GRAND CITY
Properties S.A.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS Q1 2017

/Berlin


/Leipzig

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

IMPRINT

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CONTENT

KEY FINANCIALS

BALANCE SHEET HIGHLIGHTS

in €'000 unless otherwise indicated	MAR 2017	DEC 2016	DEC 2015
TOTAL ASSETS	6,249,628	6,153,733	4,688,903
TOTAL EQUITY	3,154,531	3,065,064	2,172,295
LOAN-TO-VALUE	37%	35%	42%
EQUITY RATIO	50%	50%	46%

P&L HIGHLIGHTS

in €'000 unless otherwise indicated	1-3/2017	CHANGE	1-3/2016
RENTAL AND OPERATING INCOME	117,957	17%	100,751
EBITDA	116,999	-4%	122,478
ADJUSTED EBITDA	59,530	11%	53,445
FFO I	42,014	12%	37,525
FFO I PER SHARE (€)	0.27	8%	0.25
FFO I PER SHARE after perpetual notes attribution (€)	0.23	5%	0.22
NET PROFIT	92,233	2%	90,457
EPS (BASIC) (€)	0.51	9%	0.47
EPS (DILUTED) (€)	0.46	7%	0.43

NAV HIGHLIGHTS

in €'000 unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes	EPRA NNNAV
Mar 2017	**2,836,213**	**2,630,097**	**3,299,079**	**2,528,392**
Mar 2017 per share in €	**18.3**	**17.0**	**21.3**	**16.3**
Per share growth	**+3%**	**+4%**	**+3%**	**+4%**
Dec 2016	2,737,726	2,541,060	3,208,453	2,431,814
Dec 2016 per share in €	17.7	16.4	20.7	15.7

/Berlin

ACHIEVEMENTS

LISTING UPGRADE ACHIEVED

AS OF MAY 9, 2017 GCP'S SHARES HAVE BEEN UPLISTED TO THE PRIME STANDARD OF THE FRANKFURT STOCK EXCHANGE

market visibility

larger investor pool

DEUTSCHE BÖRSE
PRIME STANDARD

tradability

share liquidity

Possible inclusion into the DAX family...

DAX MDAX SDAX

...and other major European indices

Market Cap[1]
€2.9bn

Free float
64%

1 based on a share price of €18.9

VALUE CREATION

EPRA VACANCY AND IN-PLACE RENT (MAR 2017)

EPRA Vacancy
7.7%

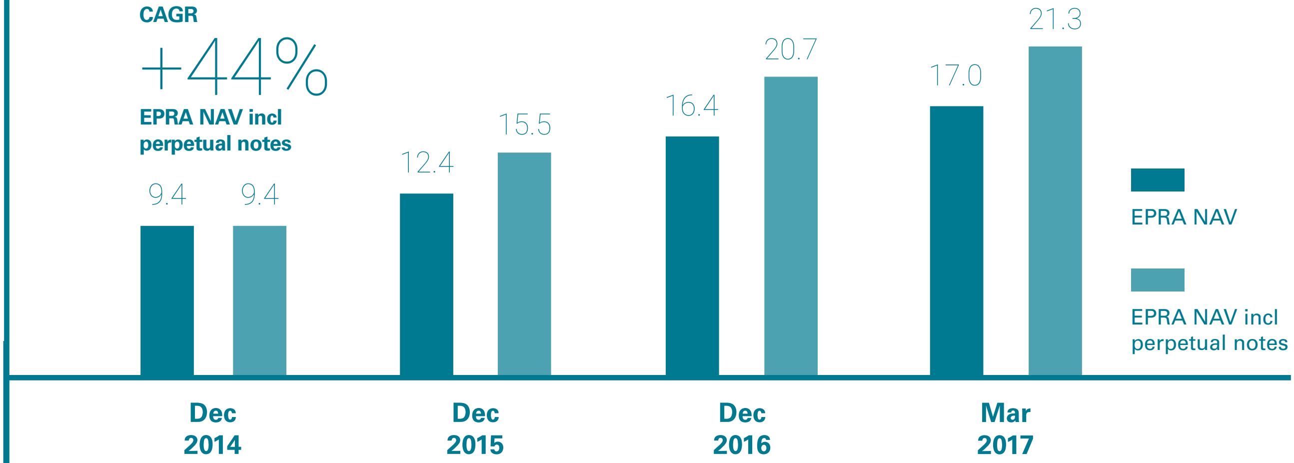
In-place rent
5.4€/sqm

Occupancy growth
LFL +2.7%

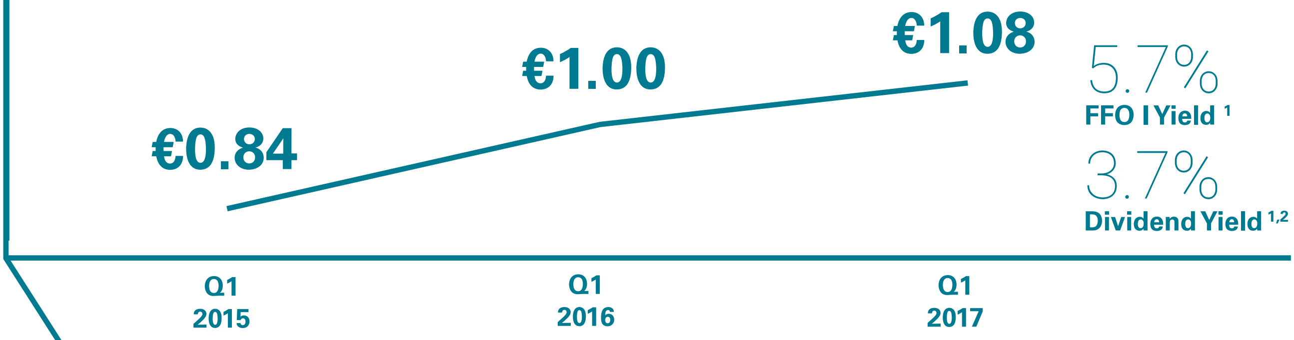
In-place rent growth
LFL +2.1%

EPRA NAV (€ PER SHARE)

CAGR
+44%
EPRA NAV incl perpetual notes



FFO I PER SHARE (ANNUALIZED)



5.7%
FFO I Yield [1]

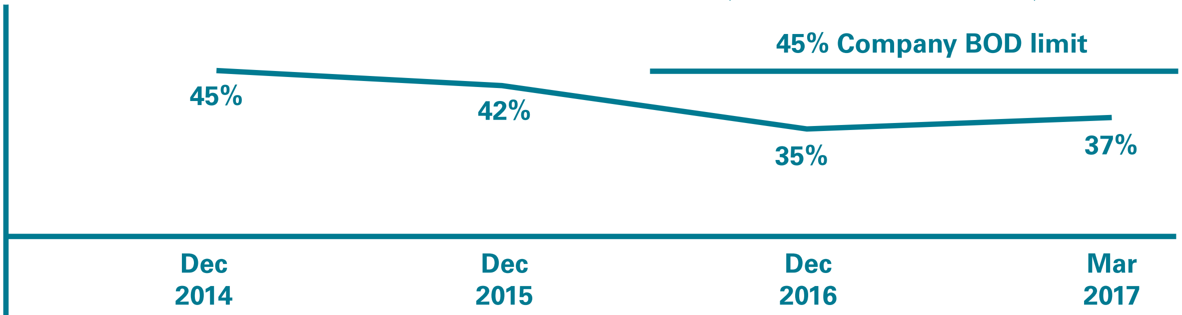
3.7%
Dividend Yield [1,2]

1 Based on a share price of €18.9
2 Based on a payout ratio of 65% of FFO I per share

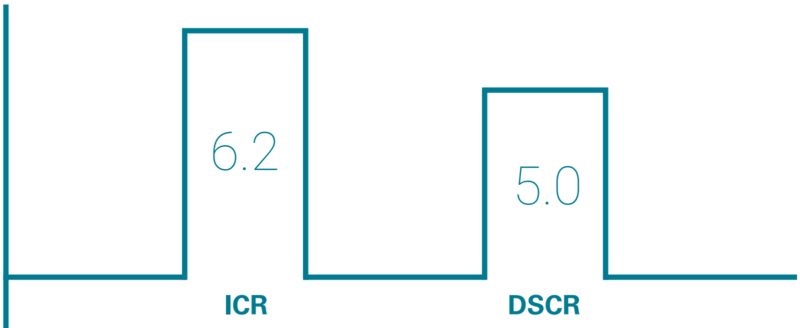
ACHIEVEMENTS

CONSERVATIVE FINANCIAL POLICY WITH RATING UPGRADES

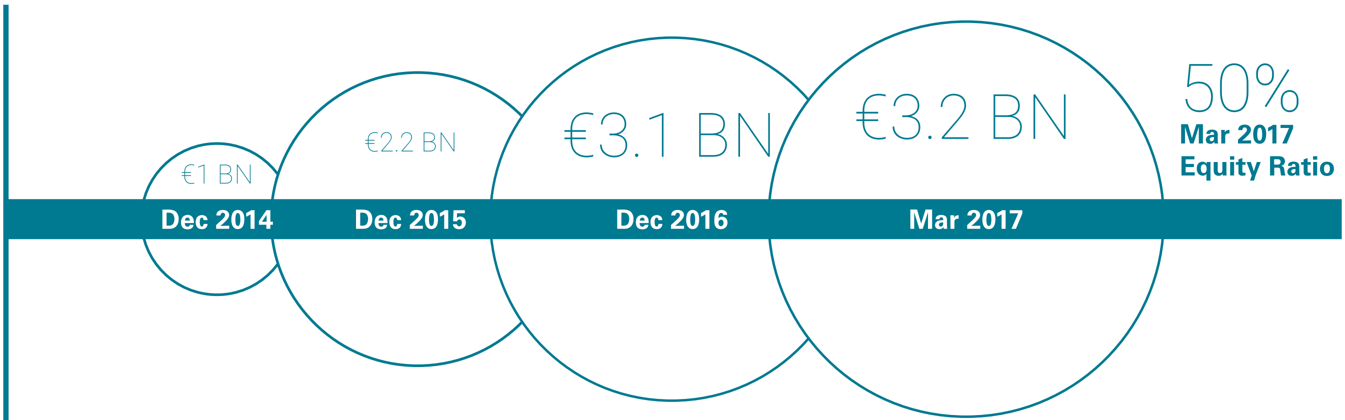
MAINTAINING LOW LEVERAGE (LOAN-TO-VALUE)



STRONG FINANCIAL COVER RATIOS (1-3 2017)

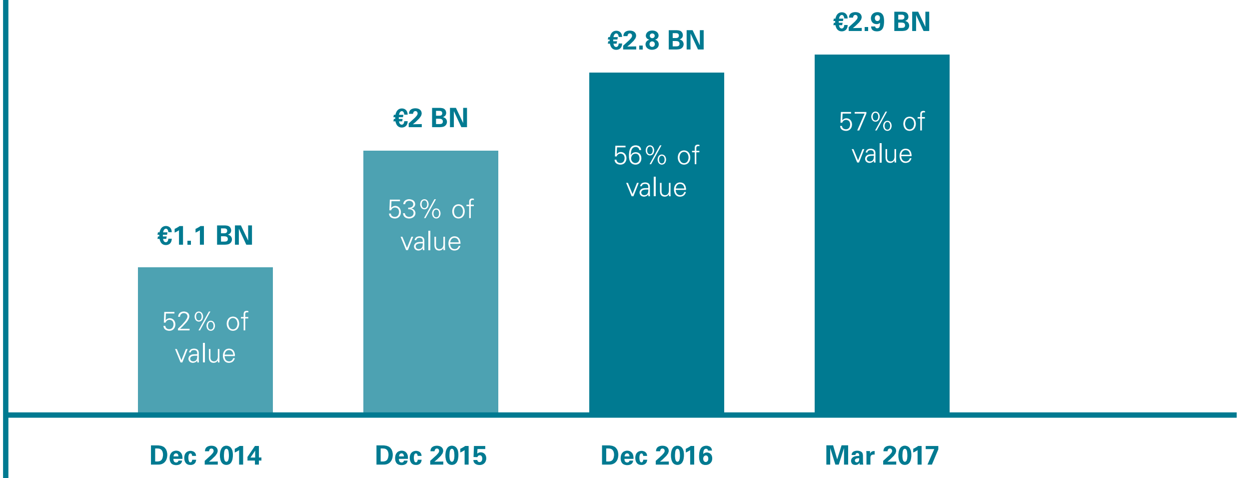


HIGH EQUITY LEVEL (TOTAL EQUITY)

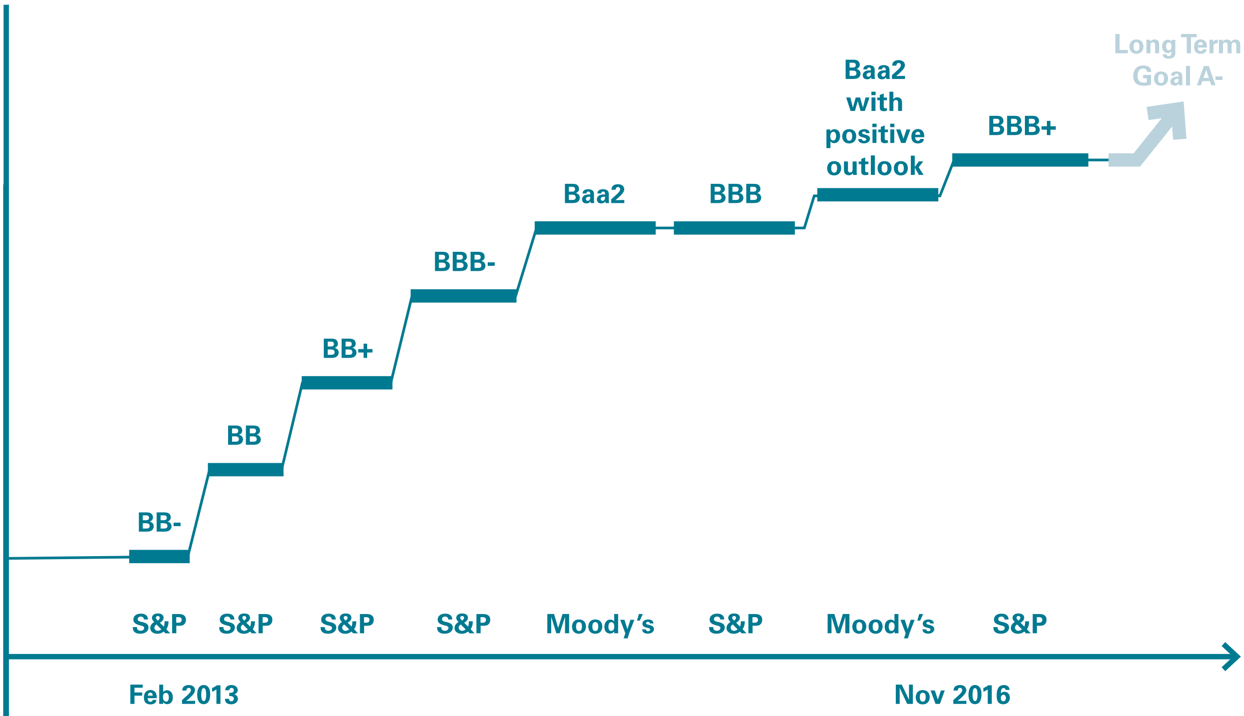


50%
Mar 2017 Equity Ratio

HIGH AMOUNT OF UNENCUMBERED ASSETS



CORPORATE CREDIT RATING



LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We hereby present to you Grand City Properties' financial reports for the first quarter of 2017, as we continue working towards further leveraging operational efficiencies and extracting the potential embedded in the portfolio. On the back of a highly successful 2016, during which we experienced significant growth and profitability, we find ourselves in a strong position that allows us to reach new milestones and continue maximizing shareholder value. One of such milestones was just reached with the uplisting of GCP's shares to the Prime Standard of the Frankfurt Stock Exchange, a testament to our successful growth and strong position within the capital markets.

End of last year we announced our intention to uplist the company's shares to the Prime Standard of the Frankfurt Stock Exchange. This strategic step-up was executed in a very timely manner, with the uplisting of our shares to the Prime Standard taking place last week. We believe that this upgrade, following many years of success, will increase the visibility of GCP in financial markets, boost investor confidence, provide access to a larger investor pool and provide opportunities for inclusion in major European stock indices. Given our current market capitalisation and level of free float, inclusion in the DAX index family could be on the cards.

In our efforts to be a responsible enterprise, we continuously improve our ESG (Environmental, Social and Governance) measures for the betterment of the communities in which we operate. We have made significant strides last year towards reducing our carbon footprint and investing in fully renewable energy sources and continue to search for innovative, environment-friendly measures. Furthermore, we look to more actively inform the market through more transparent communication and greater disclosure of our efforts, with a dedicated team focused on ESG reporting.

We take great pride in our double TÜV-certified Service Center which is available 24/7 to cater to the needs and requests of existing and prospective tenants, operating to a high standard of quality. In March 2017, the Service Center successfully passed the demanding annual TÜV inspection required to maintain the certifications. To further enhance the tenant experience, we launched a comprehensive smartphone application last year, through which existing tenants can submit and monitor service requests, while prospective tenants can view current rental opportunities, with further developments in the works.

In tandem with our consistently improving operational achievements, we continue to maintain and reinforce our strong capital structure through our prudent, conservative financial policy, which has resulted in a low LTV of 37% and an average cost of debt of 1.6%. The annualized FFO I of the first three months of 2017, which amounts to €168 million, is the result of substantial year-over-year improvements in all aspects of our operations, and our increased dividend payout ratio of 65% of FFO I per share reflects our sustainably high profitability, strong balance sheet, and serves to affirm the status of GCP shares as a stable and well-yielding investment.

We find ourselves in an excellent position to unlock the potential embedded in our properties and realize further operational improvements. We look forward to translating a sound first quarter into a strong 2017, as we continue on our path to deliver superior shareholder value.

Christian Windfuhr CEO	Refael Zamir Director (chairman), CFO	Simone Runge-Brandner Independent Director	Daniel Malkin Independent Director

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	1-3/2017	1-3/2016
	€'000	
Rental and operating income	**117,957**	**100,751**
EBITDA	116,999	122,478
Adjusted EBITDA	**59,530**	**53,445**
Profit for the period	92,233	90,457
EPS (basic) in €	0.51	0.47
EPS (diluted) in €	0.46	0.43
FFO I	**42,014**	**37,525**
FFO I per share in €	0.27	0.25
FFO I per share, after perpetual notes attribution in €	0.23	0.22
FFO II	**42,263**	**37,525**
Interest Cover Ratio	6.2	5.9
Debt Service Cover Ratio	5.0	4.6

FINANCIAL POSITION HIGHLIGHTS

	Mar 2017	Dec 2016
	€'000	
Cash and liquid assets	**481,397**	**631,904**
Total Assets	**6,249,628**	**6,153,733**
Investment Property 1)	4,977,599	4,795,757
Total Equity	**3,154,531**	**3,065,064**
EPRA NAV	**2,630,097**	**2,541,060**
EPRA NAV including perpetual notes	**3,299,079**	**3,208,453**
Total loans and borrowings	955,529	937,410
Straight bonds	1,052,119	1,050,078
Convertible bond Series F	428,932	427,909
Loan To Value	37%	35%
Equity Ratio	50%	50%

1) Including inventories – traded property


/Cologne

/Gelsenkirchen

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 March 31, 2017.

The figures presented in this Board of Directors' Report are based on the interim consolidated financial statements as of March 31, 2017, unless stated otherwise.

GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas in Germany. The Group's total portfolio as of March 2017 consists of 84k 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.

The Portfolio's monthly in-place rent as of March 2017 is €5.4 per square meter and the EPRA Vacancy is 7.7%. GCP is targeting 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, rent below market levels, improving operating cost efficiency, increasing market visibility, potential for high-return capex investments, and 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 allows 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.

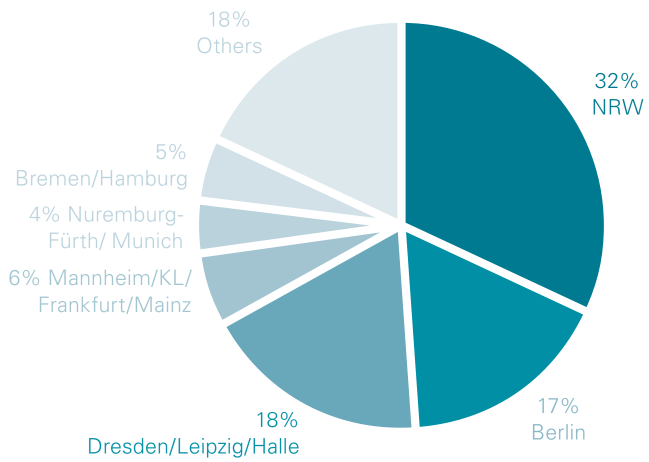
This strategy enables the Company to create significant value in its portfolio and generate stable and increasing cash flow returns.

THE PORTFOLIO

ATTRACTIVE PORTFOLIO IN GERMANY'S DENSELY POPULATED METROPOLIAN AREAS WITH VALUE-ADD POTENTIAL

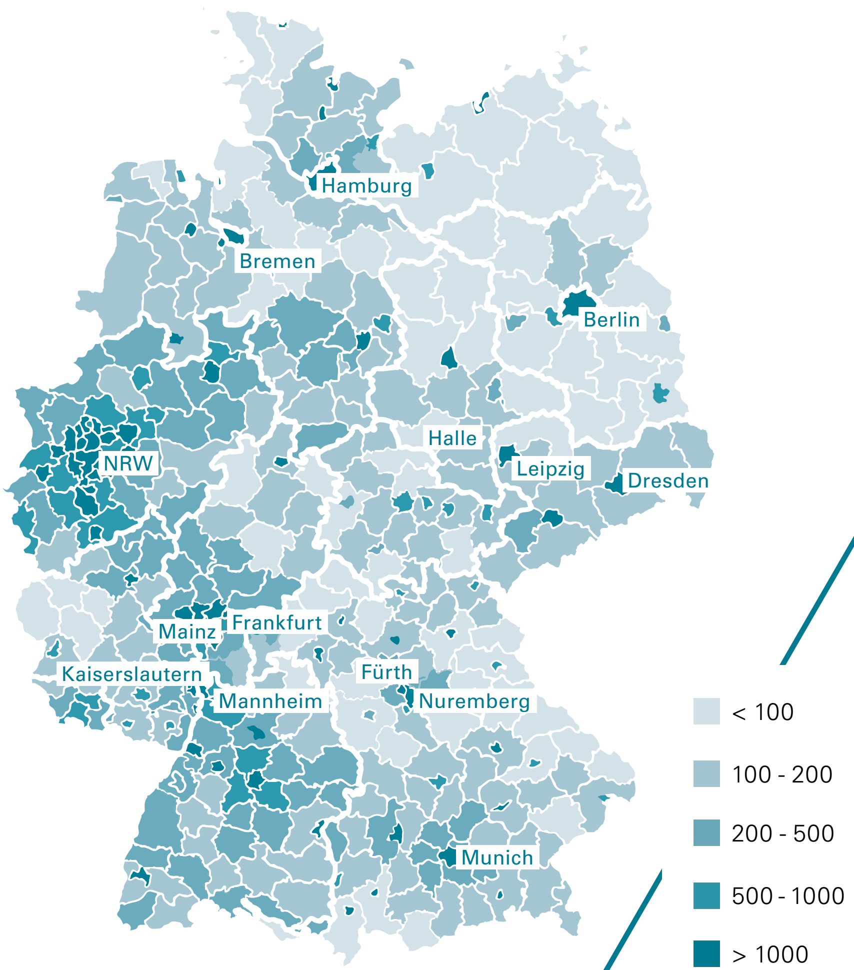
Properties that are attractively located and have been specifically selected for their value creation potential make up GCP's well-balanced portfolio.

REGIONAL DISTRIBUTION BY VALUE



POPULATION DENSITY IN GERMANY

(inhabitants per sqkm 2013)



The Group's Portfolio growth was accompanied by further diversification, allowing it to increase benefits from economies of scale supporting the risk-averse and well allocated portfolio. GCP's focus on densely populated areas is mirrored by 32% of its Portfolio being held in NRW, 17% in Berlin, 18% in the metropolitan of Dresden, Leipzig and Halle and significant holdings in other major urban centers with strong fundamentals such as Nuremberg, Munich, Mannheim, Frankfurt, Bremen and Hamburg.

PORTFOLIO OVERVIEW

GCP has assembled a high quality portfolio in densely populated metropolitans, benefiting from diversification among areas with positive economic fundamentals and demographic prospects.

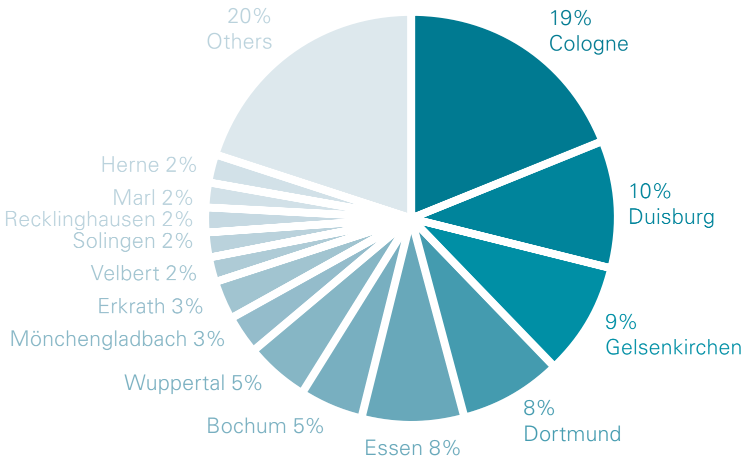
MARCH 2017	Investment property (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,613	1,861	8.3%	108	5.1	28,029	866	6.7%
Berlin	834	470	5.3%	38	6.9	6,270	1,769	4.5%
Dresden/Leipzig/Halle	894	1,129	9.1%	60	4.9	19,872	792	6.7%
Mannheim/KL/Frankfurt/Mainz	282	243	3.8%	17	5.9	3,981	1,161	6.1%
Nuremberg/Fürth/Munich	181	102	4.8%	9	7.6	1,471	1,774	5.1%
Bremen/Hamburg	245	264	6.0%	17	5.6	3,844	929	6.7%
Others	929	1,230	8.4%	69	5.3	20,635	757	7.5%
Total	**4,978**	**5,298**	**7.7%**	**318**	**5.4**	**84,102**	**939**	**6.4%**

THE PORTFOLIO


/Halle

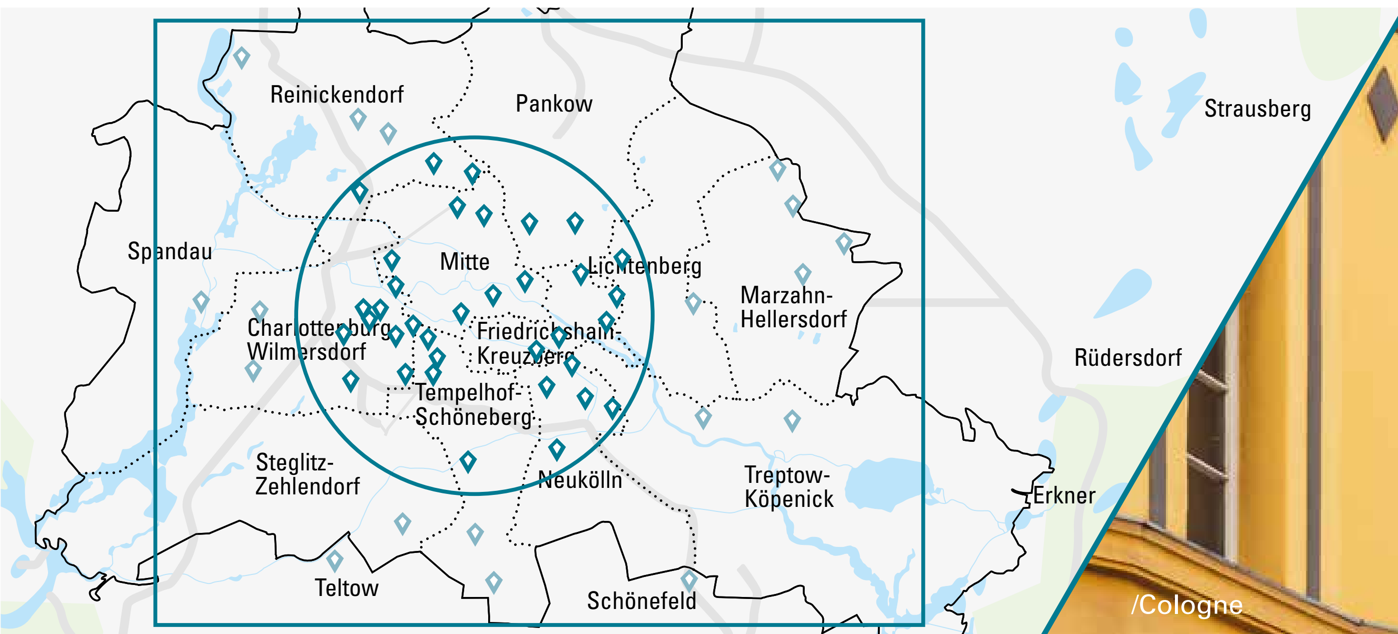
LARGEST EUROPEAN METROPOLITAN AREA
WELL DISTRIBUTED WITHIN NORTH RHINE-WESTPHALIA

The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 19% of the NRW portfolio is located in Cologne, the largest city in NRW, 10% in Duisburg, 9% in Gelsenkirchen, 8% in Dortmund and 8% in Essen.



QUALITY BERLIN LOCATIONS

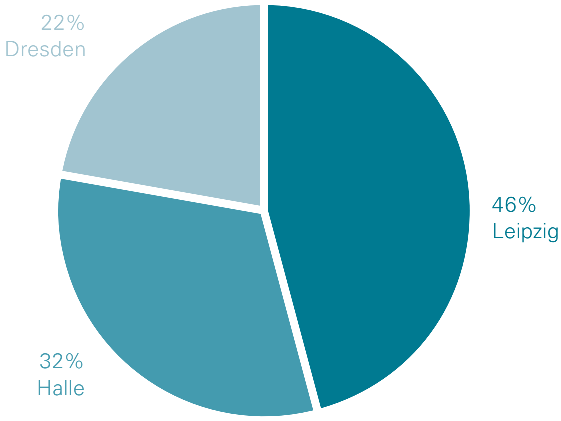
63% of the Berlin portfolio is located in top tier neighborhoods.
50% are located in the inner city. 13% are located in strong and growing areas outside the inner circle, such as West Charlottenburg/Wilmersdorf, Lichtenberg, South Schöneberg, Schönefeld, Steglitz and others.
The remaining 37% is well located primarily in Reinickendorf, Treptow, Köpenick and Marzahn-Hellersdorf.

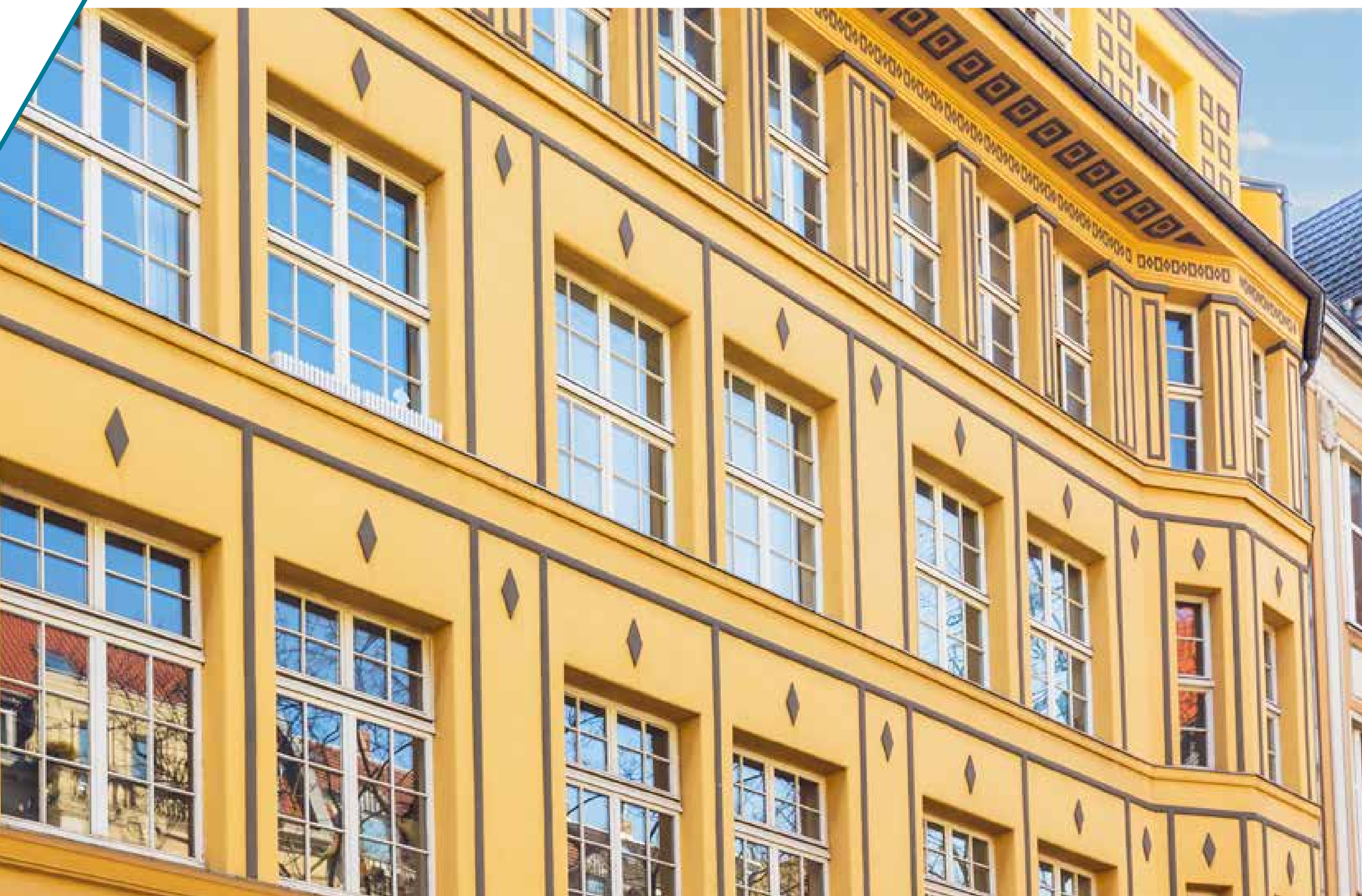



/Cologne

WELL DIVERSIFIED EAST PORTFOLIO

GCP's East portfolio is well distributed in growing and dynamic cities.





KEY STRENGTHS

CONSERVATIVE FINANCIAL POLICY

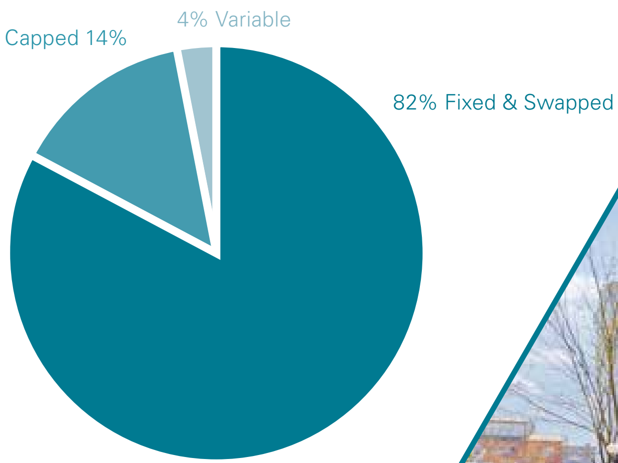
GCP follows a financial policy in order to maintain and improve its strong capital structure:

- **Strive to achieve A- global rating in the long term**
- LTV limit at 45%
- Debt-to-cap ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios
- Unencumbered assets above 50% of total assets
- Long debt maturity profile
- Good mix of long term unsecured bonds and non-recourse bank loans
- Maintaining credit lines from several banks which are not subject to Material Adverse Effect clauses
- Dividend of 65% of FFO I per share

With €481 million in liquid assets and over €200 million unused credit lines as of March 31, 2017 GCP has a high amount of financial flexibility, which is also reflected in the €2.9 billion of unencumbered assets. The high amount of liquidity enables GCP to pursue attractive deals, and provides significant headroom and comfort to its debt holders. GCP strategically maintains its strong financial profile characterized by long term maturities, hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of March 31, 2017 is at 37% and the Company set itself a management limit at 45%. The Board of Directors has decided to implement policies, management and financial strategies to achieve a further improvement of the credit rating to A-.

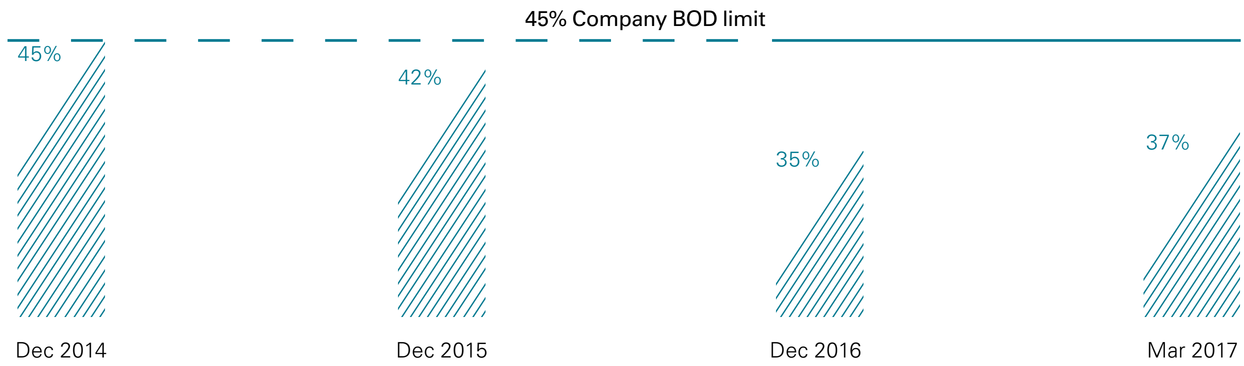
GCP's bank loans are spread across more than 40 separate loans from 19 different financial institutions that are non-recourse and have no cross collateral or cross default provisions.

Fitting to the Company's conservative capital structure, 96% of its interest is hedged.

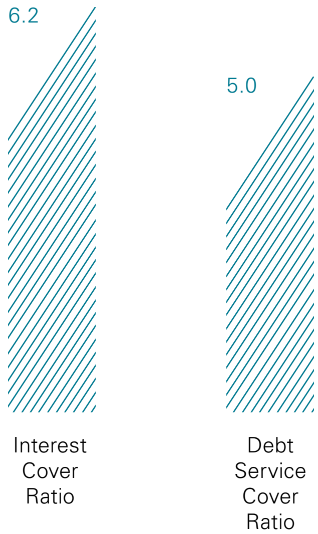


/Essen

LOAN-TO-VALUE



DEBT COVER RATIOS



GCP's financial flexibility remains strong over time due to its high profitability which is reflected in high cover ratios. The Interest Cover Ratio in Q1 2017 was 6.2 and the Debt Service Cover Ratio was 5.0.

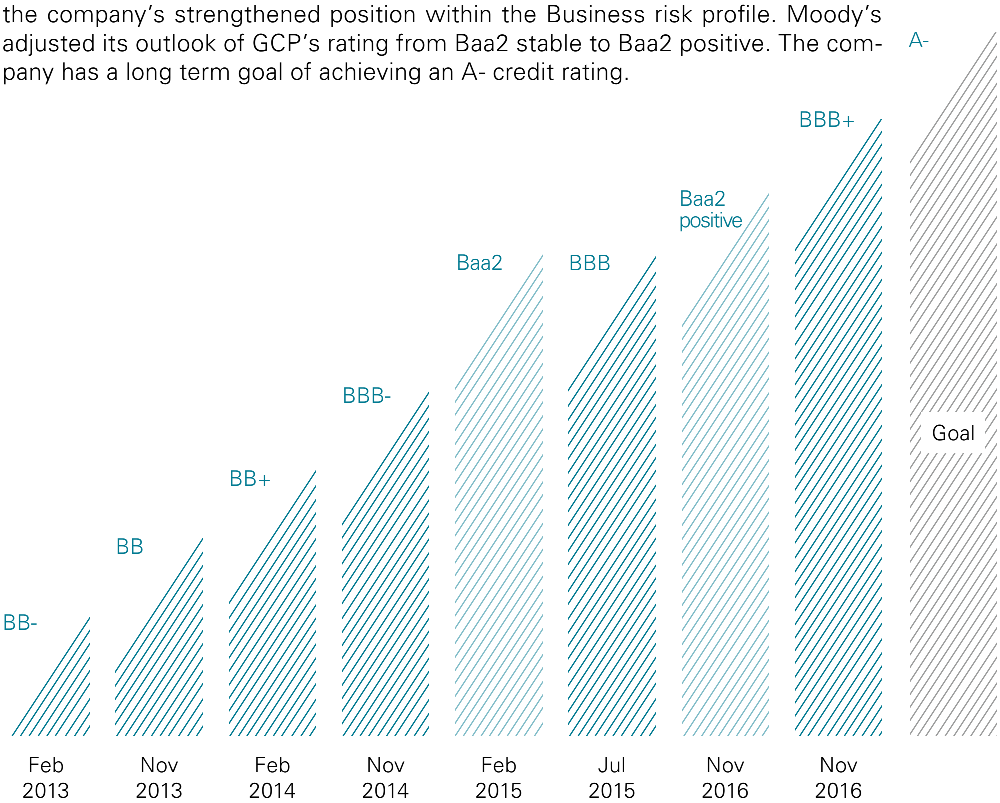
GCP's long maturity schedule enables the Company to fully complete the value-add cycle of its assets. This enables the Company to focus on its core business without the pressure to refinance and ensures a large extent of financial flexibility in the future.

KEY STRENGTHS

/Berlin

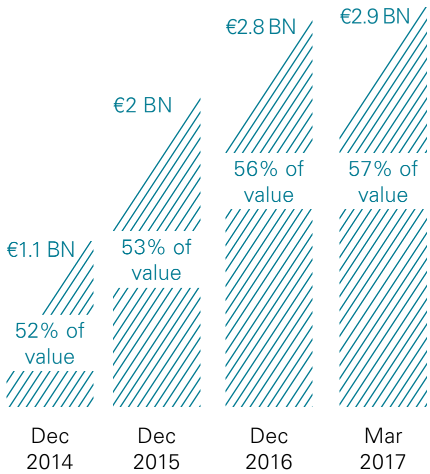
CREDIT RATING

In November 2016, GCP received two updates to its credit rating. S&P increased the corporate credit rating for the 5th time, to BBB+ (A-2 Short Term), validating the company's strengthened position within the Business risk profile. Moody's adjusted its outlook of GCP's rating from Baa2 stable to Baa2 positive. The company has a long term goal of achieving an A- credit rating.

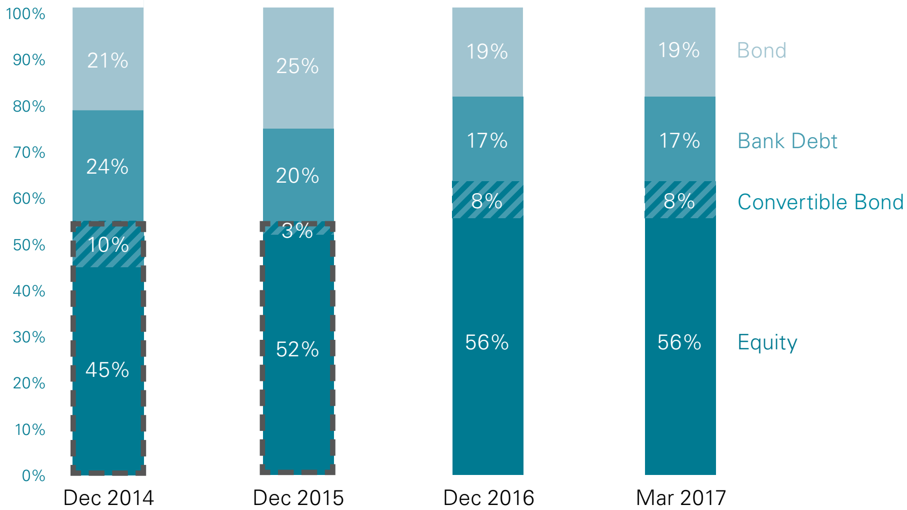


Essen

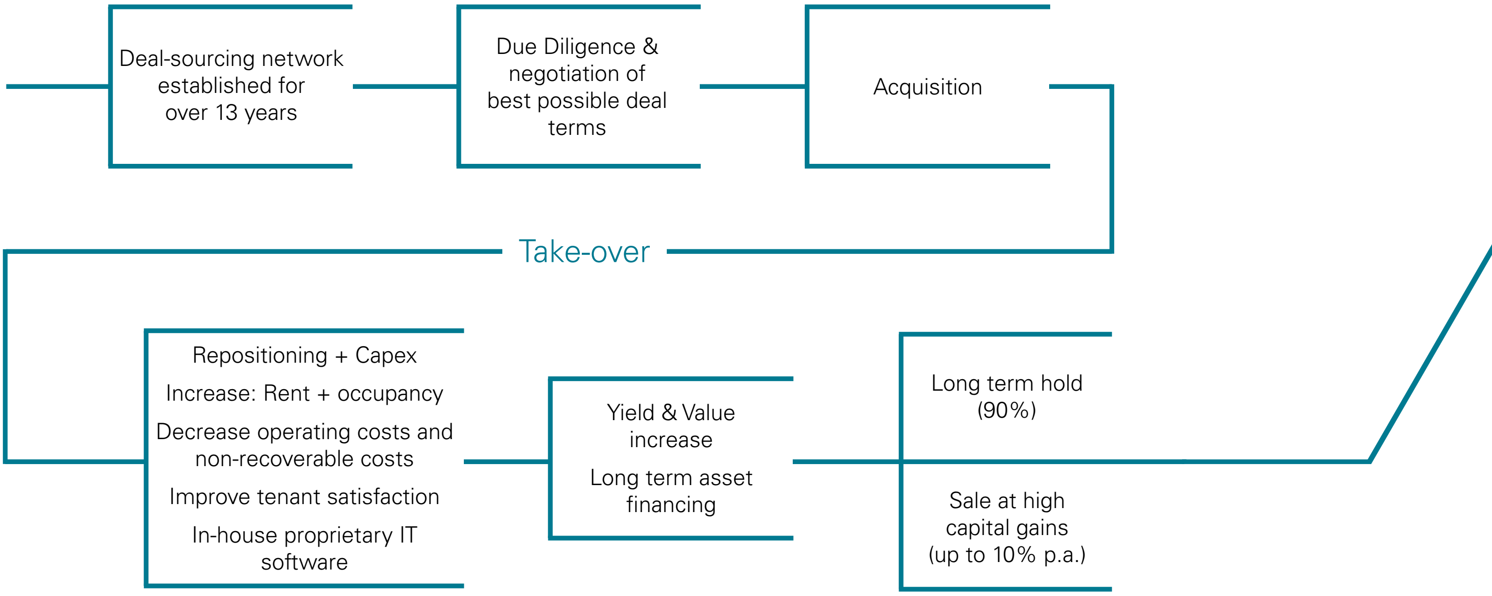
UNENCUMBERED ASSETS



FINANCING SOURCE MIX



COMPANY STRATEGY AND BUSINESS MODEL



FOCUS ON VALUE-ADD OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN RESIDENTIAL MARKET, 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 in the foreseeable future. The Group's current Portfolio is predominantly focused on North Rhine-Westphalia, Berlin, the metropolitan regions of Leipzig, Halle and Dresden, and other major cities in Germany. The Company believes its platform has the right abilities and systems to continue to perform strongly and to further extract its portfolio potential. The Group also believes that there are acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

For its acquisitions the Company is applying the following specific criteria:

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

CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME AND COST DISCIPLINE

GCP seeks to maximize its cash flows from its portfolio through the relentless 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 on-going 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 improve cash flows.

MAXIMIZE TENANT SATISFACTION

A key pillar of the overall success of GCP is tenant satisfaction. 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 the GCP Summer Olympic Games planned for this year. The Company believes that even minor initiatives, such as providing free plastic bags for dog owners to use in disposing of dog waste, go a long way in promoting a pleasant environment. In addition, GCP identifies opportunities to work with local authorities to improve the existing infrastructure in the community, contributing to increased demand for the neighbourhood.

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 its portfolio but also on existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, to spot opportunities for rent increases, and manage re-letting risks on a daily basis. GCP's IT/software is providing management with the detailed information necessary to monitor everything from costs to staff performance.

CAPITAL MARKETS

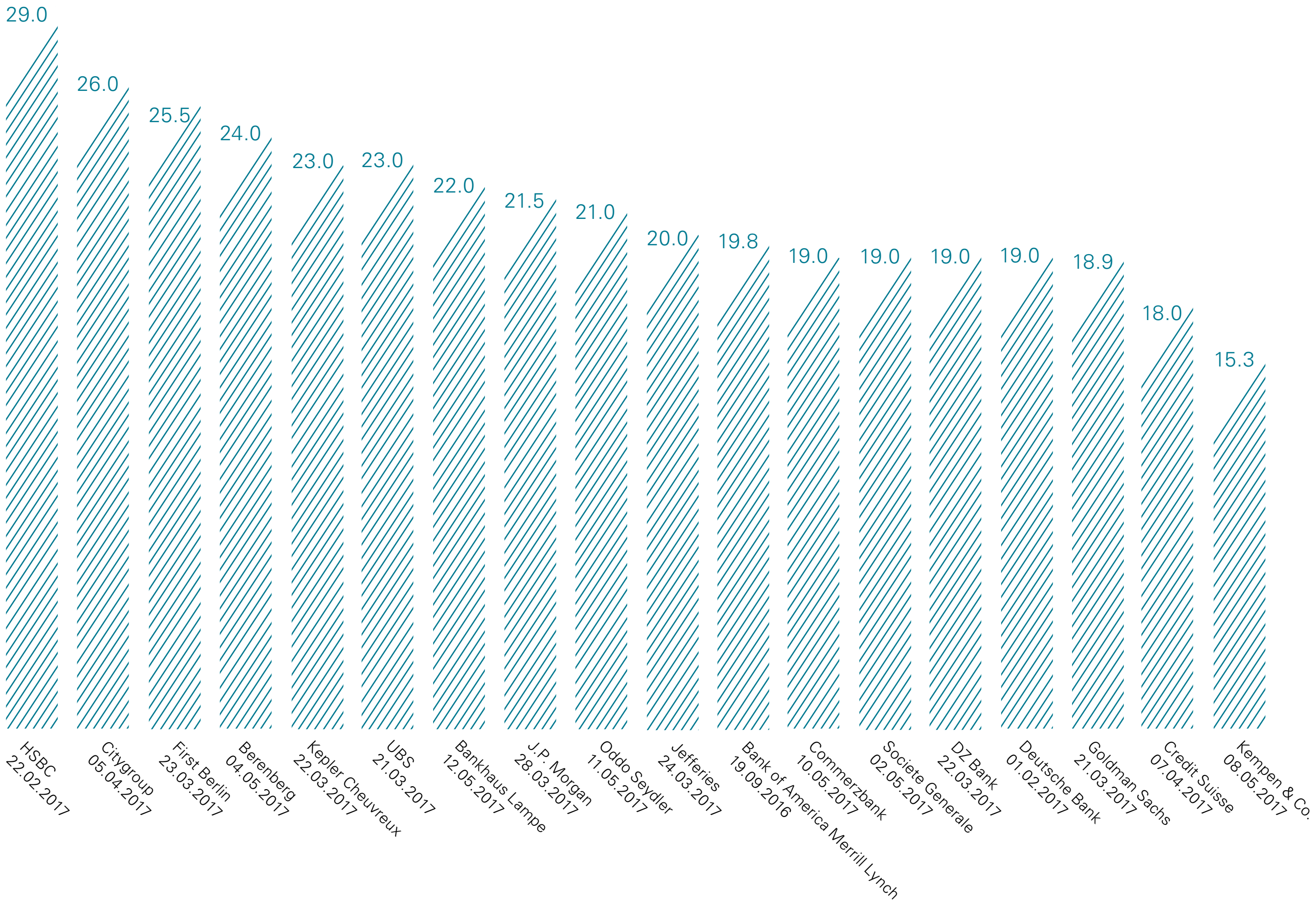
UPGRADE TO PRIME STANDARD

GCP is proactively presenting its business strategy and thus enhancing perception, as well as awareness, of the Company among capital market investors. GCP seizes these opportunities to present a platform for open dialogue. The improved perception leads to a better understanding of GCP's business model and its competitive advantage.

To that effect, on May 9, 2017, GCP's shares were admitted to trading on the Prime Standard of the Frankfurt Stock Exchange. The Company believes that this upgrade serves to further increase investor confidence, raise GCP's visibility and tradability in the European market, and provide for opportunities such as inclusion in further major stock indices. GCP is already a constituent of major FTSE EPRA/NAREIT indices, including FTSE EPRA/NAREIT Global, Developed, and Developed Europe, as well as the GPR 250 index.

Placement	Frankfurt Stock Exchange
Market Segment	Prime Standard
First listing	Q2 2012
Number of shares (as of 31 March 2017)	153,788,883 ordinary shares with a par value of EUR 0.10 per share
Nominal Share Capital (as of 31 March 2017)	15,378,888 EUR
Number of shares on a fully diluted basis (as of 31 March 2017)	171,988,285
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market Cap (as of 31 March 2017)	2.7 bn EUR
Indices	FTSE EPRA/NAREIT Global FTSE EPRA/NAREIT Developed FTSE EPRA/NAREIT Developed Europe GPR 250 index

ANALYST RECOMMENDATIONS



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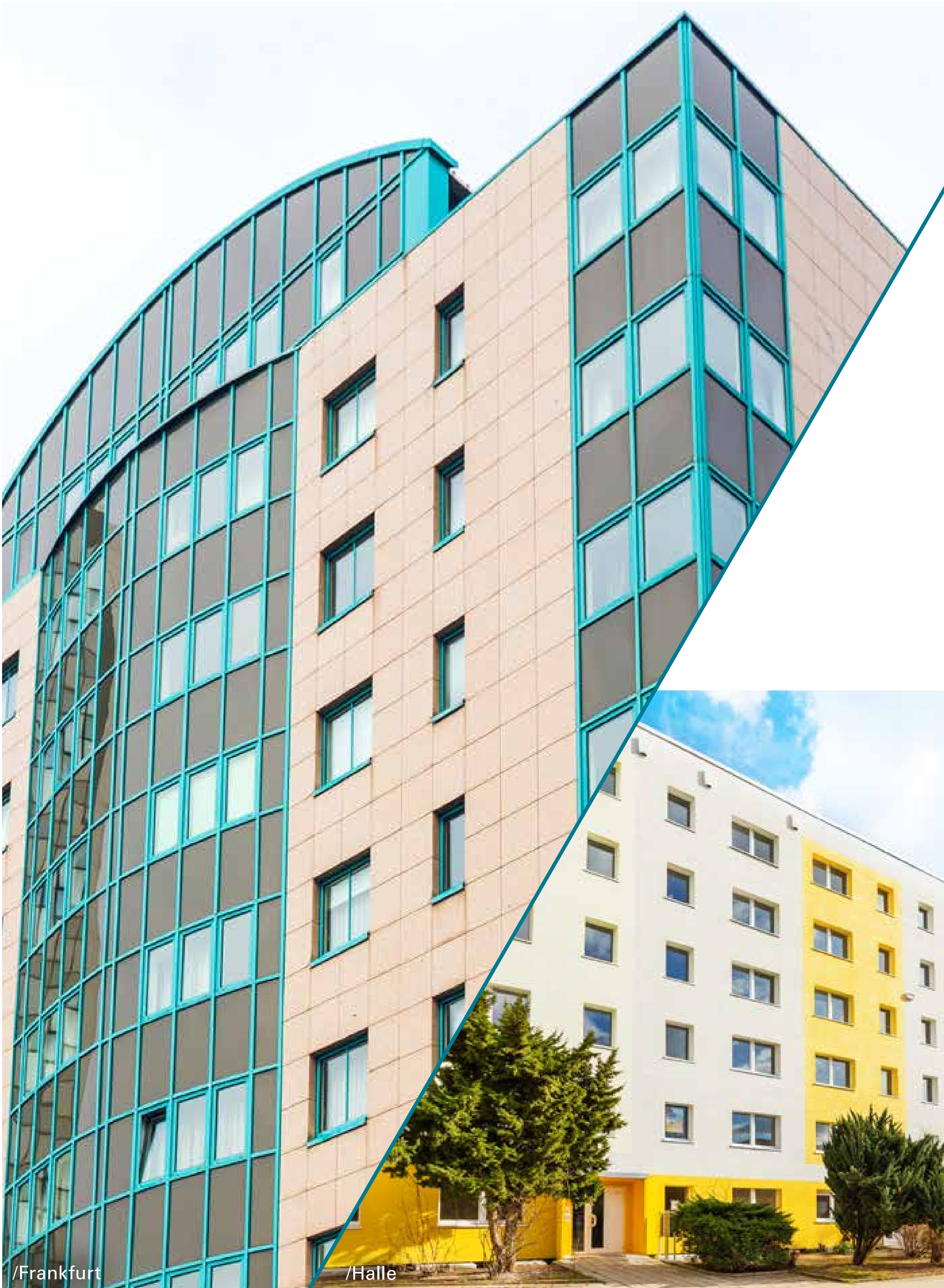
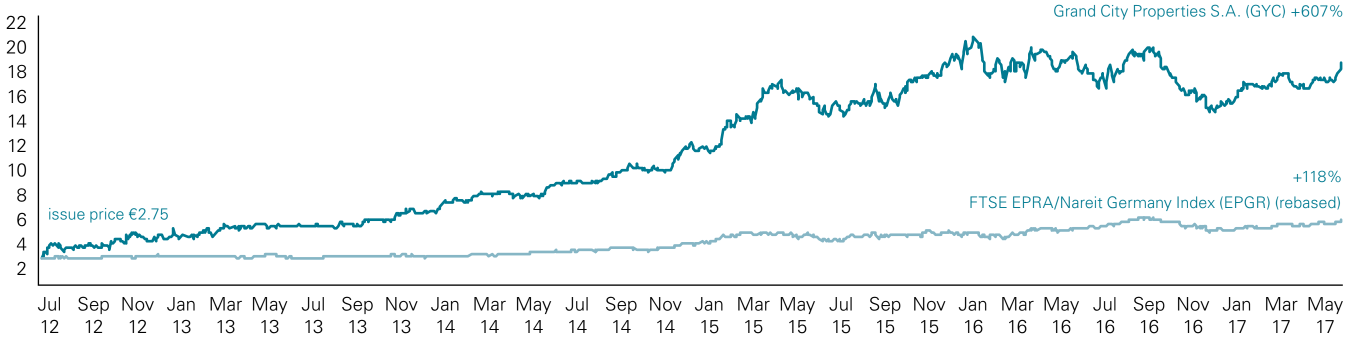
CAPITAL MARKETS



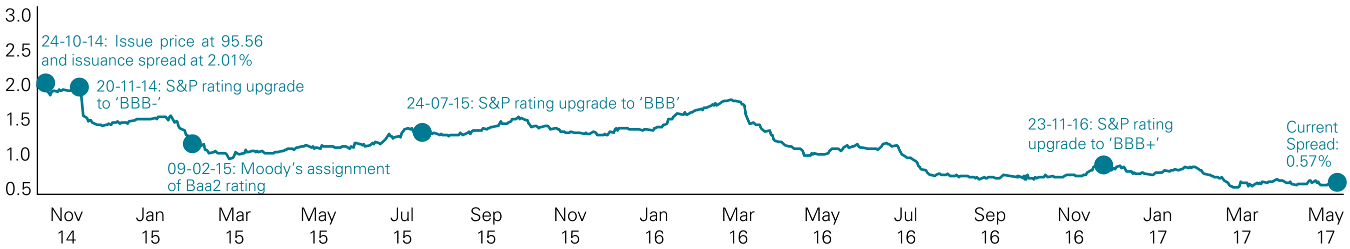
/Frankfurt

/Halle

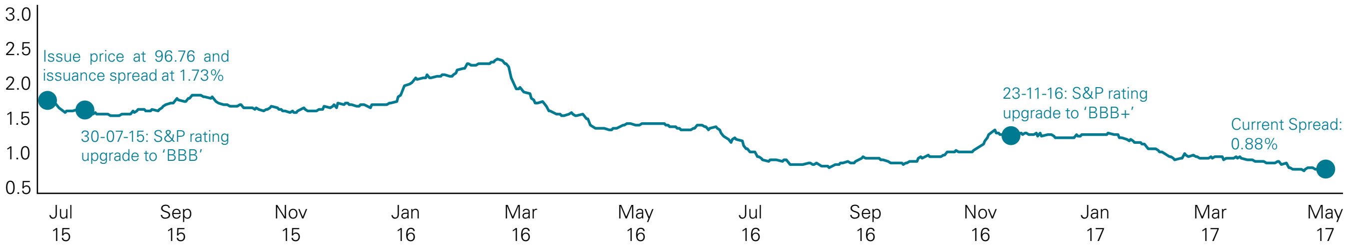
SHARE PRICE PERFORMANCE COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)



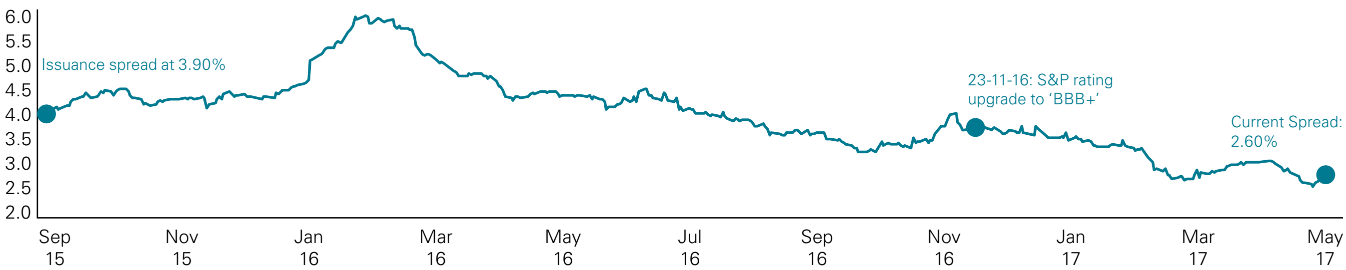
STRAIGHT BOND SERIES D – SPREAD OVER MID-€-SWAP, REMAINING 4.5 YEARS



STRAIGHT BOND SERIES E – SPREAD OVER MID-€-SWAP, REMAINING 8 YEARS



3.75% PERPETUAL NOTES SPREAD OVER MID-€-SWAP



ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ENVIRONMENTAL RESPONSIBILITY

The Company believes that the environmental aspects of its business model are of high importance. GCP pays great attention to the environmental aspects of the repositioning process and includes, as well as improves upon, environmental measures. The Company sees the implementation of environmentally friendly measures as both an important environmental issue as well as an integral part of the optimization of its cost structure.

To this end the Company has switched 2/3 of its buildings, as well as all of its offices to electricity from 100 % renewable resources during the past 2 years and will continue to switch as and when existing contracts expire. So far cost savings of 23% compared to previous electricity providers have been realized.

Around 1/3 of the portfolio uses gas supplied heating systems. 28% of that energy has been switched to climate neutral gas, resulting in (externally certified) 20k tons reduction of CO_2 emissions. A further 13% will be switched to climate neutral gas during the next two years. The remaining 59% will gradually be changed as existing supply contracts expire. GCP puts great emphasis on new contracts, which will be entered into only with gas suppliers that deliver 100% climate neutral gas. Furthermore, through the changeover to new high efficiency heating systems we were able to reduce our CO_2 output by 780 tons (10%) per year and a further reduction of 1,000 tons (10%) per year is planned for the coming two years.

Looking forward, GCP has set out clear goals to reduce further its CO_2 output through exchanging inefficient heating systems with highly efficient systems fuelled by gas or district heating. Also, further improvements in the supply of electricity from renewable resources will be implemented going forward with the aim to have all electricity supplied from renewable resources. Furthermore, GCP is working on a Photovoltaic Pilot Project which will supply 150 apartments with solar energy.

The Company puts emphasis on changing fixed costs to variable costs, which has proven to significantly increase the energy savings. In buildings where the charges for water, hot water and heating have been calculated on a per square meter basis in the past, GCP is installing metering systems that allow the charges to be applied based on consumption, which results in tenants becoming more conscious of their consumption, resulting in a lower use of valuable resources. This is enhanced by GCP's awareness creation amongst its tenants through several publications in various languages, independent hand-outs and videos about dealing responsibly with resources and saving costs at the same time.

In many of GCP's locations the company cooperates with external providers, ensuring proper waste management and waste separation. As a result waste recycling is optimized and 30% cost savings have been achieved. In selected locations the Company has implemented a waste disposal system using an electronic chip, significantly reducing waste in terms of weight and volume.


/Duisburg

/Dortmund

SOCIAL RESPONSIBILITY

GCP perceives social responsibility as a top priority and is committed towards its tenants and its employees. GCP is fully aware of its responsibility towards its tenants and the well-being of its tenants in their respective homes. To this end the Company does not only ensure the quality of its residential units and surroundings, but also provides high quality services to its tenants through its TÜV certified (DIN EN 15838) Service Centre, which is available 24/7.

The Company methodically tracks customer satisfaction and aims to respond promptly and efficiently to feedback received. GCP focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, adding sport facilities, or polishing aged facades. Reflecting the special needs of the elderly and handicapped tenants, GCP continues to implement structural changes to facilitate their accessibility needs.

The social activities organized by GCP are of importance to both the Company as well as its tenants. These social activities bring tenants together, increase the community feelings and improves the Company's interactions with its tenants. GCP organizes over 150 interactive events, from Easter-egg-hunt to Santa Claus visits to barbecues, sports events, soccer club sponsoring, children parties, etc., encouraging social cohesion and interaction between tenants themselves as well as between tenants and Grand City team members.

Within the local communities Grand City seeks the contact and develop partnerships with local policy makers, social workers and other constituencies, such as local newspapers, associations, clubs, etc. in order to support and participate in local initiatives, which improve the living conditions of the local community. These include community development in terms of education, integration, local sports events, the installation or improvement of existing playgrounds and sports facilities, as well as deploying Grand City social workers to support and consult tenants on a personal level and provide after school and homework care for children. Where needed, GCP also provides facilities for such purposes free of charge.

As an employer GCP sees it as its responsibility to provide employees with opportunities for personal development and internal advancement. To this end the Company provides an ongoing Leadership Program. GCP has a high employee retention rate, also amongst middle and upper management.

ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE

CORPORATE GOVERNANCE

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

The Company puts a strong emphasis on high standards of corporate governance and transparency. The company implemented the Advisory Board, the Risk Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. Furthermore, the Company ensures that its Board of Directors and its senior executives have vast experience and skills in the areas relevant to the business of the group. The Company has quarterly reporting standards and updates its corporate presentation on a continuous basis.

The Company has a very strict code of conduct which applies to all its employees and main suppliers, such as Anti-Corruption Policy, Conflict of Interest Policy, Anti-Bribery Policy, Anti-Discrimination Policy and others.

ANNUAL GENERAL MEETING

The Annual General Meeting for 2016 will take place on June 28, 2017.

/Berlin

/Leipzig

BOARD OF DIRECTORS

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS

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

CEO

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

ADVISORY BOARD

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

AUDIT COMMITTEE

The Board of Directors established an Audit Committee. The members of the Audit Committee are the two independent directors, Mr. Daniel Malkin and Ms. Simone Runge-Brandner. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the consolidated financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes, and monitoring the accounting processes.

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

CORPORATE GOVERNANCE

RISK COMMITTEE

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

REMUNERATION COMMITTEE

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

The Remuneration Committee is composed exclusively of Non-Executive Directors who are appointed by Board of Directors for an undefined period.

NOMINATION COMMITTEE

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

INTERNAL RISK MITIGATION

Internal controls are constructed from four main elements:

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

/Hannover

EXTERNAL RISK MITIGATION

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

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

SHAREHOLDERS' RIGHTS

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

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

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

NOTES ON BUSINESS PERFORMANCE

SELECTED CONSOLIDATED INCOME STATEMENT DATA

For the 3 months ended March 31,	2017	2016
	€'000	
Revenue	118,697	100,751
Rental and operating income	**117,957**	**100,751**
Capital gains, property revaluations and other income	54,734	69,217
Result on the disposal of inventories - trading properties	249	-
Property operating expenses	(56,199)	(46,164)
Administrative & other expenses	(2,921)	(1,862)
Share of profit from investments in equity accounted investees	2,714	-
Operating profit	116,534	121,942
Adjusted EBITDA	**59,530**	**53,445**
Finance expenses	(9,610)	(9,119)
Other financial results	1,203	(2,766)
Current tax expenses	(7,466)	(6,432)
Deferred tax expenses	(8,428)	(13,168)
Profit for the period	**92,233**	**90,457**
FFO I	**42,014**	**37,525**


/Halle

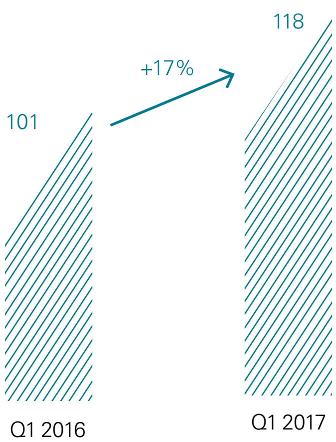

/Berlin

REVENUE

For the 3 months ended March 31,	2017	2016
	€'000	
Net rent	78,872	67,231
Operating and other income	39,085	33,520
Rental and operating income	**117,957**	**100,751**
Revenue from sales of inventories – trading properties	740	-
Total revenue	**118,697**	**100,751**

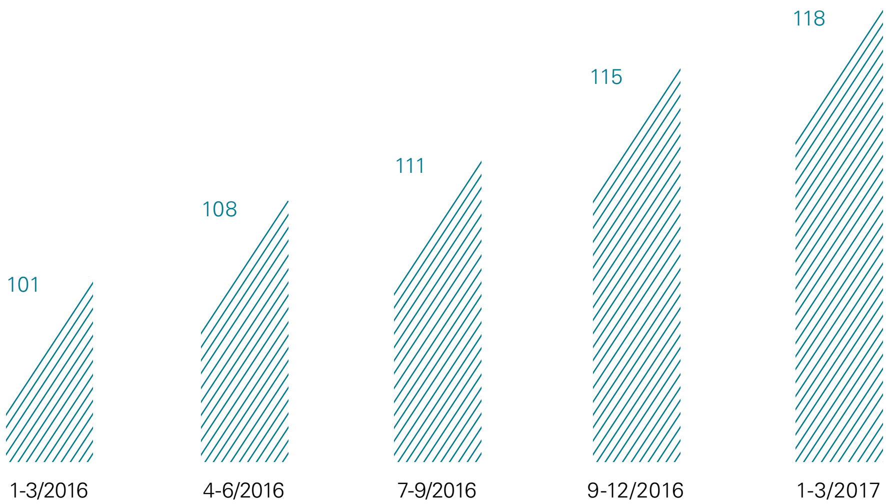
In the first three months of 2017 GCP generated total revenues of €119 million, representing an increase of 18% compared to €101 million in the first three months of 2016. Revenues consisted mostly of rental and operating income which increased by 17% over the first three months of 2017 to €118 million, of which €79 million is net rent (Q1 2016 – €67 million). This improvement is mainly driven by the growth of the portfolio to 84 thousand units as of March 2017 compared to 78 thousand units in March 2016, as well as operational improvements from higher occupancy and rental rates across the portfolio. The like-for-like for the period was 2.7% occupancy growth and 2.1% in-place growth, resulting in a combined rental income growth of nearly 5% for the period. In addition, the total revenue was impacted by the revenue from sales of inventories which amounted to €0.7 million in the first quarter of 2017 compared to nil in the first quarter of 2016 and relate to the disposal of units which were held as inventories – trading property.

RENTAL AND OPERATING INCOME QUARTERLY DEVELOPMENT YOY (IN € MILLION)



The quarterly development over the past quarters clearly indicates GCP's ability to consistently generate higher rental income from its accretive acquisitions as well to extract its portfolio's operational potential.

RENTAL AND OPERATING INCOME QUARTERLY DEVELOPMENT 2016 – Q1 2017 (IN € MILLION)



NOTES ON BUSINESS PERFORMANCE

CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

For the 3 months ended March 31,	2017	2016
	€'000	
Change in fair value in investment property	52,120	68,550
Profit arising from business combinations	(*) 2,614	667
Total	**54,734**	**69,217**

(*) Net of additional cost related to previous years business combination in amount of €0.5 million

Capital gains, property revaluations and other income amounted in the first three months of 2017 to €55 million compared to €69 million in the first three months of 2016.

The increase is derived mainly from the change in fair value in investment property. In the first three months of 2017 the change in fair value in investment property (also known as revaluation gains) amounted to €52 million, compared to €69 million in the first quarter of 2016. GCP is validating its ability to create value and extract the embedded upside potential in its portfolio on a sustainable basis. Profit arising from business combinations is recorded in a share deal when the fair value of the total identifiable net assets of the acquired company exceeds the purchase price. These profits amounted in the first quarter of 2017 to €3 million compared to €0.7 million in the first quarter of 2016.

PROPERTY OPERATING EXPENSES

For the 3 months ended March 31,	2017	2016
	€'000	
Total	**(56,199)**	**(46,164)**

Property operating expenses, which consist mainly of ancillary costs and are recoverable from tenants (such as heating and water costs), maintenance and personnel expenses related to property operations, totaled to €56 million in the first quarter of 2017, up from €46 million in the first three months of 2016. As the majority of the ancillary expenses are tied to rented units, the property operating expenses increase along the growth of the portfolio and the higher amount of rented units. Contributing to the increase are maintenance and refurbishment expenses, which amounted to €7.9 million in the first three months of 2017 compared to €6.0 million in the first three months of 2016 in order to maintain the quality of a larger portfolio.

One of GCP's key operational strengths is to keep operating costs at low levels through various cost saving measures, and implement these measures onto newly acquired properties as part of the improvement and repositioning strategy. These include advanced metering systems which track individual usage based on consumption instead of a square meter basis for heating and energy systems, improving insulation, upgrading energy consuming elevator systems, and raising awareness about energy efficient behavior amongst tenants. Additionally, benefits from economies of scale are realized through the centralized management and the Service Center, large scale tenders for service providers, facility management, energy providers, outsourced maintenance and capex measures.

/Mannheim

NOTES ON BUSINESS PERFORMANCE

MAINTENANCE AND CAPEX

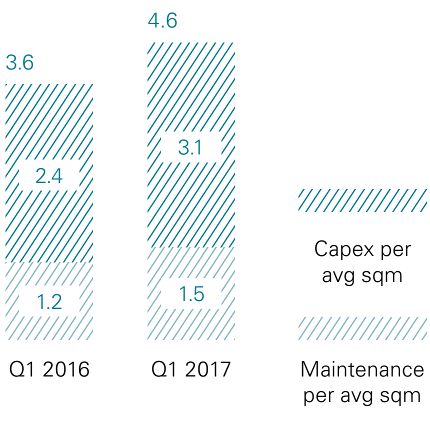
One of the focal points of the Company's strategy is the continued upkeep and improvement of its portfolio quality through property maintenance on an ongoing basis and various capex investments where required, which in turn help to retain existing tenants, attract prospective tenants, improve the overall tenant satisfaction and support future rent increases while in parallel keeping ongoing maintenance costs at low levels.

The maintenance and capex process is well coordinated and supported by our centralized, double TÜV-certified 24/7 Service Center, through which tenants can also initiate and subsequently monitor the status of any service requests. In the first three months of 2017 maintenance and refurbishment expenses amounted to €7.9 million, equivalent to €1.5 per average sqm, slightly above the respective result in the first three months of 2016.

GCP undertakes capex initiatives on a value-add basis with the target of increasing the asset quality, filling empty units and increasing rents to market levels. Examples include upgrading and adding balconies, windows, insulation systems, heating systems, playgrounds, surroundings, elevators and ramps, among others. In regard to acquisition properties, an investment plan is drafted in advance of purchase, with expected costs accounted for in the purchase price, and is carried out as planned. In the first three months of 2017 capex totaled €16.5 million, equivalent to €3.1 per average sqm. The increase over the Q1 2016 capex per sqm is the result of increased vacancy reduction efforts.

In total, the Company's maintenance and capex spend amounted to €24 million in Q1 2017, equivalent to €4.6 per average sqm. The effectiveness of these measures is observed in the continuous reduction of portfolio vacancy, which is currently down to 7.7% and the preparation of additional units for renting in the next periods.

MAINTENANCE AND CAPEX DEVELOPMENT (€/SQM)




/Hannover

ADMINISTRATIVE AND OTHER EXPENSES

For the 3 months ended March 31,	2017	2016
	€'000	
Total	**(2,921)**	**(1,862)**

The administrative and other expenses are attributable to items such as personnel costs, marketing expenses, legal and consultancy fees and depreciation. In the first three months of 2017 these expenses amounted to €2.9 million, compared to €1.9 million during the comparable period in 2016. This increase results from the growth of the Company, the effort required in maintaining a strong platform to support the Company's increased scale of operations, and the preparation for the up-listing to the Prime Standard segment of the Frankfurt Stock Exchange, which was completed in May 2017.

FINANCE EXPENSES

For the 3 months ended March 31,	2017	2016
	€'000	
Finance expenses	**(9,610)**	**(9,119)**

Finance expenses increased by 5% in the first three months of 2017 to €9.6 million from €9.1 million in the respective period in 2016, in line with the increased level of debt compared to end of March 2016, as well as the full interest effect of the convertible bonds issued in February 2016. GCP continues to enjoy a low weighted average cost of debt of 1.6% which is the result of the conservative financing structure, with a current LTV of 37%. The low level of finance expenses is also evident when put in relation to GCP's operational performance, resulting in a high Interest Coverage Ratio of 6.2x.

NOTES ON BUSINESS PERFORMANCE

OTHER FINANCIAL RESULTS

For the 3 months ended March 31,	2017	2016
	€'000	
Other financial results	**1,203**	**(2,766)**

Other financial results relate mainly to one-time, non-cash effects such as the change in fair value of financial assets which result from the value changes of financial derivatives and traded securities. Other financial results also include finance related costs which are related to one-time costs such as bank fees as well as prepayment fees. In the first quarter of 2017 these results amounted to an income of €1.2 million as a result of the positive change in the fair value of financial assets.

TAXATION

For the 3 months ended March 31,	2017	2016
	€'000	
Current tax expenses	(7,466)	(6,432)
Deferred tax expenses	(8,428)	(13,168)
Total	**(15,894)**	**(19,600)**

Total tax expenses amounted to €16 million in the first three months of 2017, down from €20 million in the respective period in 2016. Over half of this amount is attributable to deferred tax expenses, which is a non-cash item associated with the revaluation gain recorded by the Company. While this expense usually does not materialize due to the Company's strategy of holding assets over the long-term and largely remains a non-cash item, GCP nevertheless employs a conservative approach with regard to deferred taxes, accounting for the theoretical future property disposal through asset deal structures at the full German real estate tax rate of 15.825%. Moreover, GCP's assets are mainly held in separate SPV's, which enables sales through share deals where the effective capital gain tax is less than 1%.

The current tax expenses, which account for property and corporation taxes, increased in the first three months of 2017 to €7.5 million, up from €6.4 million in the respective period of 2016, as a result of the growth of the Company's operational performance.

/Berlin

PROFIT FOR THE PERIOD

For the 3 months ended March 31,	2017	2016
	€'000	
Profit for the period	**92,233**	**90,457**

GCP earned in the first three months of 2017 profits at the amount of €92 million, compared to €90 million in the first three months of 2016, as the Company's operational income grew year-over-year due to a larger portfolio and continuous operational improvements. The increase in profit was mainly driven by stronger operational results in the first three months of 2017 in comparison to the first three months of 2016, and was offset by lower revaluation gains which are non-cash and non-operational profits.

EARNINGS PER SHARE

For the 3 months ended March 31,	2017	2016
Basic earnings per share in €	0.51	0.47
Diluted earnings per share in €	0.46	0.43
Weighted average basic shares in thousands	153,789	149,824
Weighted average basic shares (diluted) in thousands	170,723	159,298

GCP generated earnings per share of €0.51 in Q1 2017 and €0.46 on a fully diluted basis, up from €0.47 and €0.43 on a fully diluted basis in the respective period in 2016. The increase is the result of the increased profit between the two periods.
On a diluted basis, earnings were further impacted by the increased amount of shares that would result mainly from the potential conversion into shares of the Company's Series F convertible bonds, which were issued in February 2016.

NOTES ON BUSINESS PERFORMANCE

ADJUSTED EBITDA AND FUNDS FROM OPERATIONS (FFO I)

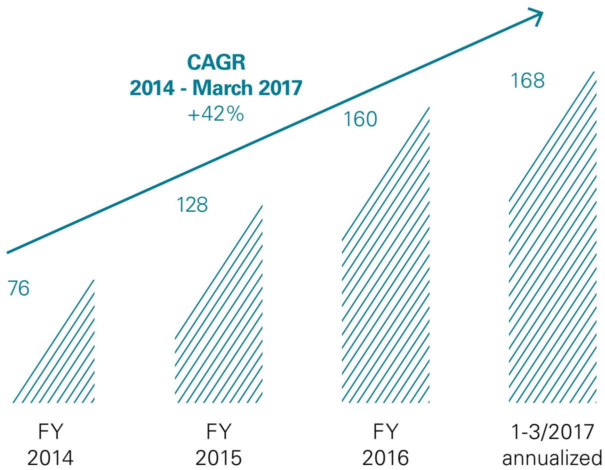
For the 3 months ended March 31,	2017	2016
	€'000	
Operating Profit	116,534	121,942
Total depreciation and amortization	465	536
EBITDA	**116,999**	**122,478**
Capital gains, property revaluations and other income	(54,734)	(69,217)
Result on the disposal of inventories - trading properties	(249)	-
Share of profit from investments in equity accounted investees	(2,714)	-
Management long term share incentive plan	228	184
Adjusted EBITDA	**59,530**	**53,445**
Finance expenses	(9,610)	(9,119)
Current tax expenses	(7,466)	(6,432)
Contribution to minorities	(440)	(369)
FFO I	**42,014**	**37,525**
Weighted average basic shares in thousands*	153,789	149,824
FFO I per share in €	**0.27**	**0.25**

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

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 in profit from investment in equity accounted investees and the provisions for the management long term share incentive plan. In the first three months of 2017 GCP recorded an 11% year-over-year increase in adjusted EBITDA up to €60 million, compared to €53 million in the comparable period in 2016, as rental revenues rose in accordance with the portfolio growth experienced in the past 12 months and from increases in rents and occupancy. The increasing occupancy levels resulted in additional operating and lettings costs in comparison to the first quarter of 2016, which in addition to the increase of the administrative expenses related to the up-listing of the company, offset in part the increase in adjusted EBITDA in relation to the increase in rental and operating income.

Funds from Operations I (FFO I) reflects the recurring profits from operations after deducting finance expenses, current tax expenses and the respective minority contributions from the adjusted EBITDA, and likewise serves as a market standard indicator in the real estate market to reflect the bottom line operational profits. In line with the increase in adjusted EBITDA, the FFO I for the first three months of 2017 increased by 12% up to €42 million, compared to €38 million in the respective period in 2016, as interest costs remained at their current lows as a result of GCP's sustained conservative financing structure.

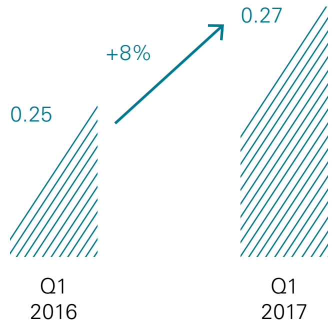
FFO I DEVELOPMENT (IN € MILLION)



FFO I PER SHARE

In the first three months of 2017 the FFO I per share increased in line with the growth in the FFO by 8% to €0.27 from €0.25 in the comparable period in 2016. The consistently increasing per share figures are reflective of GCP's continuous shareholder value creation ability.

FFO I PER SHARE DEVELOPMENT (IN €)



NOTES ON BUSINESS PERFORMANCE

FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION

GCP additionally adjusts the FFO I per share for the perpetual notes attribution. According to IFRS accounting treatment these attributions are recorded through changes in equity and are not recognized as financial expenses in the P&L and thus not deducted otherwise from the FFO. In the first quarter of 2017 the FFO I per share after perpetual notes attribution amounted to €0.23, up by 5% from €0.22 in Q1 2016. The increase, resulting from the increased FFO I, was offset due to a larger amount of perpetual notes attribution from the additional issuance of €200 million 2.75% coupon perpetual notes issued in September 2016.

For the 3 months ended March 31,	2017	2016
	€'000	
FFO I	**42,014**	**37,525**
Adjustment for accrued perpetual notes attribution	(5,943)	(4,931)
FFO I after perpetual notes attribution	**36,071**	**32,594**
Weighted average basic shares in thousands	153,789	149,824
FFO I per share in €, after perpetual notes attribution	**0.23**	**0.22**

ADJUSTED FUNDS FROM OPERATION (AFFO)

For the 3 months ended March 31,	2017	2016
	€'000	
FFO I	**42,014**	**37,525**
Capex	(16,521)	(11,823)
AFFO	**25,493**	**25,702**

Funds from Operations adjusted for the capex (AFFO) amounted in the first quarter of 2017 to €25.5 million, compared to €25.7 million in the respective period in 2016 as higher capex in Q1 2017 offset the growth in the FFO I. These capex measures are used to improve the properties' quality and increase occupancy levels.

NOTES ON BUSINESS PERFORMANCE

CASH FLOW

For the 3 months ended March 31,	2017	2016
	€'000	
Net cash provided by operating activities	52,212	47,083
Net cash used in investing activities	(93,157)	(155,942)
Net cash provided by financing activities	(29,667)	376,556
Net increase in cash and cash equivalents	**(70,612)**	**267,697**

Net cash provided by operating activities amounted in the first three months of 2017 to €52 million, an increase of 11% compared to €47 million in the respective period last year. The increase in operational cash flows is attributable to the higher rental and operating income resulting from portfolio growth in 2016, the vacancy reduction achieved during the period, and the gradual increase in rental rates.

The amount of net cash used in investing activities in the first quarter of 2017 was at €93 million, lower than in the first quarter of 2016. The investment volume is reflective of GCP's strategy of seizing attractive opportunities with value upside potential when they arise, while adhering to the acquisition criteria.

Net cash provided by financing activities amounted in the first quarter of 2017 to a negative amount of €30 million, compared to a positive amount of €377 million in the first quarter of 2016. The large year-over-year variance is due to the high capital market activity in the first three months of 2016, which saw the issuance of the €450 million Series F convertible bonds.

Despite the resulting net decrease in cash and cash equivalents of €71 million, GCP's financial position remains strong, with €481 million in cash and liquid assets remaining available as of period-end and no significant maturities coming up in the next 12 months. In addition to the strong current cash and liquid assets balance, the Company has access to over €200 million in credit lines.

ASSETS

	Mar 2017	Dec 2016
	€'000	
Non-current assets	**5,344,217**	**5,126,031**
Investment property*	4,977,599	4,795,757
Current assets	905,411	1,027,702
Total Assets	**6,249,628**	**6,153,733**

*including inventories – traded property

As of end of March 2017 total assets amounted to €6.25 billion, up from €6.15 billion at the end of 2016. The main impact for the increase results from the increase in non-current assets and in the investment property in particular.

The increase in investment property results from the successful revaluations of the existing portfolio as well additions to the portfolio throughout the period. In the first three months of 2017 GCP has acquired approximately 1,400 units across its strategic locations, mainly in NRW, Berlin, Hamburg and Kaiserslautern at an average multiple of 13x. The fair values of the Group's properties are externally appraised by independent and certified valuators at least once a year. The primary appraiser is Jones Lang LaSalle (JLL).

GCP identified part of its portfolio as non-core properties with the intention to dispose of them. These properties were classified as assets held for sale and totaled €149 million as of end of March 2017. These properties currently generate €10 million in annual rental income and are located across the portfolio's locations.
Investments in equity-accounted investees amounted at the end of March 2017 to €122 million and refer to investments related to several companies which are not consolidated by the Company.

The main constituent of the current assets, which amounted at the end of March 2017 to €905 million, relates to cash and other liquid assets which decreased in the first 3 months of 2017 to an amount of €481 million, from €632 million in the end of 2016. GCP maintains a strong liquidity position in order to pursue arising attractive opportunities and to keep financial headroom.

NOTES ON BUSINESS PERFORMANCE

LIABILITIES

	Mar 2017	Dec 2016
	€'000	
Total loans and borrowings*	955,529	937,410
Straight bonds	1,052,119	1,050,078
Convertible bond	428,932	427,909
Deferred tax liabilities**	341,983	328,519
Other long term liabilities and derivative financial instruments	55,350	49,798
Current liabilities***	261,184	294,955
Total Liabilities	**3,095,097**	**3,088,669**

* Includes short term loans and borrowings, loan redemption, and financial debt of assets held for sale
** Including deferred tax liabilities of assets held for sale
*** Excludes short term loans and borrowings, loan redemption, and financial debt of assets held for sale

Total liabilities remained stable and increased in the first three months of 2017 immaterially by €6 million from year-end 2016 to €3.1 billion. The lower increase compared to the increase in total equity and total assets reflects GCP's conservative financing structure as set in the financial policy.

Non-current liabilities increased in the first three months of 2017 by 1% to €2.8 billion compared to year-end 2016. The main impact of this increase results from a higher balance of loans and borrowings by €14 million to €911 million and the increase in deferred tax liabilities by €14 million to €340 million. Deferred tax liabilities are a subsequent effect of the revaluation gains recorded during the period. GCP follows a conservative approach in its deferred taxes accounting treatment by accounting for the full German real estate tax effect of 15.825% on revaluations gains, assuming theoretical future disposal by means of asset deals. The slight increase in non-current liabilities was offset by a decrease in the current liabilities, mainly from trade and other payables.


/Duisburg

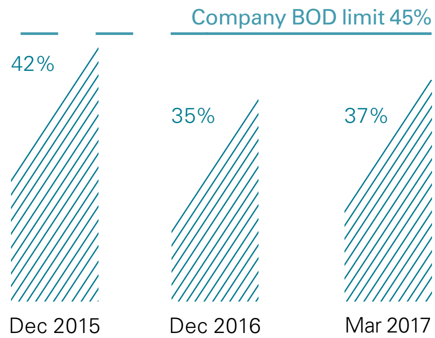
LOAN-TO-VALUE

	Mar 2017	Dec 2016
	€'000	
Investment property*	5,019,125	4,850,634
Investment properties of assets held for sale	145,280	146,078
Equity accounted investees	122,335	117,785
Total value	**5,286,740**	**5,114,497**
Total Debt**	2,436,580	2,415,397
Cash and liquid assets***	481,397	631,904
Net debt	**1,955,183**	**1,783,493**
LTV	**37%**	**35%**

* Including advanced payments for investment properties and inventories – traded property
** Including loans and borrowings held for sale
*** Including cash and cash equivalent held for sale

GCP follows a conservative approach towards its financing structure, with a large headroom towards its covenants. This is also reflected in GCP's strong credit rating of BBB+ from S&P and Baa2 with a positive outlook from Moody's. The LTV as of March 2017 was 37%, compared to 35% in December 2016. The 2% increase is mainly the result of the acquisition of approximately 1,400 units. The low leverage is the result of the conservative financial policy, stating a limit on GCP's LTV of 45%. Management views the high buffer between the current leverage and the internal limit as headroom and protection in case of market downturn.

LOAN-TO-VALUE DEVELOPMENT



NOTES ON BUSINESS PERFORMANCE

EPRA NAV

EPRA NAV is defined by EPRA as the net asset value adjusted by including properties and other investment interests at fair value and to exclude certain items not expected to crystallize in a long-term investment property business model. The purpose of EPRA NAV is to adjust the IFRS NAV in order to provide stakeholders with the most relevant information on the fair value of the Group's assets and liabilities within a true real estate investment company with a long-term investment strategy.

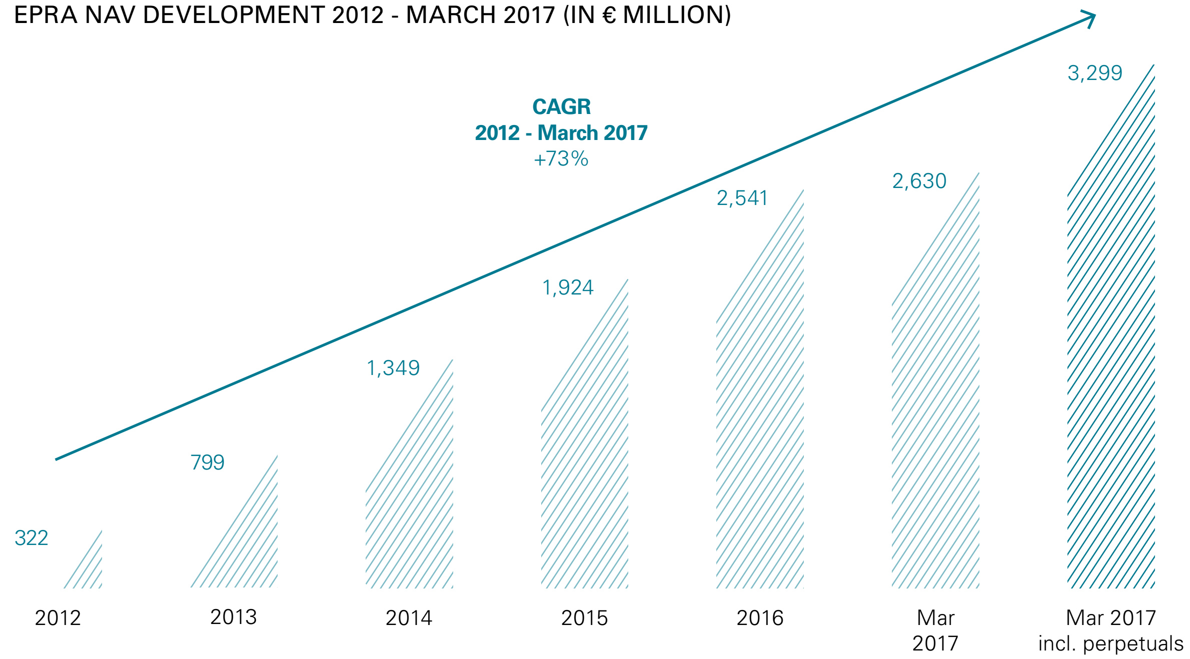
	Mar 2017		Dec 2016	
	€'000	€ per share	€'000	€ per share
Equity per the financial statements	**3,154,531**		**3,065,064**	
Equity attributable to perpetual notes investors	(668,982)		(667,393)	
Equity excluding perpetual notes	**2,485,549**		**2,397,671**	
Fair Value measurements of derivative financial instruments	8,681		11,536	
Deferred tax liabilities*	341,983		328,519	
NAV	**2,836,213**	**18.3**	**2,737,726**	**17.7**
Non-controlling interests	(206,116)		(196,666)	
EPRA NAV	**2,630,097**	**17.0**	**2,541,060**	**16.4**
Equity attributable to perpetual notes investors	668,982		667,393	
EPRA NAV incl. perpetual notes	**3,299,079**	**21.3**	**3,208,453**	**20.7**
Basic amount of shares, including in-the-money dilution effects	154,910		154,910	

* Includes balances in assets held for sale

By the end of the first quarter of 2017 GCP recorded an EPRA NAV of €2.6 billion, up by 4% from €2.5 billion in the year-end of 2016. As perpetual notes are, according to IFRS treatment, classified as equity GCP additionally presents the EPRA including the perpetual notes which amounted as of March 31, 2017 to €3.3 billion. The increase results from a mix of factors, including the increase in deferred taxes, a slight decrease in the value of derivatives and most significantly, the increase in equity resulting from the generated profit in Q1 2017.

On a per share basis the EPRA NAV including perpetual notes increased to €21.3 from €20.7 as of year-end 2016. Excluding the perpetual notes the EPRA NAV per share amounted to €17.0, up from €16.4 at year-end 2016.

EPRA NAV DEVELOPMENT 2012 - MARCH 2017 (IN € MILLION)




/Cologne


/Dresden

DISCLAIMER

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

By order of the Board of Directors,
Luxembourg, May 15, 2017

Simone Runge-Brandner Independent Director	Refael Zamir Director (chairman), CFO	Daniel Malkin Independent Director

/Berlin

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the three months ended March 31, 2017 Unaudited	2016 Unaudited
		€'000	
Revenue		**118,697**	**100,751**
Capital gains, property revaluations and other income	4, 5	54,734	69,217
Share of profit from investments in equity accounted investees		2,714	-
Property operating expenses		(56,199)	(46,164)
Cost of buildings sold		(491)	-
Administrative and other expenses		(2,921)	(1,862)
Operating profit		**116,534**	**121,942**
Finance expenses		(9,610)	(9,119)
Other financial results		1,203	(2,766)
Profit before tax		**108,127**	**110,057**
Current tax expenses	6	(7,466)	(6,432)
Deferred tax expenses	6	(8,428)	(13,168)
Tax and deferred tax expenses		**(15,894)**	**(19,600)**
Profit for the period		**92,233**	**90,457**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		**92,233**	**90,457**

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(CONTINUED)

	Note	For the three months ended March 31, 2017	2016
		Unaudited	Unaudited
		€'000	
Profit attributable to:			
Owners of the Company		78,200	69,873
Perpetual notes investors		5,943	4,931
Non controlling interests		8,090	15,653
		92,233	**90,457**
Net earnings per share attributable to the owners of the Company (in euro):			
Basic earnings per share		**0.51**	**0.47**
Diluted earnings per share		**0.46**	**0.43**

/Leipzig

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.


/Berlin

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	March 31, 2017 Unaudited	December 31, 2016 Audited
		€'000	
Assets			
Equipment and intangible assets		17,146	15,833
Investment property	5	4,948,016	4,768,487
Advanced payments for investment property transactions		41,526	54,877
Investment in equity-accounted investees		122,335	117,785
Other non-current assets		197,730	154,520
Deferred tax assets		17,464	14,529
Non-current assets		**5,344,217**	**5,126,031**
Cash and cash equivalents		377,500	448,873
Traded securities at fair value through profit and loss		103,136	181,397
Inventories – Trading property		29,583	27,270
Trade and other receivables		245,973	219,668
Assets held for sale	11	149,219	150,494
Current assets		**905,411**	**1,027,702**
Total assets		**6,249,628**	**6,153,733**

/Mönchengladbach

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

/Berlin

/Dresden

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

/Dortmund

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

	Note	March 31, 2017 Unaudited	December 31, 2016 Audited
		€'000	
Equity			
Share capital	8A	15,379	15,379
Share premium		670,038	670,038
Capital reserves		43,688	43,460
Retained earnings		1,550,328	1,472,128
Total equity attributable to the owners of the Company		**2,279,433**	**2,201,005**
Equity attributable to Perpetual notes investors	8B	668,982	667,393
Total equity attributable to the owners of the Company and Perpetual notes investors		**2,948,415**	**2,868,398**
Non-controlling interests		206,116	196,666
Total Equity		**3,154,531**	**3,065,064**
Liabilities			
Loans and borrowings	7	910,550	896,577
Convertible bond	7F	428,932	427,909
Straight Bonds	7C- 7E	1,052,119	1,050,078
Derivative financial instruments		8,681	11,536
Other non-current liabilities		46,669	38,262
Deferred tax liabilities		339,582	325,982
Non-current liabilities		**2,786,533**	**2,750,344**
Current portion of long-term loans	7	18,237	18,406
Loan redemption	7	15,126	10,830
Trade and other payables		212,537	251,503
Tax payable		13,516	15,843
Provisions for other liabilities and charges		22,590	14,185
Liabilities held for sale	11	26,558	27,558
Current liabilities		**308,564**	**338,325**
Total liabilities		**3,095,097**	**3,088,669**
Total equity and liabilities		**6,249,628**	**6,153,733**

The Board of Directors of Grand City Properties S.A. authorized these condensed interim consolidated financial statements for issuance on May 15, 2017.

Simone Runge-Brandner
Director

Refael Zamir
Director, CFO

Daniel Malkin
Director

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2017

€'000	Attributable to the owners of the Company									
	Share capital	Share Premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total	Equity attributable to Perpetual notes investors	Equity attributable to owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
Balance as at December 31, 2016 (Audited)	15,379	670,038	20,284	23,176	1,472,128	2,201,005	667,393	2,868,398	196,666	3,065,064
Profit for the period	-	-	-	-	78,200	78,200	5,943	84,143	8,090	92,233
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	78,200	78,200	5,943	84,143	8,090	92,233
Amount paid to hybrid capital notes holders	-	-	-	-	-	-	(4,354)	(4,354)	-	(4,354)
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	1,360	1,360
Equity settled share based payment	-	-	-	228	-	228	-	228	-	228
Balance as at March 31, 2017 (Unaudited)	**15,379**	**670,038**	**20,284**	**23,404**	**1,550,328**	**2,279,433**	**668,982**	**2,948,415**	**206,116**	**3,154,531**

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

€'000	Attributable to the owners of the Company									
	Share capital	Share Premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total	Equity attributable to Perpet-ual notes investors	Equity attributable to owners of the Company and Perpet-ual notes investors	Non-controlling interests	Total equity
Balance as at December 31, 2015 (Audited)	**14,097**	**582,910**	**7,131**	**22,152**	**925,599**	**1,551,889**	**478,146**	**2,030,035**	**142,260**	**2,172,295**
Profit for the period	-	-	-	-	69,873	69,873	4,931	74,804	15,653	90,457
Other comprehen-sive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehen-sive income for the period	**-**	**-**	**-**	**-**	**69,873**	**69,873**	**4,931**	**74,804**	**15,653**	**90,457**
Issuance of shares related to conver-sion of convertible bond C	1,282	125,899	(7,131)	-	-	120,050	-	120,050	-	120,050
Equity component of convertible bond F	-	-	20,351	-	-	20,351	-	20,351	-	20,351
Amount paid to hybrid capital notes holders	-	-	-	-	-	-	(2,550)	(2,550)	-	(2,550)
Non-controlling in-terests arising from initially consolidated companies	-	-	-	-	-	-	-	-	1,250	1,250
Equity settled share-based payment	-	-	-	184	-	184	-	184	-	184
Balance as at March 31, 2016 (Unaudited)	**15,379**	**708,809**	**20,351**	**22,336**	**995,472**	**1,762,347**	**480,527**	**2,242,874**	**159,163**	**2,402,037**

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

		For the three months ended March 31,	
		2017	2016
		Unaudited	Unaudited
	Note	€'000	
Cash flows from operating activities			
Profit for the year		**92,233**	**90,457**
Adjustments for the profit:			
Depreciation and amortization		465	536
Profit from business combinations, other income and sale of investments		(2,614)	(667)
Change in fair value of investment property	5	(52,120)	(68,550)
Share of profit from investments in equity accounted investees		(2,714)	-
Net finance expenses		8,407	11,885
Tax and deferred tax expenses	6	15,894	19,600
Equity settled share-based payment		228	184
		59,779	**53,445**
Changes in:			
Inventories – Trading property		(2,313)	(175)
Trade and other receivables		(10,605)	(16,265)
Trade and other payables		10,699	15,416
Provisions for other liabilities and charges		3,068	(43)
		60,628	**52,378**
Taxes paid		(8,416)	(5,295)
Net cash provided by operating activities		**52,212**	**47,083**
Cash flows from investing activities			
Acquisition of equipment and intangible assets, net		(1,656)	(557)
Investments and acquisitions of investment property, capex and advances paid, net		(101,904)	(91,183)
Acquisition of investees and loans, net of cash acquired		(29,732)	(964)
Investment in trade securities and other financial assets		40,135	(63,238)
Net cash used in investing activities		**(93,157)**	**(155,942)**

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

	Note	For the three months ended March 31, 2017 Unaudited	2016 Unaudited
		€'000	
Cash flows from financing activities			
Amortization of loans from financial institutions		(2,356)	(2,522)
Proceeds (repayments) from (of) loans from financial institutions, net		-	(41,616)
Proceeds from Convertible bonds, net	7F	-	446,233
Proceeds (payment) from (to) Perpetual notes investors, net		(20,588)	(17,068)
Interest and other financial expenses, net		(6,723)	(8,471)
Net cash provided by financing activities		**(29,667)**	**376,556**
Net increase in cash and cash equivalents		**(70,612)**	**267,697**
Cash and cash equivalents held for sale	11	(761)	-
Cash and cash equivalents at the beginning of the period		448,873	236,001
Cash and cash equivalents at the end of the period		**377,500**	**503,698**

The notes on pages 68 to 90 form an integral part of these consolidated financial statements.

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

1. GENERAL

(A) INCORPORATION AND PRINCIPAL ACTIVITIES

Grand City Properties S.A. ("the Company") was incorporated in Luxembourg on December 16, 2011 as a société anonyme (private company with limited liability). Its registered office is at 24 Avenue Victor Hugo, L – 1750, Luxembourg.

The condensed interim consolidated financial statements ("interim financial statements") for the three months ended March 31, 2017 consist of the financial statements of the Company and its subsidiaries ("the Group").

(B) CAPITAL AND BOND INCREASES DURING THE REPORTING PERIOD

For information about bonds and capital increase, please see note 7 and 8, respectively.

(C) LISTING ON THE FRANKFURT STOCK EXCHANGE

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


/Bremen

(D) GROUP RATING

On December 21 2016, S&P assigned its 'A-2' short-term corporate credit rating of the company. The 'BBB+' long-term corporate credit rating with stable outlook was kept unchanged.

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

On June 13 2016, S&P revised its outlook on the Company to 'positive' from 'stable'. In addition, S&P has affirmed their 'BBB' long-term corporate credit rating on the Company, as well as their 'BBB' issue rating on the Company's unsecured debt and 'BB+' issue rating on its Perpetual notes.

On February 9, 2015, Moody's Investors Services ("Moody's") has assigned a first-time long-term issuer rating of "Baa2" to the Group, with a stable outlook. Moody's state that the Group's rating is based on moderate leverage, financial strength metrics stronger than those of similarly rated peers and good liquidity profile. The rating is supported by the Group's prudent financial policies and the healthy debt maturity profile. In addition, Moody's has rated the Perpetual notes as Ba1.

(E) DEFINITIONS

Throughout these notes to the interim financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees
GCP ltd	Grandcity Property Limited
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Group
Associates	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company using equity method of accounting.
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24
The reporting period	The three months ended on March 31, 2017

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 interim financial reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2016. These condensed interim consolidated financial statements have not been reviewed by the auditor, unless written "audited".

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2016, which are the basis for these interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 15, 2017.

(B) JUDGMENTS AND ESTIMATES

In preparing these condensed interim consolidated financial statements, management applies judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

(C) OPERATING SEGMENTS

The Group meets the definition of operating in one operating segment which refers to rental income from owned investment properties.

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

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

(D) SEASONALITY OF OPERATIONS

Rental income, other revenues and costs are received and incurred smoothly over the accounting period. Therefore no additional disclosures are made in the interim condensed consolidated financial statements.

(E) GOING CONCERN

The condensed interim consolidated financial statements are prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The following new and revised standards and interpretations are in issue and have been endorsed by the EU but are not yet effective for these consolidated financial statements.

(I) IFRS 9 – FINANCIAL INSTRUMENTS (2009, 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(II) IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a five step approach to accounting for revenue from contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The following new and revised standards and interpretations are in issue but have not yet been endorsed by the EU and are hence not yet effective for these financial statements.

(III) IAS 7 – DISCLOSURE INITIATIVE – AMENDMENTS TO IAS 7

The amendment to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(IV) IFRS 16 – LEASES

IFRS 16 introduces a single, on balance sheet approach to lease accounting for lessees with optional exemptions for short-term leases and leases of low value items.

(V) IFRS 2 – CLASSIFICATIONS AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTIONS

The Group has considered the above new standards, interpretations and amendments to published standards and will continue to evaluate the impact on the Group's consolidated financial statements. At this time, the impact of the above publications is not expected to be material to the Group's consolidated financial statements.

/Duisburg

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(A) ACQUISITIONS

During the reporting period the Group obtained control of several companies through acquisitions in a total consideration of euro 27.9 million, net of cash acquired. As an outcome of the business combinations, the Group recorded profit arising from bargain purchases at the amount of euro 3.1 million and non-controlling interests at the amount of euro 1.4 million.

Since the date whereby the Group obtained control on the above entities until the end of the reporting period, it recorded aggregated revenue and net profit at the amount of euro 1,226 million and euro 533 thousand, respectively.

The aggregated identifiable assets and liabilities acquired as at the date of each transaction are as follows:

	Unaudited
	€'000
Investment property	53,846
Working capital, net	865
Cash and Cash equivalents	1,013
	55,724
Loans and borrowings	(20,456)
Other liabilities, net	(1,922)
	(22,378)
Total identifiable net assets	**33,346**
Non-controlling interests arising from initial consolidation	(1,360)
Consideration paid	(28,914)
Profit arising from business combination (bargain purchase)	(3,072)


/Nuremberg

5. INVESTMENT PROPERTY

	Three months ended March 31,	Year ended December 31,
	2017	2016
	Unaudited	Audited
	€'000	
Balance as at January 1	4,768,487	3,845,979
Acquisitions of investment property during the period / year	72,185	440,301
Investment property arising from initial consolidation	53,846	414,270
Disposal of investment property due to loss of control	-	(347,971)
Transfer to Assets held for sale (note 11)	798	(146,078)
Fair value adjustment	52,120	561,986
Balance as at March 31 / December 31	4,947,436	4,768,487

6. TAX AND DEFERRED TAX EXPENSES

Tax and deferred tax expenses are recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

	Three months ended March 31,	
	2017	2016
	Unaudited	Unaudited
	€'000	
Corporation tax	(3,628)	(3,135)
Deferred tax	(8,428)	(13,168)
Property tax	(3,838)	(3,297)
Charge for the year	(15,894)	(19,600)


/Bremen


/Essen

7. LOANS AND BORROWINGS, CONVERTIBLE AND STRAIGHT BONDS

A. COMPOSITION

		March 31, 2017	December 31, 2016
		Unaudited	Audited
	Note	€'000	
Long - term loans			
Loans and borrowings		910,550	896,577
Total long - term loans		**910,550**	**896,577**
Straight and Convertible bonds			
Straight bond series D	C	483,222	482,379
Straight bond E	D	520,071	519,252
Straight bond CHF	E	48,826	48,447
Convertible bond series F	F	428,932	427,909
Total Straight and Convertible bonds		**1,481,051**	**1,477,987**
Short - term loans			
Loans and borrowings		18,237	18,406
Loan redemption		15,126	10,830
Total short - term loans		**33,363**	**29,236**

/Berlin

7. LOANS AND BORROWINGS, CONVERTIBLE AND STRAIGHT BONDS (CONTINUED)

B. CONVERTIBLE BOND SERIES C

On January 11, 2016 the Company has resolved to exercise its right to redeem the outstanding euro 275 million 1.5 per cent Convertible bond series C (hereafter – "Convertible bond") in accordance with the terms and conditions of the Convertible bond. As of the resolution day, the principal amount of the Convertible bond which has been converted and/or redeemed was euro 151,800,000. As of February 1, 2016 the principal amount of the Convertible bond which has been converted into share capital of the Company was euro 274,800,000, which represents 99.93 per cent of the aggregate principal amount of the Convertible bond and resulted in a decrease of debt in the same amount. As a result, the equity of the company increased by euro 123 million. The outstanding Convertible bond in the amount of euro 200,000 has been redeemed at its principal amount and accrued interest.

C. STRAIGHT BOND SERIES D

On October 29, 2014, the Company successfully completed the placement of euro 500 million (nominal value), in aggregate principal amount of new fixed-rate secured bonds, due 2021 with a coupon of 2% p.a., payable semi-annually in arrears at a price of 95.564% of their principal amount. The offer was over-subscribed. Starting that day, the series D bond is traded on the Irish Stock Exchange, on its regulated market.

	Three months ended March 31,	Year ended December 31,
	2017	2016
	Unaudited	Audited
	€'000	
Balance at the beginning of the year	484,105	480,758
Expenses for the period / year	3,308	13,347
Financial expenses paid	-	(10,000)
Carrying amount of liability at the end of the period / year	**487,413**	**484,105**
Non-current portion of bond series D	483,222	482,379
Accrued interest	4,191	1,726
Total bond series D	**487,413**	**484,105**

D. STRAIGHT BOND SERIES E

On April 17, 2015, the Company successfully placed euro 400 million in aggregate principal amount of series E straight bonds. The new bond series was placed at an issue price of 96.76% of the principal amount and mature after 10 years. It bears a coupon of 1.5% p.a., payable semi-annually in arrears starting from October 2015.

On September 18, 2015, the Company successfully completed with the tap up placement of additional euro 150 million (nominal value) of straight bond series E, for a consideration that reflected 89.21% of their principal amount. The total aggregated principal amount of the straight bond series E increased to euro 550 million (nominal value).

	Three months ended March 31,	Year ended December 31,
	2017	2016
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	520,948	518,213
Issuance costs	-	(497)
Expenses for the period / year	2,854	11,482
Financial expenses paid	-	(8,250)
Carrying amount of liability at the end of the period / year	**523,802**	**520,948**
Non-current portion of bond series E	520,071	519,252
Accrued interest	3,731	1,696
Total bond series E	**523,802**	**520,948**


/Berlin

7. LOANS AND BORROWINGS, CONVERTIBLE AND STRAIGHT BONDS (CONTINUED)

E. STRAIGHT BOND CHF

In July 2015 the Group acquired a subsidiary (through business combination) which placed on July 8, 2013 a Swiss Franc (CHF) 55 million straight bond maturing in July 2018. The bond bears a coupon of 4.75% p.a., payable annually in arrears starting from July 2014. The bond is listed on the SIX Swiss Exchange.

	Three months ended March 31,	Year ended December 31,
	2017	2016
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	49,566	51,029
Financial expenses for the period / year, net	962	3,418
Expenses paid	-	(2,405)
Held in Group treasury	-	(2,476)
Carrying amount of liability at the end of the period / year	**50,528**	**49,566**
Non-current portion of bond CHF	48,826	48,447
Accrued interest	1,702	1,119
Total bond CHF	**50,528**	**49,566**

/Gelsenkirchen

/Berlin

F. CONVERTIBLE BOND SERIES F

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

	Three months ended March 31,	Year ended December 31,
	2017	2016
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	428,283	-
Proceeds from issuance of Convertible bond series F (4,500 notes at euro 100,000 par value)	-	450,000
Issuance costs	-	(5,236)
Net proceeds during the period / year	-	444,764
Amount classified as equity component	-	(20,284)
Expenses for the period / year	1,299	4,366
Expenses paid	(563)	(563)
Carrying amount of liability at the end of the period / year	**429,019**	**428,283**
Non-current portion of Convertible bond series F	428,932	427,909
Accrued interest	87	374
Total convertible bond series F	**429,019**	**428,283**

7. LOANS AND BORROWINGS, CONVERTIBLE AND STRAIGHT BONDS (CONTINUED)


/Braunschweig

G.

(1) SECURITY, NEGATIVE PLEDGE

(a) For Gutburg Immobilien S.A. (hereafter – "Gutburg"), a wholly-owned subsidiary of the Company, and its subsidiaries (hereafter – "Gutburg Group"), a negative pledge, default including cross default and change of control.

(2) COVENANTS (AS DEFINED IN THE TERMS AND CONDITIONS OF THE BONDS)

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

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

(b) The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);

(c) The Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 2.0;

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

(e) The Company and GCP ltd. will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the charged accounts, unless the Issuer or GCP ltd., respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favor of the Trustee, for the benefit of the Trustee and the Bondholders;

For straight CHF bond:

(f) All current and future financial liabilities of the Gutburg Group in total (excluding the bond) is not more than 75% of the total market value of the investment properties;

(g) The total equity of the Gutburg Group which is adjusted for deferred taxes, subordinated instruments as well as interest rate swaps related to senior loans is more than 17.5% of all the assets;

(h) The payment of dividends, repayment of capital or a similar benefit to shareholders and/or participants (hereafter - "Distribution") which in total is not more than 50% of the profit of the year which is adjusted for market value changes of the investment properties, market value changes of interest rate swaps related to secured loans, deferred taxes expenses as well as expenses for refurbishments and investments;

(i) The adjusted equity ratio of the Gutburg Group must not fall below 22.5% because of a Distribution.

8. EQUITY

A) SHARE CAPITAL

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Unaudited		Audited	
	Number of shares	In thousands of euro	Number of shares	In thousands of euro
Authorized				
Ordinary shares of euro 0.10 each	400,000,000	40,000	400,000,000	40,000
Issued and fully paid				
Balance at the beginning of the period/year	153,788,883	15,379	140,970,655	14,097
Exercise of Convertible bond series C into shares	-	-	12,818,228	1,282
Balance at the end of the period/year	153,788,883	15,379	153,788,883	15,379

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

/Leipzig

B) ISSUANCE OF PERPETUAL NOTES

1) On February 13, 2015, the Company successfully placed euro 150 million in aggregate principal amounts of Perpetual notes. These notes were issued at a price of 96.3% of the principal amount. These Perpetual notes are of unlimited duration and can only be called back by the Company only on certain contractually fixed dates or occasions. Up until the first call date in February 2022, the Perpetual notes shall bear a coupon rate of 3.75% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (February 2027) shall correspond to the five-year swap rate plus a margin of 388.8 basis points p.a. The mark-up will increase by 25 basis points (to 413.8 basis points p.a.) as of February 2027 and by another 75 basis points (to 488.8 basis points p.a.) as of February 2042.

2) On March 3, 2015, Company placed a tap issue of euro 250 million in aggregate principal amounts of the Perpetual notes. These notes were issued at a price of 97.04% of the principal amount. The total aggregated principal amount of the notes at the end of the reporting period was euro 400 million.

3) On July 29 2015, the Company completed a successful tap up of its 3.75% Perpetual notes by euro 100 million. The new notes have the same terms and conditions as the existing ones and increased the nominal amount of the outstanding 3.75% Perpetual notes to euro 500 million.

4) On September 22 2016, the Company successfully placed euro 200 million in aggregate principal amounts of Perpetual notes. These notes were issued at a price of 95.27% of the principal amount. These Perpetual notes are of unlimited duration and can only be called back by the Company on certain contractually fixed dates or occasions. Up until the first call date in January 2023, the Perpetual notes shall bear a coupon rate of 2.75% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (January 2028) shall correspond to the five-year swap rate plus a margin of 363.7 basis points p.a. The mark-up will increase by 25 basis points (to 388.7 basis points p.a.) as of January 2028 and by another 75 basis points (to 463.7 basis points p.a.) as of January 2043.

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

C) RESOLUTION OF DIVIDEND DISTRIBUTION

On June 29 2016, the shareholders' annual meeting resolved upon the distribution of cash dividend in the amount of euro 0.25 per share (ex–date and payment date were on June 30, 2016 and on July 1, 2016, respectively).

9. RELATED PARTY TRANSACTIONS

Except for the incentive share agreement, the transactions and balances with related parties are as follows:

(i) Rental and operating income from related party

	For the three months ended March 31,	
	2017	2016
	Unaudited	Unaudited
	€'000	
Rental and operating income from related party during the period	105	-

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions, are made only if such terms can be substantiated.

10. FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	€'000			
March 31, 2017 (Unaudited)				
Traded securities at fair value through profit or loss	103,136	-	-	103,136
Total assets	**103,136**	**-**	**-**	**103,136**
Derivative financial instruments (a)	-	8,681	-	8,681
Total liabilities	**-**	**8,681**	**-**	**8,681**
December 31, 2016 (Audited)				
Traded securities at fair value through profit or loss	181,397	-	-	181,397
Total assets	**181,397**	**-**	**-**	**181,397**
Derivative financial instruments (a)	-	11,536	-	11,536
Total liabilities	**-**	**11,536**	**-**	**11,536**

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. All of the Group's derivatives financial instruments are linked to the bank loans maturity.
The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.


/Berlin

11. DISPOSAL GROUP HELD FOR SALE

In the fourth quarter 2016, the Group management committed to a plan to sell few properties, some of them through sale of subsidiaries. Accordingly, assets and liabilities which are included in the disposal group are presented as a disposal group held for sale.

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

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

	Three months ended March 31,	Year ended December 31,
	2017	2016
	Unaudited	Audited
	€'000	
Assets classified as held for sale		
Investment property	145,280	146,078
Cash and cash equivalents	761	1,634
Other assets	3,178	2,782
Total assets classified as held for sale	149,219	150,494
Liabilities classified as held for sale		
Loans and borrowings	11,616	11,597
Other liabilities	14,942	15,961
Total liabilities classified as held for sale	26,558	27,558

12. COMMITMENTS

The Group had no significant commitments as of March 31, 2017.

13. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as of March 31, 2017.

14. EVENTS AFTER THE REPORTING PERIOD

On May 9, 2017 the Company's shares were up-listed and commenced trading on the Prime Standard of the Frankfurt Stock Exchange.

/Munich

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