties*, *Investment properties of assets held for sale* and the *Equity-accounted investees and excludes the effects of IFRS 16*. 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*, *Traded securities 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 for real estate *transactions* and inventories - trading properties and excluding the effects of IFRS 16
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 property 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-recognized debt metrics Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) are utilized 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 *Finance expenses* plus *Amortization 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) Finance expenses	
(b) Adjusted EBITDA	
(=) (b/a) ICR	

DSCR reconciliation

(a) Finance expenses	
(b) Amortization of loans from financial institutions	
(c) Adjusted EBITDA	
(=) [c/(a+b)] DSCR	

Berlin

Responsibility Statement

To the best of our knowledge, the condensed interim 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.

By order of the Board of Directors,
Luxembourg, August 19, 2019

Refael Zamir
CFO, Chairman of the Board of Directors

Simone Runge-Brandner
Member of the Board of Directors

Daniel Malkin
Member of the Board of Directors

Condensed interim consolidated statement of profit or loss

		For the period of six months ended 30 June		For the period of three months ended 30 June	
		2019	2018	2019	2018
		Unaudited			
	Note	€'000			
Revenue	5	**278,195**	**268,525**	**139,106**	**135,837**
Property revaluations and capital gains		210,877	249,985	90,713	132,176
Share of profit from investments in equity-accounted investees		322	1,350	322	1,427
Property operating expenses		(128,581)	(127,076)	(63,721)	(64,610)
Cost of buildings sold		-	(194)	-	-
Administrative and other expenses		(6,015)	(6,062)	(3,090)	(3,018)
Operating profit		**354,798**	**386,528**	**163,330**	**201,812**
Finance expenses		(22,807)	(23,322)	(11,020)	(11,910)
Other financial results		(19,731)	(24,061)	(2,642)	(15,426)
Profit before tax		**312,260**	**339,145**	**149,668**	**174,476**
Current tax expenses		(15,429)	(13,600)	(8,441)	(7,132)
Deferred tax expenses		(47,264)	(54,088)	(16,992)	(27,599)
Profit for the period		**249,567**	**271,457**	**124,235**	**139,745**
Profit attributable to:					
Owners of the Company		214,040	235,809	105,974	118,892
Perpetual notes investors		16,365	13,632	8,228	7,653
Non-controlling interests		19,162	22,016	10,033	13,200
		249,567	**271,457**	**124,235**	**139,745**
Net earnings per share attributable to the owners of the Company (in €):					
Basic earnings per share		1.28	1.43	0.64	0.72
Diluted earnings per share		1.21	1.33	0.59	0.68

The notes on pages 56 to 64 form an integral part of these condensed interim consolidated financial statements

Condensed interim consolidated statement of comprehensive income

	For the period of six months ended 30 June		For the period of three months ended 30 June	
	2019	2018	2019	2018
	Unaudited			
	€'000			
Profit for the period	**249,567**	**271,457**	**124,235**	**139,745**
Other comprehensive income				
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	(1,071)	(994)	(8,371)	(1,802)
Cost of hedging	(8,100)	(11,599)	620	(3,519)
Total other comprehensive income for the period, net of tax	**(9,171)**	**(12,593)**	**(7,751)**	**(5,321)**
Total comprehensive income	**240,396**	**258,864**	**116,484**	**134,424**
Total comprehensive income attributable to:				
Owners of the Company	204,869	223,216	98,223	113,571
Perpetual notes investors	16,365	13,632	8,228	7,653
Non-controlling interests	19,162	22,016	10,033	13,200
	240,396	**258,864**	**116,484**	**134,424**

The notes on pages 56 to 64 form an integral part of these condensed interim consolidated financial statements

Condensed interim consolidated statement of financial position

	Note	As at 30 June, 2019 Unaudited	As at 31 December, 2018 Audited
		€'000	
Assets			
Equipment and intangible assets		26,570	24,065
Investment property	6	7,574,898	7,227,290
Advanced payment for real estate transactions		33,775	54,964
Investment in equity-accounted investees		27,037	26,207
Derivative financial assets		19,260	7,517
Other non-current assets		154,100	246,192
Deferred tax assets		40,893	36,676
Non-current assets		**7,876,533**	**7,622,911**
Cash and cash equivalents		619,852	603,158
Financial assets at fair value through profit and loss		148,734	156,822
Inventories – Trading property		17,965	16,625
Trade and other receivables		399,748	319,465
Derivative financial assets		6,920	5,060
Assets held for sale		207,909	136,485
Current assets		**1,401,128**	**1,237,615**
Total assets		**9,277,661**	**8,860,526**

The notes on pages 56 to 64 form an integral part of these condensed interim consolidated financial statements

	Note	As at 30 June, 2019 Unaudited	As at 31 December, 2018 Audited
		€'000	
Equity			
Share capital	9	16,678	16,672
Share premium		545,057	673,288
Other reserves		17,331	27,258
Retained earnings		2,705,616	2,510,278
Total equity attributable to the owners of the Company		**3,284,682**	**3,227,496**
Equity attributable to perpetual notes investors		1,022,165	1,030,050
Total equity attributable to the owners and perpetual notes investors		**4,306,847**	**4,257,546**
Non-controlling interests		415,198	409,441
Total equity		**4,722,045**	**4,666,987**
Liabilities			
Loans and borrowings		636,262	845,646
Convertible bond		273,559	272,246
Straight bonds		2,473,076	2,177,267
Derivative financial liabilities		20,963	12,825
Other non-current liabilities		90,418	56,399
Deferred tax liabilities		565,306	523,097
Non-current liabilities		**4,059,584**	**3,887,480**
Current portion of long-term loans		12,889	12,934
Loan redemption		-	8,687
Trade and other payables		424,675	242,320
Derivative financial liabilities		3,645	-
Tax payable		8,812	8,220
Provisions for other liabilities and charges		34,015	25,011
Liabilities held for sale		11,996	8,887
Current liabilities		**496,032**	**306,059**
Total liabilities		**4,555,616**	**4,193,539**
Total equity and liabilities		**9,277,661**	**8,860,526**

The board of directors of Grand City Properties S.A. authorised these condensed interim consolidated financial statements for issuance on 19 August 2019.

Refael Zamir
CFO, Chairman of the Board of Directors

Simone Runge-Brandner
Member of the Board of Directors

Daniel Malkin
Member of the Board of Directors

Condensed interim 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	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 (audited)	**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 (see note 4)	-	-	-	-	-	-	20,439	20,439	-	20,439	-	20,439
Restated balance as at 1 January 2019	**16,672**	**673,288**	**12,657**	**(39)**	**(9,555)**	**24,195**	**2,530,717**	**3,247,935**	**1,030,050**	**4,277,985**	**409,441**	**4,687,426**
Profit for the period	-	-	-	-	-	-	214,040	214,040	16,365	230,405	19,162	249,567
Other comprehensive loss for the period	-	-	-	(8,100)	(1,071)	-	-	(9,171)	-	(9,171)	-	(9,171)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(8,100)**	**(1,071)**	**-**	**214,040**	**204,869**	**16,365**	**221,234**	**19,162**	**240,396**
Share-based payment	6	771	-	-	-	(756)	-	21	-	21	-	21
Dividend distribution (*)	-	(129,002)	-	-	-	-	-	(129,002)	-	(129,002)	-	(129,002)
Transactions with non-controlling interests	-	-	-	-	-	-	(39,141)	(39,141)	-	(39,141)	(13,405)	(52,546)
Payments to Perpetual notes investors	-	-	-	-	-	-	-	-	(24,250)	(24,250)	-	(24,250)
Balance as at 30 June 2019 (unaudited)	**16,678**	**545,057**	**12,657**	**(8,139)**	**(10,626)**	**23,439**	**2,705,616**	**3,284,682**	**1,022,165**	**4,306,847**	**415,198**	**4,722,045**

(*) For additional information see note 8

	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	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 2017 (audited)	**16,479**	**753,226**	**20,284**	**-**	**(511)**	**24,069**	**2,005,755**	**2,819,302**	**665,871**	**3,485,173**	**364,489**	**3,849,662**
Profit for the period	-	-	-	-	-	-	235,809	235,809	13,632	249,441	22,016	271,457
Other comprehensive loss for the period	-	-	-	(11,599)	(994)	-	-	(12,593)	-	(12,593)	-	(12,593)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(11,599)**	**(994)**	**-**	**235,809**	**223,216**	**13,632**	**236,848**	**22,016**	**258,864**
Issuance of new ordinary shares	-	-	-	-	-	-	-	-	340,921	340,921	-	340,921
Share based payment	-	-	-	-	-	596	-	596	-	596	-	596
Buyback of convertible bond F	-	(375)	(7,627)	-	-	-	-	(8,002)	-	(8,002)	-	(8,002)
Dividend distribution	-	(120,296)	-	-	-	28,863	-	(91,433)	-	(91,433)	-	(91,433)
Transactions with non-controlling interestsp	-	-	-	-	-	-	(3,612)	(3,612)	-	(3,612)	(31,576)	(35,188)
Amount due to Perpetual notes investors	-	-	-	-	-	-	-	-	(13,632)	(13,632)	-	(13,632)
Balance as at 30 June 2018 (unaudited)	**16,479**	**632,555**	**12,657**	**(11,599)**	**(1,505)**	**53,528**	**2,237,952**	**2,940,067**	**1,006,792**	**3,946,859**	**354,929**	**4,301,788**

The notes on pages 56 to 64 form an integral part of these condensed interim consolidated financial statements

Cologne

Condensed interim consolidated statement of cash flows

	For the period of six months ended 30 June	
	2019	2018
	Unaudited	
	€'000	
Cash flows from operating activities:		
Profit for the period	**249,567**	**271,457**
Adjustments for the profit:		
Depreciation and amortization	1,588	1,016
Property revaluations and capital gains	(210,877)	(249,985)
Share of loss from investments in equity-accounted investees	(322)	(1,350)
Net finance expenses	42,538	47,383
Tax and deferred tax expenses	62,693	67,688
Equity settled share-based payment	1,066	596
Change in working capital	(8,269)	(10,335)
Tax paid	(12,977)	(10,488)
Net cash provided by operating activities	**125,007**	**115,982**
Cash flows from investing activities:		
Acquisition of equipment and intangible assets, net	(4,104)	(2,058)
Acquisitions of investment property, capex and advances paid, net of disposals	(66,179)	(318,552)
Acquisition of investees and loans, net of disposals	(33,875)	(131,439)
Investment in trade securities and other non-current assets	47,383	(34,212)
Net cash used in investing activities	**(56,775)**	**(486,261)**

The notes on pages 56 to 64 form an integral part of these condensed interim consolidated financial statements

	For the period of six months ended 30 June	
	2019	2018
	Unaudited	
	€'000	
Cash flows from financing activities:		
Amortisation of loans from financial institutions	(4,709)	(4,674)
Proceeds (Repayments) of loans from financial institutions, net	(215,708)	16,533
Proceeds from straight bonds, net	286,710	875,125
Proceeds (payment) from (to) perpetual notes investors	(24,250)	316,670
Repayment straight bond CHF	-	(49,934)
Buyback of straight bond series D	-	(43,358)
Buyback of convertible bond series F	-	(170,892)
Transactions with non-controlling interests	(59,585)	-
Interest and other financial expenses, net	(33,934)	(21,138)
Net cash provided by (used in) financing activities	**(51,476)**	**918,332**
Net increase in cash and cash equivalents	**16,756**	**548,053**
Assets held for sale – cash	(11)	503
Cash and cash equivalents at the beginning of the period	603,158	312,058
Effect of foreign exchange rate changes	(51)	-
Cash and cash equivalents at the end of the period	**619,852**	**860,614**

Condensed notes to the interim consolidated financial statements

for the six month period ended 30 June, 2019

1. General

Grand City Properties S.A. ("the Company") was incorporated in 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's shares are listed on the Prime Standard of the Frankfurt Stock Exchange and included in the MDAX index of the Deutsche Börse.

The Company is a specialist in residential real estate, value-add opportunities in densely populated areas, mainly in Germany. The Company's strategy is to improve its properties through targeted modernization and intensive tenant management, and then create value by subsequently raising occupancy and rental levels.

These condensed interim consolidated financial statements for the six months ended 30 June 2019 ("the reporting period") consist of the financial statements of the Company and its investees ("the Group").

2. Significant changes in the current reporting period

The financial position and performance of the Group was affected by the following events and transactions during the reporting period:

- Investment property has been increased mainly due to the acquisition of nearly Euro 300 million and due to revaluation gains. This increase was partially offset by disposals of properties for over Euro 185 million (see note 6).
- The Group issued over Euro 300 million in bonds under the EMTN programme, including foreign currency issuances with currency hedge to Euro in place (see note 7). In addition, the Group has prepaid Euro 200 million of bank debt with short maturity.
- At the annual general meeting held on 26 June 2019, it was resolved upon a distribution of dividend in total amount of Euro 129 million (0.7735 Euro per share) (see note 8).
- The adoption of the new leasing standard IFRS 16 Leases (see note 4).
- For additional information about changes in the Group's financial position and performance, see the "Notes on business performance" section in the board of directors' report.

3. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as applicable in the European Union ("EU").

The condensed interim consolidated financial statements do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December, 2018.

The accounting policies adopted in the preparation of these condensed consolidated financial statements, including the judgments, estimates and special assumptions that affect the application of those accounting policies, are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December, 2018, except for the adoption of new standards, amendments to standards and interpretations as described in note 4.

These condensed interim consolidated financial statements have not been reviewed by the auditor, unless written "audited".

4. Changes in accounting policies

IFRS 16 Leases

The Group has adopted IFRS 16 from 1 January 2019 ("date of initial application", "DIA"), using the modified retrospective approach as permitted under the specific transitional provisions in the standard. Therefore, the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at DIA, with no restatement of comparative information.

Adjustments recognised on adoptation of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases of lands which had previously been classified as 'operating lease' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at DIA.

The Group classified and measured the right-of-use assets related to lands as an investment property.

The change in accounting policy affected the following items in the condensed interim consolidated statement of financial position on 1 January 2019 (increase/(decrease)):

Item	Line item in the condensed interim consolidated statement of financial position	Impact
		€'000
Right-of-use assets	Investment property	68,678
Lease liabilities	Other non-current liabilities	44,441
Deferred tax liabilities	Deferred tax liabilities	3,798

The net impact on retained earnings on 1 January 2019 was an increase of Euro 20,439 thousand.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contracts contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at DIA. Instead, for contracts entered into before the DIA the Group relied on its assessment made applying IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease.

Other Amendments and Interpretations

The following amendments and interpretations were also adopted for the first time in these condensed interim consolidated financial statements, with effective date of 1 January 2019, and did not have any material impact on the Group:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Annual Improvements to IFRS standards 2015-2017

5. Revenue

	For the six months period ended 30 June	
	2019	2018
	€'000	
Net rental income	189,320	181,682
Revenue from contracts with customers	88,875	86,843
	278,195	**268,525**

5.1 Disaggregation of revenue from contracts with customers

	For the six months period ended 30 June	
	2019	2018
	€'000	
Revenue from goods or services transferred to customers over time:		
Operating and other income	88,875	86,593
Revenue from goods or services transferred to customers at a point in time:		
Revenue from sale of apartments	-	250
	88,875	**86,843**

5.2 Geographical information

	For the six months period ended 30 June	
	2019	2018
	€'000	
Revenues		
Germany	266,209	264,318
United Kingdom	11,986	4,207
	278,195	**268,525**

6. Investment property

	For the six months period ended 30 June	For the year ended 31 December,
	2019	2018
	Unaudited	Audited
	€'000	
Balance as at 1 January	**7,227,290**	**6,376,224**
Adjustment for initial application of IFRS 16, see note 4.	68,678	-
Restated balance as at 1 January	**7,295,968**	**6,376,224**
Acquisitions of investment property and capex during the period / year	330,470	863,751
Disposal of investment property during the period / year	(173,668)	(235,051)
Effect of foreign currency exchange differences	(4,638)	(5,384)
Transfer from (to) assets held for sale, net	(71,724)	(261,401)
Fair value adjustment	198,490	489,151
Balance as at 30 June / 31 December	**7,574,898**	**7,227,290**

7. Straight bonds

During the reporting period, the Company successfully completed the placement of the following straight bonds under its EMTN Programme:

- Euro 88 million due 2039 straight bond, at an issue price of 95.822% of the principal amount with effective euro coupon 1.093% + 3m Euribor.
- Euro 15 million due 2034 Straight bond, at an issue price of 97.327% of the principal amount with effective euro coupon 0.923% + 3m Euribor.
- Hong Kong Dollars (HKD) 290 million (Euro 33 million) due 2029 straight bond. The Company hedged the currency risk of the principal amount and the interest payments. The effective Euro coupon is 1.382% plus 3M Euribor.
- Swiss Franc (CHF) 130 million (Euro 116 million) due 2024 straight bond. The Company hedged the currency risk of the principal amount. The effective Euro coupon is 0.57%.
- Euro 40 million due 2039 straight bond. The effective Euro coupon is 2.5%.

For additional straight bonds issued after the reporting period see note 13(b) .

8. Dividends

	2019	2018
	€'000	
Dividend per share (in €)	0.7735	0.73
Total dividend amount (in €'000)	129,002	120,296

On 26 June 2019, the annual general meeting of the shareholders of the Company has resolved upon a dividend distribution of Euro 0.7735 per share for the year 2018 (2018: Euro 0.73 per share for the year 2017). The total gross amount of the dividend amounted to Euro 129,002 thousand (2018: 120,296 thousand). The dividend is deducted from the premium account and presented under trade and other payables in the consolidated financial statement of financial position.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. For additional information after the reporting period see note 13(a).

9. Share capital

	For the period of six months ended 30 June 2019		For the year ended 31 December 2018	
	Number of shares	€'000	Number of shares	€'000
Balance as at the beginning of the period/year	166,718,395	16,672	164,788,883	16,479
Issuance of new ordinary share as part of scrip dividend	-	-	1,870,948	187
Issuance of new ordinary shares as part of share-based payment	58,478	6	58,564	6
Balance at the end of the period/year	**166,776,873**	**16,678**	**166,718,395**	**16,672**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10. Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual consolidated financial statements.

10.1 Fair value hierarchy

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018 on a recurring basis:

	As at 30 June 2019				As at 31 December 2018			
			Fair value measurement using				Fair value measurement using	
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant unobserv-able inputs (Level 2)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant unobserv-able inputs (Level 2)
	€'000							
Financial assets								
Financial assets at fair value through profit or loss	148,734	148,734	93,540	55,194	156,822	156,822	96,145	60,677
Derivative financial assets	26,180	26,180	-	26,180	12,577	12,577	-	12,577
Total financial assets	**174,914**	**174,914**	**93,540**	**81,374**	**169,399**	**169,399**	**96,145**	**73,254**
Financial liabilities								
Derivative financial liabilities	24,608	24,608	-	24,608	12,825	12,825	-	12,825
Total financial liabilities	**24,608**	**24,608**	**-**	**24,608**	**12,825**	**12,825**	**-**	**12,825**

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.

There were no transfers between level 1 and level 2 during the reporting period.

10.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices.
- for derivative financial instruments - forward pricing and swap models using present value calculations. The models incorporate various inputs including 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.
- for hybrid instruments - 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.

10.3 Fair value of other financial instruments

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 30 June 2019:

	As at 30 June 2019				As at 31 December 2018			
			Fair value measurement using				Fair value measurement using	
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant unobservable inputs (Level 2)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant unobservable inputs (Level 2)
	€'000							
Financial liabilities								
Straight bonds	2,473,076	2,632,648	2,443,017	189,631	2,177,267	2,109,045	1,950,640	158,405
Convertible bond	273,559	295,955	295,955	-	272,246	292,523	292,523	-
Total financial liabilities	**2,746,635**	**2,928,603**	**2,738,972**	**189,631**	**2,449,513**	**2,401,568**	**2,243,163**	**158,405**

During the reporting period several straight bonds issued by the Company were listed. As it became possible to determine the fair value of these straight bonds using quoted prices, they have been reclassified from level 2 into level 1. According to the Group's policy, these transfers were recognised at the end of the reporting period.

11. Commitments

During the reporting period, the Group signed several real estate transactions which as at 30 June 2019 were not yet completed and are subject to standard condition precedents.

12. Contingent assets and liabilities

The Group had no significant contingent assets and liabilities as of 30 June 2019.

13. Events after the reporting period

(a) On 12 July 2019, the Company announced that the shareholders of approximately 33.1 million shares opted to receive their dividend in the form of new ordinary shares of the Company. Accordingly, 1,118,687 new shares have been issued in connection with the scrip dividend and the equity attributable to the owners of the Company increased by Euro 21.8 million. The reminder of the dividend in total amount of Euro 107.2 million has been paid in cash during July 2019.

(b) On 10 July 2019, as a result of the dividend distribution, the conversion price of the convertible bond series F has been adjusted from Euro 25.5419 to Euro 24.8141.

(c) After the reporting period, the Company successfully completed the placement of several straight bonds in total principal amount of Euro 430 million under the EMTN programme. The maturity range is from January 2021 until August 2034. The effective coupon rate is 0.00% - 1.5%.

14. Authorisation of condensed interim consolidated financial statements

These condensed interim consolidated financial statements were authorised for issuance by the Company's board of directors on 19 August 2019.


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