



2014

CONDENSED
CONSOLIDATED
INTERIM
FINANCIAL
STATEMENTS

SEPTEMBER 30, 2014

GRAND CITY

Properties S.A.

Q3





CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2014

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IMPRINT

PUBLISHER:
Grand City Properties S.A.
24, Avenue Victor Hugo
L-1750 Luxembourg

phone: +352 28 77 87 86
e-mail: info@grandcity.lu
www.grandcityproperties.com

KEY FINANCIALS



EBITDA (€ 000')

1-9/2013	CHANGE	1-9/2014
157,227	39%	219,015

REVENUE (€ 000')

1-9/2013	CHANGE	1-9/2014
64,315	157%	165,573

ADJUSTED EBITDA (€ 000')

1-9/2013	CHANGE	1-9/2014
34,818	126%	78,739

RENTAL AND OPERATING INCOME (€ 000')

1-9/2013	CHANGE	1-9/2014
64,315	135%	151,073

NET PROFIT (€ 000')

1-9/2013	CHANGE	1-9/2014
137,103	27%	173,864

FFO I (€ 000')

1-9/2013	CHANGE	1-9/2014
22,372	138%	53,138

EPRA NAV (€ 000')

DEC 2012	DEC 2013	SEP 2014
338,979	861,926	1,342,200

FFO I PER SHARE (€)

1-9/2013	CHANGE	1-9/2014
0.32	44%	0.46

LOAN-TO-VALUE

DEC 2012	DEC 2013	SEP 2014	SEP 2014 ASSUMING CONVERSION *)
44%	36%	40%	26%

FFO II (€ 000')

1-9/2013	CHANGE	1-9/2014
22,372	149%	55,650

EQUITY RATIO

DEC 2012	DEC 2013	SEP 2014	SEP 14 ASSUMING CONVERSION *)
36.6%	46.5%	40.0%	51.8%

CASH FLOW FROM OPERATIONS (€ 000')

1-9/2013	CHANGE	1-9/2014
30,816	176%	85,146

PORTFOLIO DEVELOPMENT IN UNITS

DEC 2012	DEC 2013	NOV 2014	NOV 2014 UNDER MANAGEMENT
12,000	26,000	43,000	64,000

ACHIEVEMENTS

MAINTAINING GROWTH MOMENTUM AND TURNAROUND PROGRESSION

OPERATIONAL HIGHLIGHTS –

- Total portfolio exhibited continuous growth to approx. 43,000 units in comparison to 26,000 in Dec 2013. In addition, the Company manages a portfolio of approx. 21,000 units owned by third parties. Total of 64,000 units under management
- Proportion of the stabilized portfolio increased from 33% as of December 2013 to 40%
- “Run rate” of rental and operating income (monthly annualized), representing the November 2014 portfolio, increased to approx. Euro 245 million
- Rental and operating income increased in the nine months of 2014 by 135% YOY to Euro 151 million
- As of November 2014 the in-place rent reached 5.1 €/m² and vacancy reduced to 13.3%

FINANCIAL HIGHLIGHTS

- Maintaining a healthy debt structure and leverage with 40% LTV (26% assuming convertibles conversion) and 40% equity ratio (51.8% assuming conversion). The convertible bond is since August 2014 and as of the date of this report in the money
- Financial headroom remains high for further growth as half of the portfolio are unencumbered
- Maintaining strong financial profile with strong debt-cover ratios during 9 months of 2014 – ICR increased to 4.45 from 3.72 in the nine months of 2013, DSCR increased to 3.50 from 3.01 YOY



CAPITAL MARKETS HIGHLIGHTS

- In October 2014, GCP completed a redemption of 95% of its Euro 350 million, 6.25% coupon Series B bonds
- In connection with redeeming the Series B bonds, GCP placed a new fixed-rate Series D bonds at a principal amount of Euro 500 million, due 2021 with a coupon of 2% and a price of 95.56% of their principal amount, with the bookrunners Morgan Stanley, J.P. Morgan and Deutsche Bank
- The 5 year convertible bond Series C is in the money since August 2014. Series C was tapped-up in June 2014 with gross proceeds of Euro 140 million, at 111.25% of their principle amount reflecting an effective yield-to-maturity of below 0.5%. Bookrunners were J.P. Morgan, Berenberg and Deutsche Bank
- S&P rating as of February 2014 BB+ with a stable outlook upgraded twice within one year from BB- in February 2013 and BB in November 2013. Their rating applies to both the Company and bonds

LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We are pleased to present another successful quarter, presenting continuous growth and stability. As of November 2014, GCP's portfolio reached 43,000 units, an increase of 17,000 units in 2014, and manages in total 64,000 units. With the new acquisitions we have further diversified our portfolio geographically, focusing on large cities, while strengthening the presence in our existing key locations and benefiting from economies of scale.

The Board of Directors has set the management clearly defined financial and operational goals and maintains the strategic objective to reach an investment grade rating. We diligently steer our operations to reach our operational goals of an ongoing strong like-for-like improvement and high profitability margins as well our financial goals such as a low LTV, high ratio of unencumbered assets and high headroom in DSCR and ICR. In this fashion half of our total portfolio is unencumbered, our DSCR high at 3.5 and our ICR is over 4.45. As of the end of October we have bettered our debt structure by issuing the Series D bond, a € 500 million 7 year straight bond with a coupon of 2% and a price of 95.56% of its principal amount, together with redeeming the majority of Series B bond which bear a 6.25% coupon and are due in 2020. Our capital market activities are supported by leading market players, among others, Morgan Stanley, J.P. Morgan, Deutsche Bank, Berenberg, Kempen and others serving as our lead managers and bookrunners. In addition we have re-financed over €100 million bank loans, resulting in a longer maturity schedule and lower cost of debt.

GCP is repeatedly reaching and raising its operational goals, building on the considerable potential development embedded in our properties, by implementing the management platform, implementing targeted valuable investments and by decreasing the operational costs. The results of the turnaround process, together with the portfolio growth, are mirrored in the significant increase in the adjusted EBITDA, presenting a 126% year-over-year remarkable increase. Our FFO per share for the 9 months of 2014 has increased to €0.46, and our earnings per share amounted to €1.23. The portfolio's stabilized portion, with vacancies below 5%, has increased to 40% in comparison to 33% in December 2013, continuously providing high and recurring cash flows while still harboring substantial future rent growth possibilities.

Our in-house IT development is the infrastructure to support our effective operations and to further grow. The systems enable both the management to translate a strategic decision into

actions, to identify and mitigate risks and to set and measure goals for financial and operational performance. Data pooling between the departments' IT systems is a key driver of our achievements and constant improvements and adaptations ensure that our systems are up to date with our goals and instantaneous execution is feasible due to our in-house development team. Thus, the team introduced mobile phone/tablet applications that provide all teams with full access to all Customer Relationship Management functions. The platform speeds up the working process and creates a constant information flow between management, centralized operational departments and on-site teams. This capability affects for example the efficiency and cooperation between the sales team, property management and the service center. The new service center structure uses the mobile application to enable all staff to access tenant requests anytime and anywhere, thus ensuring a quicker reaction and increased tenant satisfaction.

We have also extended our asset management services for third party's real estate and are currently managing 21,000 units, up from 18,000 units since June 2014. Additionally, synergies of the real estate management company acquired earlier this year are continuing to capitalize. The similarity in locations and characteristics is channeled to establish a stronger operational platform, supporting internal and external growth going forward.

In order to accelerate the vacancy reduction our marketing team standardized and centralized its processes, including online marketing tools. Each location's online profile includes a comprehensive and appealing exposé with varied illustrations. The new process enhances the online marketing traffic and increases successful lead closures, thus optimizing our staff's time and efforts.

Aiming to create a stronger and better sense of community in our locations and increase our tenant's satisfaction we organize every summer dozens of recreational events with large tenant attendance, fitting the events to the community profile of each location. For this year we are additionally hosting Christmas and winter events for families and children after some tests last year reached us with great feedback. Additionally, to further gain the loyalty of our tenants, GCP has recently launched a Tenant Card, which enables our tenants to benefit from various discounts in local businesses like gas stations and stores, as well as in online shops. Due to our service questionnaire and follow up calls after a service request has been finished we were also able to improve the service for our tenants and improve their satisfaction.



GCP continuously invests in improving the dwelling standards in its various locations and sees a high value in increasing the accessibility of the properties to elderly and disabled. Improvements range from installing railings over easy access showers to electric ramps for wheel chairs.

During the last quarter we have increased our efforts and focus on the energy efficiency investments. We installed energy saving windows in several selected locations in NRW, as well as installed new insulation in the walls. We intend to take additional measures by replacing the heating systems to more efficient solutions. An additional accomplishment is a significant improvement in the appearance of the buildings' façade. We consider this approach as highly economic viable and expect to make a considerable yield on the invested funds. The efficiency measures save costs to our tenants and directly both to us, as well as increase tenant satisfaction and speed up vacancy reduction in higher rents. We performed the improvements also in occupied units, capitalizing on our communication channels with our tenants, explaining our approach and cooperating to schedule the working times.

We constantly increase our investor communication and exposure and participate in many investor conferences, active roadshows internationally and various investor Q&A's. Another IR platform for our investors is our website where all relevant and up-to-date data can be found, especially our company presentation with all key parameters, which is updated on a monthly basis or more frequent if necessary to keep our investors informed about the company's growth and development. GCP's share has continuously presented outstanding performance and outperformed the market. The Series C convertible bond issued in February 2014 came into money within 6 months after issuance, bearing in mind a conversion premium of 30% at issuance. As of the date of this report 10 analyst research institutions cover GCP on an ongoing basis, in comparison to only 4 in December 2013. All 10 analysts set a target price above our current share price.

We look eager into the future, as GCP drives to realize its significant possibilities for further growth, as a large share of our properties still holds a significant upside potential in rent levels and occupancy. Excluding any additional external growth, and with a current FFO run rate of Euro 91 million, GCP is in a strong position to further increase return to our shareholders.

Christian Windfuhr
CEO

Simone Runge-Brandner
Director

Refael Zamir
Director, CFO

Daniel Malkin
Director

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	1-9/2014 €'000	1-9/2013 €'000
Revenue	165,573	64,315
Rental and operating income	151,073	64,315
EBITDA	219,015	157,227
adjusted EBITDA	78,739	34,818
Profit for the period	173,864	137,103
FFO I	53,138	22,372
FFO I per share in €	0.46	0.32
FFO II	55,650	22,372

FINANCIAL POSITION HIGHLIGHTS

	AS OF	Sep 2014 €'000	Dec 2013 €'000
Cash and liquid assets		313,040	166,800
Total Assets		2,368,815	1,651,087
Investment Property (including advanced payment)		1,921,766	1,375,450
Total Equity		948,126	767,925
EPRA NAV		1,342,200	861,926
Loans and borrowings		469,387	472,316
Bond Series B ¹⁾		344,092	194,676
Convertible bond Series C ²⁾		272,020	-
Loan To Value		40%	36%
Loan To Value assuming conversion ²⁾		26%	36%
Equity Ratio		40.0%	46.5%
Equity Ratio assuming conversion ²⁾		51.8%	46.5%

1) end of October 2014 95% of Series B principle was redeemed
2) the convertible bond Series C is in the money since August 2014

KEY LOCATIONS



THE COMPANY

Grand City Properties S.A. (the “Company”) and its investees (“GCP” or the “Group”) Board of Directors hereby submits their interim report as of September 30, 2014.

The figures presented in this Board of Directors’ Report are based on the condensed consolidated interim financial statements as of September 30, 2014, unless stated otherwise.

Grand City Properties S.A. is a specialist real estate company focused on investing in and managing turn-around opportunities in the German real estate market. The Group’s total portfolio as November 2014 consisted of approx. 43,000 units (hereinafter “GCP portfolio”) located in densely populated areas with a focus on North Rhine-Westphalia, Germany’s most populous federal state, Berlin, Germany’s capital, and other densely populated areas. In addition, the Company manages an additional portfolio of approx. 21,000 units owned by third parties which totals to 64,000 units under GCP’s management.

GCP is active in all relevant asset and property management activities along the real estate value chain. The Group’s business model is focused on buying real estate properties with strong underlying fundamentals which are not optimally managed or positioned, and turning them around through intense property and tenant management as well as through targeted modernizations. This enables the Company to create significant value in its portfolio.

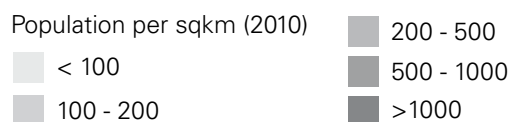
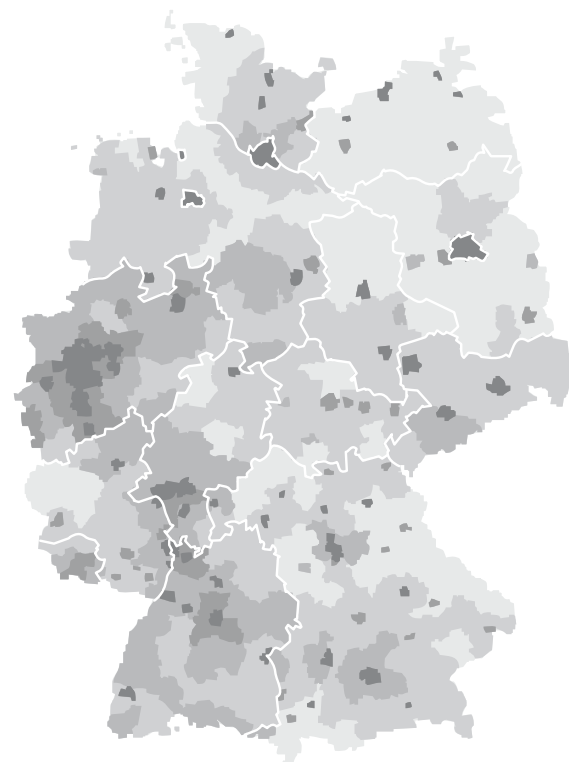
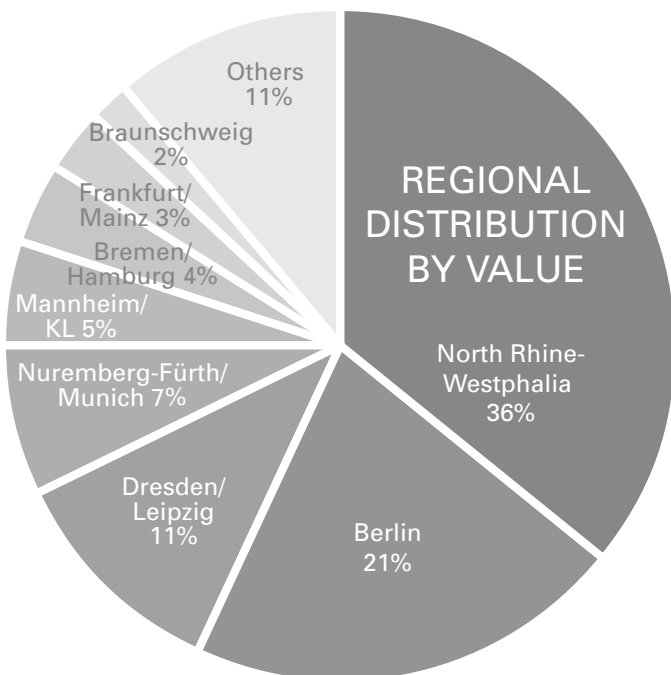


KEY STRENGTHS

ATTRACTIVE PORTFOLIO WITH DEFENSIVE CHARACTERISTICS AND SIGNIFICANT REPOSITIONING POTENTIAL

GCP's portfolio is made up of a well-balanced mix of properties that are attractively located and have been specifically selected because of their significant potential for value creation.

POPULATION DENSITY



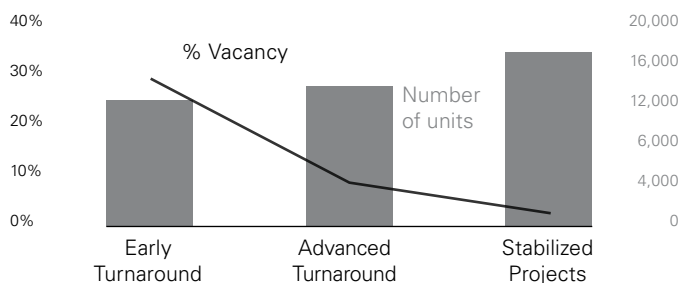


The Group holds 36% of its portfolio in NRW, 21% in Berlin and has significant holdings in other major cities and strong markets such as Nuremberg, Dresden, Leipzig, Mannheim, Bremen, Braunschweig, Frankfurt, Hamburg, and Munich. GCP also seeks to expand in additional attractive main German cities. The current regional distribution structure enables the Company on one hand to benefit from economies of scale, and on the other provides a diverse, well allocated and risk averse portfolio. Since December 2013, GCP has increased its real estate portfolio through additional takeovers of approx. 17,000 units.

GCP has grouped the investment property of its real estate portfolio into three stages allowing the effective management and constant monitoring on the progress of its turnaround and repositioning activities: stabilized properties which have lower vacancy rates than 5%; advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties, which provide vacancy rates higher than 15%.

Applying this definition, as of November 2014 approx. 40% of the total units are in the stabilized stage, approx. 32% of the total units are in the advanced turnaround stage and approx. 28% of the total units are in the early turnaround stage. The current spread of the Group's portfolio throughout the various stages, provides on the one hand stable high cash flow and on the other, embeds further growth and value creation potential in the existing portfolio.

PORTFOLIO STAGES



The monthly in-place rent of GCP's portfolio as of November 2014 amounted to approx. Euro 5.1 per square meter with a portfolio vacancy rate of 13.3%. GCP regards its vacancy level as an integral part of its unique business model and as a major growth driver going forward.





KEY STRENGTHS

FULLY INTEGRATED AND SCALABLE PLATFORM THAT IS TAILORED FOR ACQUISITIONS, TURNAROUND AND FAST GROWTH

GCP has developed a platform that provides efficient in-house management of its existing real estate portfolio and support for the execution of its expansion plans. The Group has 400 experienced staff members working in its central and regional offices. This team covers the full spectrum of the real estate value chain from acquisition to construction and refurbishment, sales and marketing, and key support functions such as finance, accounting, legal and IT. In particular, its advanced proprietary IT system enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. The focus on cost extends to the entire operations of GCP, including those that are chargeable to its tenants.

The implementation of the asset and property management company acquired this year supports GCP's growth strategy allowing for a quick and rapid takeover of the current pipeline and further property acquisitions. Management believes that the portfolio today has the capacity to grow at a marginal cost to the platform, and further create economies of scale. The integrated nature of its platform also means that GCP is well positioned to make important decisions swiftly and efficiently when required, for instance with acquisitions.

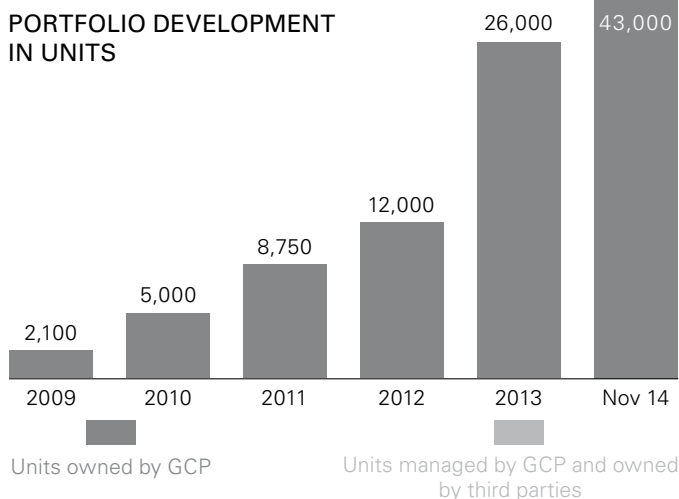
GCP has structured a well-balanced and strong management team, led by our Board. The Company operates in over a dozen different departments which all take an important component in the value creation cycle from acquisition over turnaround to fully stabilized portfolio.

DEMONSTRATED ABILITY TO SOURCE PROPERTIES AND BUILD A STRONG PORTFOLIO

GCP's established reputation provides local and national level access to multiple investment opportunities often before they are widely promoted or publicized, reflecting GCP's perceived quality as counterparty. The advantage has also extended to improved access to financing and helped create strong relationships with debt providers. GCP operates in an attractive market niche where the typical properties it acquires are either too large for private individuals or too small and difficult for institutional investors. GCP's know-how in taking over mismanaged properties with high vacancy and turning them around to stabilized and well managed properties is unique in the German real estate market and is a sustainable competitive advantage of the Company.

Total portfolio exhibited continuous growth to approx. 43,000 units owned and to 64,000 units managed in comparison to 26,000 total in Dec 2013. From Dec 2013 to November 2014 GCP's portfolio increased by 17,000 units. GCP has reached size and scalability which enable the Company to benefit from economies of scale, creating value throughout all of the Company's value chain: from higher efficiency at takeover stage to stronger bargaining power with suppliers.

PORTFOLIO DEVELOPMENT IN UNITS



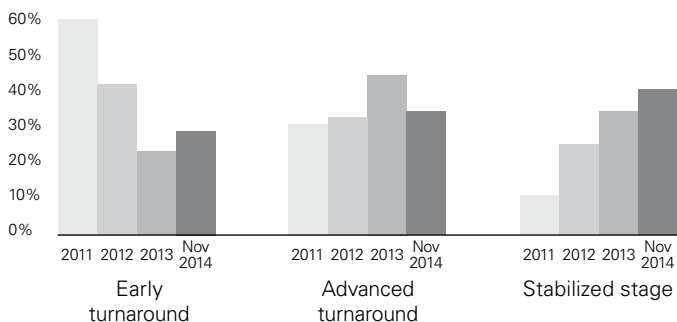


STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING ASSETS

GCP's skill is not only in identifying properties with significant potential but also in constructing tailor made strategies for each asset to optimally improve its operating performance, which reflects in significant increase of its value. GCP's continuous asset management effort results not only in improved yield on its portfolio, but also in tangible value creation that is immediately captured in the Group's financial performance. GCP's experience also allows it to maximize returns after repositioning.

Due to GCP's unique business strategy to acquire assets in an early turnaround stage with high vacancies, the overall portfolio's vacancy rate constantly provides a high upside potential in rent and occupancy while our assets run through a turnaround life cycle. The portion of stabilized units has steadily increased over time, providing a balanced mix of stability and further potential growth.

PORTFOLIO STAGES



Decreasing vacancy rates from earlier to later stages proves the competency of the management team and validates the effectiveness of the business model. GCP's stabilized portfolio ratio is continuously growing, and has increased from 33% as of December 2013 to currently 40%. Over the same period, the early turnaround portfolio ratio has increased from 23% to 28%, through the large scale acquisitions of new properties, offset by the successful turnaround process of previously acquired properties. Such transition results in more recurring and constant cash flows through higher revenues, lower costs and higher profit margins while the stabilized assets still provide a substantial upside potential for rent increase.

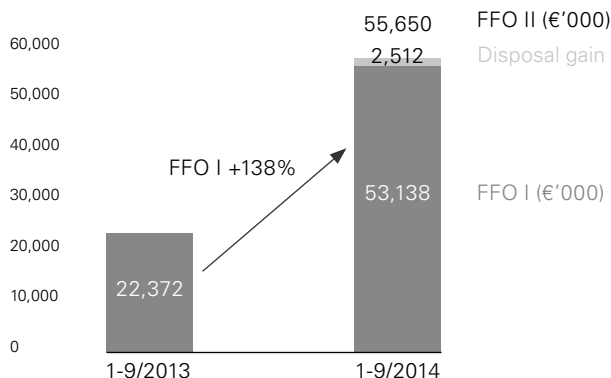
STRONG AND GROWING CASH FLOWS WITH HIGH RETURN POTENTIAL

The cash flows GCP generates from its current portfolio are growing. GCP's subsequent active management focuses on increasing initial cash flows through increasing rents, decreasing vacancy levels as well as maintaining strict cost discipline. In addition to its existing portfolio of properties, the Group is expanding through the acquisition of additional properties which it will seek to reposition and create significant value.

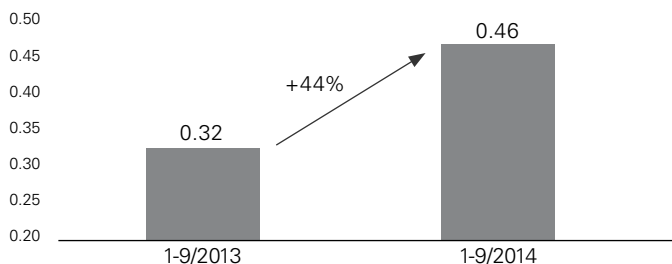
CASH FLOW FROM OPERATIONS



FFO I+II



FFO I PER SHARE

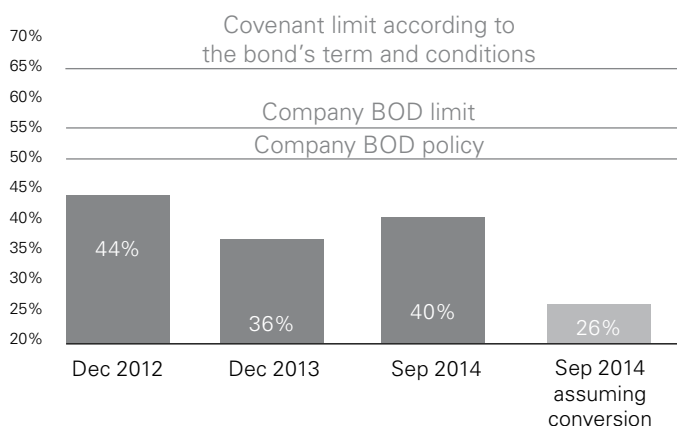


KEY STRENGTHS

CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

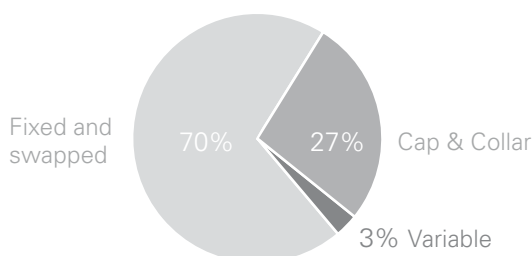
With a high financial flexibility of Euro 313 million in liquid assets as of September 2014, GCP has a substantial amount of liquid assets, which on the one hand enables it to pursue attractive deals, and on the other provides sufficient head room and comfort for the debt holders. GCP's disciplined approach is also reflected in its conservative capital structure which is characterized by long term maturities, hedged interest rate and low LTV. LTV as of September 30, 2014 was set conservatively at 40% (LTV is 26% assuming conversion of Series C bond, which is in the money since August 2014). The Company's internal target is to maintain an LTV of below 50% and set itself a limit at 55%. The Company has a strong financial profile, which it is further strengthening each year. Part of GCP's strategy is to achieve the investment grade rating.

LOAN TO VALUE

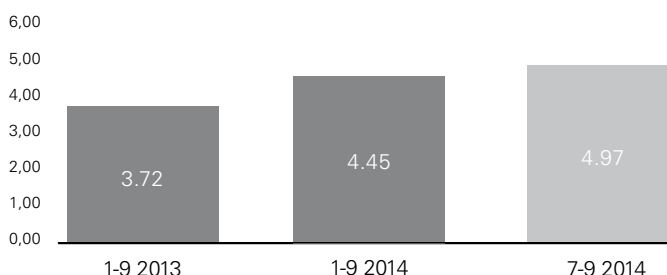


GCP's bank loans are spread over 26 separate loans from 15 different financial institutions that are non-recourse and have no cross collateral or cross default provisions. The senior debt schedule has an average maturity ranging over 6 years with no material maturities until 2017 and almost all of the Company's debt is hedged.

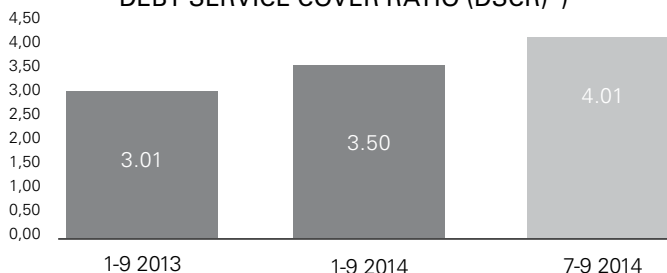
As part of GCP's strategy for a healthy and conservative debt structure and although no significant maturities arise until 2017, the Company has prolonged in 2014 over €100 million bank loans leading to a longer maturity and lower cost of debt. Other portions of 2016-2018 maturities are in process to be prolonged ranging from 2021 to 2026.



INTEREST COVERAGE RATIO (ADJ. EBITDA/INTEREST)



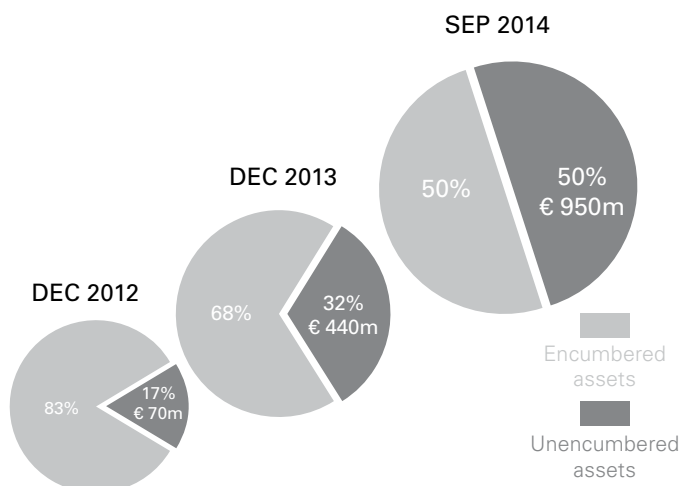
DEBT SERVICE COVER RATIO (DSCR)*



*) also called fixed charge coverage ratio [adj. EBITDA / (interest+loan amortization)]

GCP is constantly improving the coverage ratios, presenting very high headroom and financial comfort, which benefits both from higher adjusted EBITDA and from lower debt service payments. The marginal ratios improvement is mirrored in the increase in the last three months of 2014.

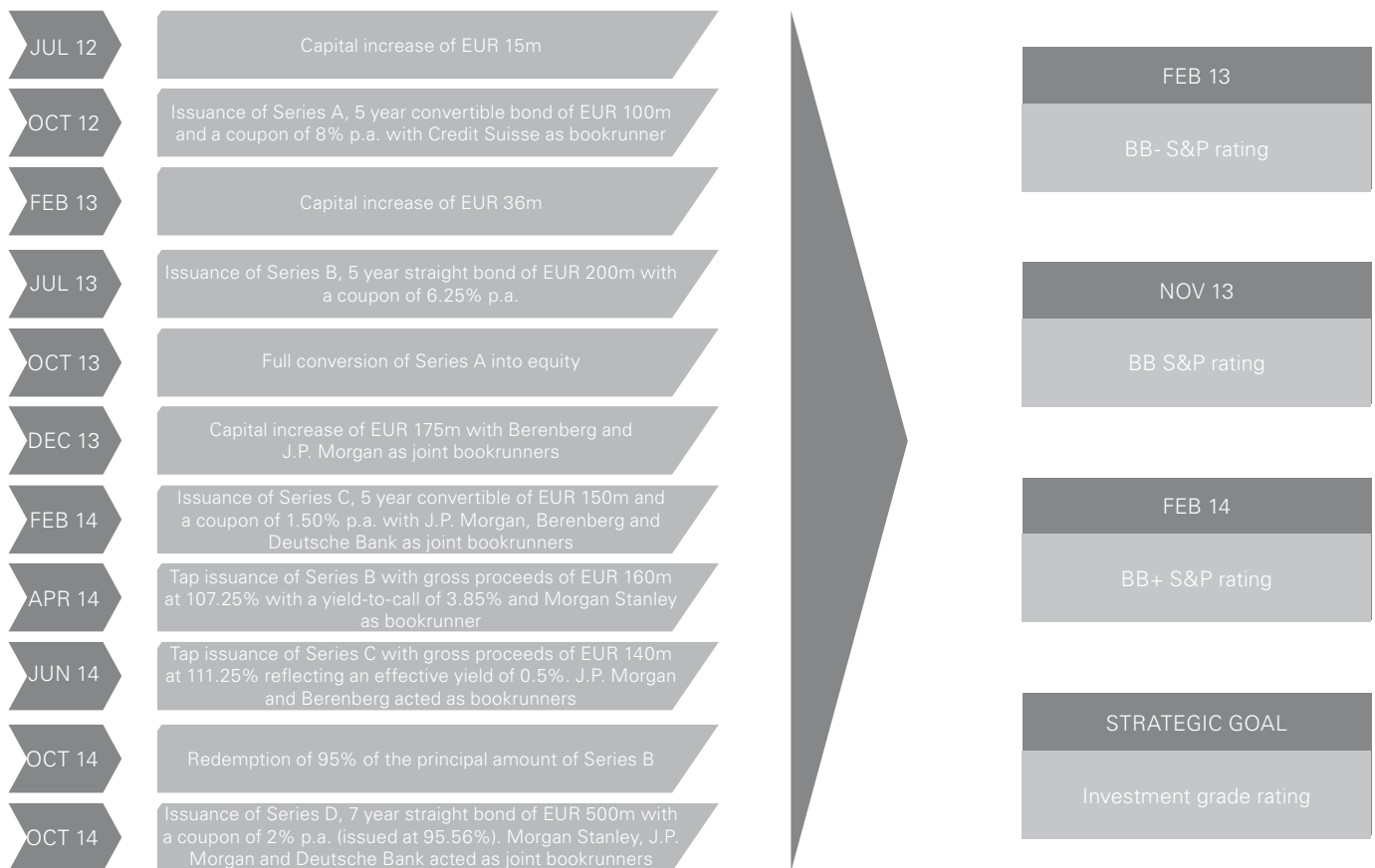
Long maturities enable the Company to focus on core business without the pressure to refinance. The considerable portion of GCP's unencumbered assets gives the Company further financial flexibility. As of September, 2014 Euro 950 million of the held assets are free of lien which accounts for 50% of the total portfolio.



ONGOING ACCESS TO CAPITAL MARKETS

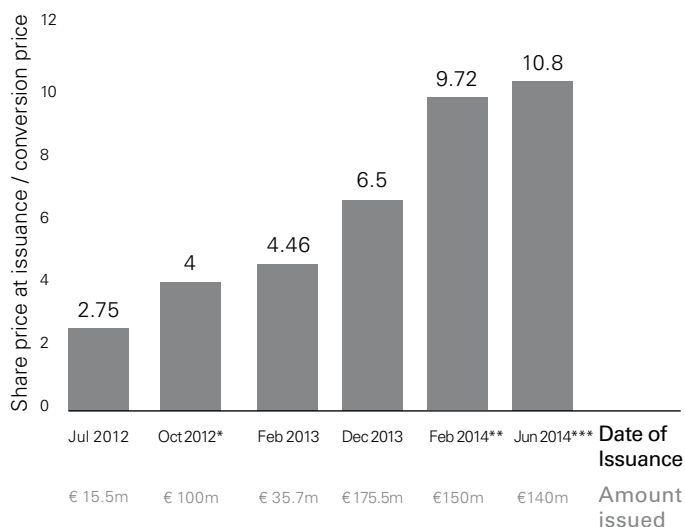
In addition to bank loans GCP has successfully accessed the capital markets in the recent years. In the past two years the Company raised successfully Euro 1.5 billion equity and bonds.

BALANCED FUNDING MIX BETWEEN DEBT & EQUITY AND A PROVEN ABILITY TO ACCESS CAPITAL MARKETS



KEY STRENGTHS

The following illustration shows the value creation to the shareholder in each issuance.

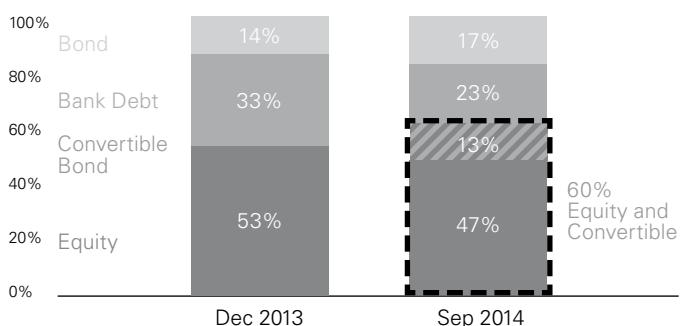


*Refers to the convertible bond Series A issuance which was already converted
 **Refers to the convertible bond Series C issuance
 ***Effective conversion price 10.8 (9.72 conversion at 111.25% of par)

The stronger capital structure was also assessed by S&P by upgrading GCP's rating twice within one year since the initial rating from 'BB-' to 'BB+' with a stable outlook on its long-term corporate credit rating and on the Company's bonds. The financial risk profile is assessed as "intermediate", which coincides with investment grade rating. According to S&P, GCP should further improve its general business profile in order to achieve its strategic target of investment grade rating.

The rating upgrade is the result of S&P's revised assessment of GCP's improved financial risk profile and a stronger capital structure. S&P provides a stable outlook reflecting their opinion that the Company's steady tenant demand in its main locations should continue to support rental income growth resulting in steady recurring cash flow. Additionally, S&P highlights in their research update the significant portfolio growth GCP has made and the improvement of the assets and tenant diversity.

The Group will seek to maintain adequate liquidity so that it has the necessary flexibility to finance on-going investments without limiting its ability to react quickly to attractive market opportunities.



COMPANY STRATEGY



FOCUS ON TURNAROUND OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN REAL ESTATE MARKET

GCP concentrates its activities on German real estate markets that it believes 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 and other major cities. GCP believes its platform has the right abilities and systems to continue to perform strongly and to further expand in the German market. The Group also believes that there are enough 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
- Strong vacancy reduction potential
- Rent level per sqm is below market level (under-rented), strong upside potential and low downside risk
- Purchase price below replacement costs and below market values
- Potential to reduce significantly the cost per sqm

INCREASE CASH FLOWS THROUGH FOCUS ON RENTAL INCOME, INVESTMENT AND STRICT COST DISCIPLINE

GCP seeks to maximize its cash flows from its portfolio through the relentless management of its assets by increasing rent and occupancy. This process is initiated during the due diligence phase of each acquisition, through the development of a specific plan for each asset. Once acquired and the initial development plan realized, GCP then 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,

increase rents or further increasing occupancy. GCP also applies significant scrutiny to its costs, systematically reviewing ways to increase efficiency and thus enhance cash flows.

MAXIMIZE TENANT SATISFACTION TO REDUCE RE-LETTING RISK AND TENANT CHURN

GCP seeks to provide a high quality service to its tenants as part of its strategy, with the objective to minimize tenant churn across its portfolio. GCP methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. GCP also focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, adding sport facilities or improving aged facades. In various locations GCP is improving neighborhoods and helps communities to build community spirit. GCP is providing rent free units for institutions in designated locations which help school children with their homework, offer recreational activity to keep the kids off the street. In a different location GCP has rebuilt a vacant unit in a neighborhood into an art space. In other locations GCP is organizing summer and Christmas events, more than two dozen in 2014 alone, for our tenants, children and friends, focusing on family oriented activities.

OPERATIONS SUPPORTED BY ADVANCED AND CENTRALIZED IT SYSTEM

The Group's comprehensive and centralized IT system plays a significant role in enabling GCP to achieve its 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 system is providing management with the detailed information necessary to monitor everything from costs to staff performance.

BUSINESS MODEL



COMPANY STRATEGY

CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

GCP intends to expand its portfolio via acquisitions. The Group will seek to identify specific opportunities for value creation. The Group constantly evaluates opportunities to identify suitable targets for its existing portfolio and management platform.

MAINTAIN A CONSERVATIVE CAPITAL STRUCTURE

GCP seeks to preserve its conservative capital structure with a LTV to remain at a target below 50% and a company limit of 55%, low cost of debt that are mostly hedged, diversified financing sources and long maturities. A key feature of the Group's financing objectives is to maintain ample investment flexibility, in order to take advantage of investment opportunities when they arise.

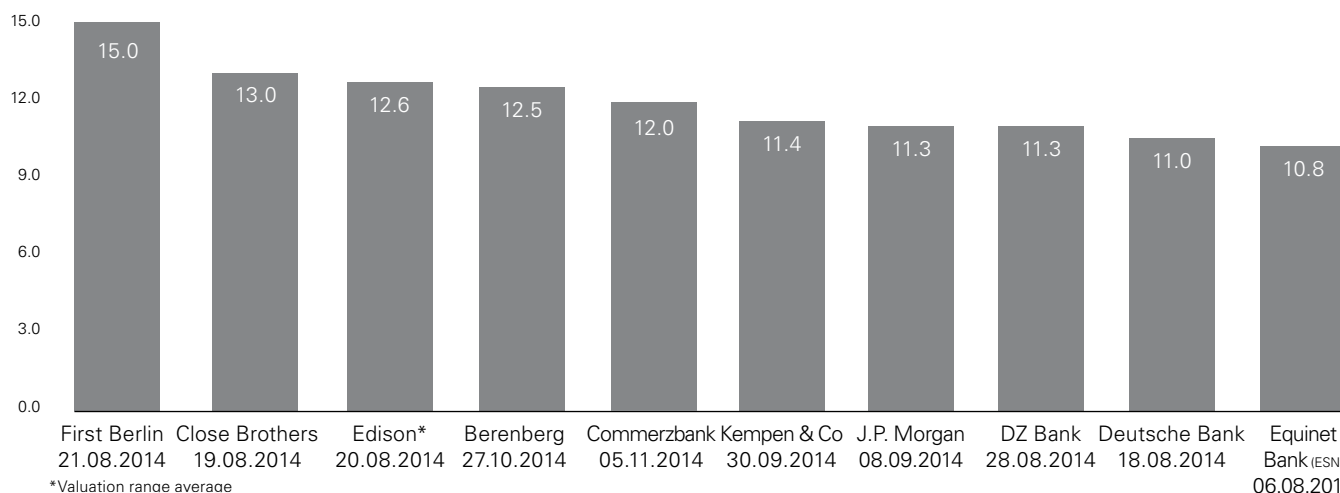
INVESTOR RELATIONS ACTIVITIES

GCP is proactively presenting its business strategy and thus enhancing perception as well as awareness of the Company among the different players of the capital market through targeted and manifold investor relations activities over the year. The Company is very active in communicating directly with investors and has attended dozens of roadshows, investor conferences, fairs and has hosted many visits at GCP's offices and property tours.

GCP seizes these opportunities to create transparency and present a platform for open dialogue. The improved perception leads to a better understanding of GCP's competitive advantage, its business model and hence to a higher demand among the capital market actors for participation in its success.

Currently GCP is being covered on an ongoing basis by 10 different equity analysts, who published their latest reports over the last quarter.

ANALYST RECOMMENDATIONS



COMPANY STRATEGY

Placement	Frankfurt Stock Exchange
First listing	Q2 2012
Number of shares	115,425,000 ordinary shares with a par value of EUR 0.10 per share
Current Capital	11,542,500 Euro
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market CAP (as of 30 September 2014)	1,244,281,500 Euro

ANNUAL GENERAL MEETING

The Annual General Meeting of Grand City Properties S.A. was held in Luxembourg on June 25, 2014.

All of the items on the agenda were carried by a great majority, including the approval of the consolidated financial statements of the Group for the year ended 31 December 2013. The agenda has been confirmed by 100% of the capital represented.

The Annual General Meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive plan for the Board of Directors and the senior management. The incentive plan has 4 years vesting period with specific milestones to enhance management long term commitment to GCP strategic targets. Main strategic targets are long term improvement in operational and financial targets such as LFL vacancy reduction and rent increase, operational efficiency, increase in adjusted EBITDA per share, FFO per share and EPS. Management will be incentivized for keeping conservative financial ratios, with the strategic target to achieve investment grade rating.

Furthermore, the Annual General Meeting resolved the renewal of the mandate the Board of Directors up until the date of the Annual General Meeting to be held in 2016. This enables the Company to provide continuity and expresses shareholder's satisfaction of the activities and confidence in their future work.

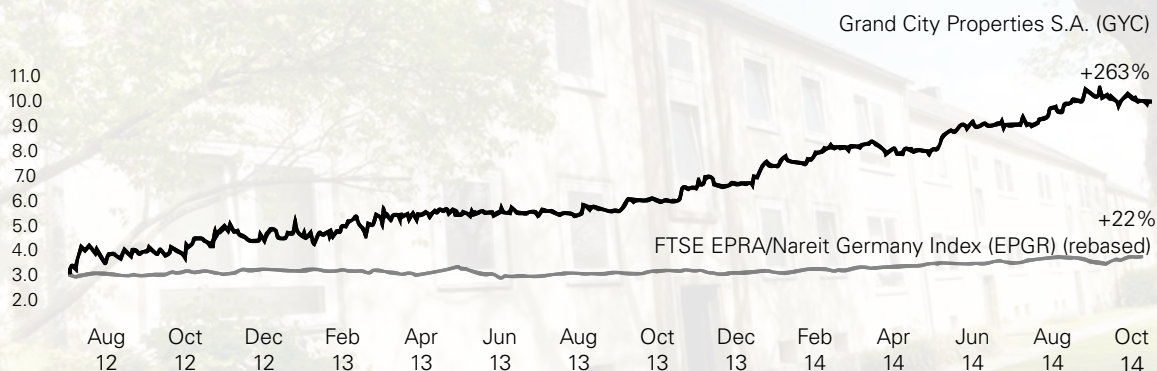
CORPORATE GOVERNANCE:

GCP puts a high emphasis on corporate governance with high transparency, executed responsibly by the board of directors, advisory and the management teams. The Company directs its efforts in maintaining the high trust it received from its shareholders to balance interests. We are proud of the high confidence our investors give us, which is reflected in the impressive placement of funds by global major investment banks. GCP shares and bonds were placed in recent issuances into many international leading institutional investors and sovereign funds.

Our Board of Directors and Management team is composed of senior executives who have vast experience and demonstrated skills and abilities in the relevant areas such as real estate operations and development, acquisition, financing and financial management. The ongoing decision making process is based on clearly defined vision, business strategy, operational and financial objectives.

The Board's responsibilities are assisted by an audit and a risk committee. Whereas the audit committee ensures among others the Company's accounting processes by foreseeing the integrity of the financial statements and the adequacy of internal control systems, the risk committee assists the Board in assessing the different types of risks to which the Group is exposed, as well as its risk management structure, organization and processes. The risk committee approves selected risk limits and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and capital adequacy requirements.

GCP SHARE PRICE PERFORMANCE COMPARISON



NOTES ON BUSINESS PERFORMANCE

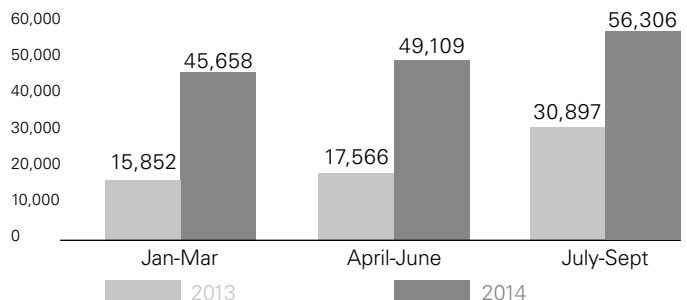
SELECTED CONSOLIDATED INCOME STATEMENT DATA

	2014	2013
for the nine months ended September 30	€'000	€'000
Revenue	165,573	64,315
Capital gains, property revaluations and other income	140,026	122,409
Property operating expenses	(69,146)	(27,609)
Cost of Buildings Sold	(14,250)	-
Administrative & Other expenses	(3,760)	(2,099)
EBITDA	219,015	157,227
Operating profit	218,537	157,173
Net finance expenses	(17,472)	(2,419)
Tax and deferred tax expenses	(27,201)	(17,651)
Profit for the period	173,864	137,103

REVENUE

	2014	2013
for the nine months ended September 30	€'000	€'000
Rental and operating income	151,073	64,315
Revenue from sales of buildings	14,500	-
Revenue	165,573	64,315

RENTAL AND OPERATING INCOME 9M 2014



The September 30, 2014 revenue increased by 157% to Euro 165.6 million compared with the nine months of 2013 (Euro 64.3 million) primarily due to the significant increase in rental and operating income and from revenue from sales of buildings from the first quarter of 2014. The rental and operating income, excluding the revenue from sales of buildings, amounted to Euro 151.1 million in the nine months of 2014, reflecting a 135% increase. The increase in the rental and operating income in the nine months 2014 compared with the nine months of 2013 is the combined effect of operational improvements and turnaround of the portfolio, a result of occupancy and rent increases and from the additional income of newly acquired properties.

The significant growth of rental income is a lagged effect of GCP's portfolio growth of approx. 120% between the end of 2012 and 2013 and their impact on the following nine months. The nine months results do not take into account the full effect of the current portfolio and the turnaround process, since a significant amount of the portfolio was acquired at the end of the period and the operational improvements were made throughout the entire period. The full impact of the current portfolio will unfold during the following reporting periods. The annual run rate of the rental income of the November 2014 portfolio amounts to over Euro 245 million, which does not include any operational improvements.

In the nine months of 2014 GCP sold buildings inventories for gross proceeds at the amount of Euro 14.5 million, compared to none in the comparable period in 2013.



CAPITAL GAINS, PROPERTY REVALUATION AND OTHER INCOME

	2014	2013
for the nine months ended September 30	€'000	€'000
Change in fair value in investment property	126,348	89,376
Profit arising from business combination (bargain purchase)	11,416	33,033
Capital gains and other income	2,262	-
Capital gains / profit from investment activities	140,026	122,409

The property revaluations reflect changes in the fair value of properties, which have been determined based on external valuation reports performed by independent professionally qualified valuers.

The Company recognized as of September 30, 2014 capital gains, property revaluation and other income at the amount of Euro 140 million compared to Euro 122.4 million in the comparable period in 2013. Revaluation profit mirrors the ability of the Company to increase rents and occupancy, reaching higher recurring cash flows which accordingly results in significant value creation of its properties.

Profit arising from business combinations refers to negative goodwill recorded through purchases at the amount of Euro 11.4 million in the nine months of 2014 and described in detail in note 4 of the condensed consolidated interim financial statements as of September 30, 2014. In case the fair value of the total identifiable net assets exceeds the purchase price of a business acquisition, the excess amount is recognized in the consolidated income statement as a bargain purchase gain.

Capital gains refer to gains where GCP effectively sold assets above their book value. In the third quarter of 2014 the company sold non-core properties at the amount of Euro 24.7 million.

PROPERTY OPERATING EXPENSES

	2014	2013
for the nine months ended September 30	€'000	€'000
Property operating expenses	(69,146)	(27,609)

The total property operating expenses increased by 150% from Euro 27.6 million in the nine months of 2013 to Euro 69.1 million in the nine months of 2014, a result of the portfolio's growth and operating expenses related to services provided to third parties, which did not occur in 2013.

Property operating expenses are costs mainly related to ancillary cost recoverable by the tenants, such as heating cost and water and also include maintenance costs, personnel expenses and other operating expenses.

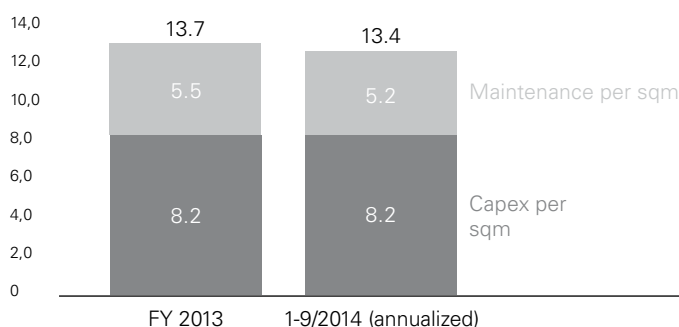


NOTES ON BUSINESS PERFORMANCE

MAINTENANCE AND CAPITAL EXPENDITURES

GCP maintains a high standard of its assets' quality through a high level of investments in maintenance and refurbishment to ensure and improve its existing tenants' satisfaction and provide an appealing product for prospective tenants as well. Targeted CapEx measures are planned as early as prior acquisition during due diligence and are executed throughout the assets' turnaround cycle. Maintenance requests from tenants are coordinated by the Service Call Center, which is 24/7 available, to enable time and cost efficiency.

GCP has invested in the nine months of 2014 Euro 24.5 million in CapEx and maintenance (Euro 11.4 million in 9 months of 2013), reflecting a total amount of Euro 13.4 per average sqm annualized composed of Euro 8.2 per sqm in CapEx and Euro 5.2 per sqm in maintenance. GCP expects that as the portfolio will shift further towards the stabilized stage and vacancy will be reduced, the ratio between the capex and maintenance will stabilize to an equal expenditure portion.



ADMINISTRATIVE & OTHER EXPENSES

	2014	2013
for the nine months ended September 30	€'000	€'000
Administrative & Other expenses	(3,760)	(2,099)

Administrative and other expenses amounted in the nine months of 2014 to Euro 3.8 million in comparison with Euro 2.1 million in the nine months of 2013, a 79% increase in comparison to a 150% increase in the managed units. The item includes costs related to director fees, professional services such as accounting and audit costs, legal and marketing fees as well as overhead costs. The administrative and other expenses increased marginally in comparison to the increase of the portfolio and revenues, reflecting the established economy of scale and efficiency the Company.

NET FINANCE EXPENSES

	2014	2013
for the nine months ended September 30	€'000	€'000
Finance expenses	(17,692)	(9,371)
Other finance results	220	6,952
Net finance expenses	(17,472)	(2,419)

The net finance expenses amounted in the nine months of 2014 to Euro 17.5 million compared with Euro 2.4 million in the

nine months of 2013. The increase is mainly a consequence of an decrease in other finance results, an effect of the changes in financial derivatives, traded securities and refinancing costs.

The increase in finance expenses results from the increase in the financial debt over the period. The finance expenses have increased marginally compared to the growth of the Company's debt due to the improvement in the cost of debt and in the financial position of the Company, reflected in the S&P financial profile upgrade.

TAX AND DEFERRED TAX EXPENSES

	2014	2013
for the nine months ended September 30	€'000	€'000
Tax and deferred tax expenses	(27,201)	(17,651)

The tax and deferred tax expenses for all periods have increased in accordance with the growth of the Company. The deferred tax in the 9 months of 2014 amounted to Euro 27.2 million and is primary composed from deferred taxes provision on the revaluations on investment property.

PROFIT FOR THE PERIOD

	2014	2013
for the nine months ended September 30	€'000	€'000
Profit for the period	173,864	137,103
Basic earnings per share in €	1.23	1.60
Diluted earnings per share in €	1.09	1.60

Compared to the nine months in 2013, profit in the nine months of 2014 increased by 27% to Euro 174 million as a result of a significant increase in profits from operations and due to revaluation uplifts and capital gains, the outcome of the Company's long term value creation focus.

The EPS in the nine months of 2014 was 1.23 compared to 1.60 in nine months of 2013. The third quarter 2014 EPS is effected by an increase in average amount shares resulting from capital increase and bond conversions.



NOTES ON BUSINESS PERFORMANCE

CASH FLOW

	2014	2013
for the nine months ended September 30	€'000	€'000
Net Cash provided by operating activities	85,146	30,816
Net cash used in investing activities	(332,824)	(232,108)
Net cash provided by financing activities	338,229	246,304
Asset held for sale – Cash	-	11
Net increase in cash and cash equivalents	90,551	45,023

The strong operational improvement is also presented in the net cash provided by operating activities with a 176% increase to Euro 85 million in the nine months of 2014. The increase is derived mainly due to the significant increase in rental and operating income, which reflects the growth of the portfolio as well as the increase in rents and decrease in vacancy rates, and from the sale of the property held as inventory. Excluding the sale of inventories the increase of the operating cash flow was 129%. Net cash used in investing activities amounted in the nine months of 2014 to Euro 333 million compared with Euro 232 million in the nine months of 2013. The net cash provided by financing activities of Euro 338 million derives to a large extent from the issuance and tap up of series B and C and is offset by prepayments of bank loans.

ASSETS

	Sep 14	Dec 13
As of	€'000	€'000
Non-current assets	1,947,536	1,402,495
Current assets	421,279	248,592
Assets	2,368,815	1,651,087

The increase in total assets by 43% from end 2013 to September 2014 from Euro 1.65 billion to Euro 2.37 billion is the result of GCP's extensive growth. Thus, the increase is mainly a result from the increase in investment property by Euro 535 million which was offset by the sale of non-core investment property in the amount of Euro 24.7 million.

GCP puts strong emphasis on its ability to react quickly as opportunities present themselves and close deals quickly using available means. The high amount of liquid assets of Euro 313 million provides firepower to materialize further acquisitions going forward. The Issuance of Series D, after the reporting period, provides further tail wind and support for additional portfolio growth.

LIABILITIES

	Sep 14	Dec 13
As of	€'000	€'000
Loans and borrowings	461,512	461,753
Bond Series B	344,092	194,676
Convertible bond Series C *)	272,020	-
Other long term liabilities	71,872	35,287
Deferred tax liabilities	111,076	80,169
Current liabilities	160,117	111,277
Liabilities	1,420,689	883,162

*) the convertible bond Series C is in the money since August 2014

GCP maintains a healthy structured financing mix to finance its growth through a stable and conservative capital and debt structure. Following its aim for an optimized structure results in a very low LTV, low cost of debt and high DSCR which is supported by half of the portfolio being unencumbered.

Fast and successful accesses to capital markets have supported the growth of the Company. During the nine months of 2014 a total of Euro 425 million bonds were placed, with proceeds amounting to approximately Euro 450 million. The acquisitions in 2014 were also financed by the capital increase of EUR 175.5 million in December 2013, the cash balance at the end of 2013 and the ongoing profits of the period.

For its deferred taxes GCP takes a conservative approach assuming the sale of properties with a full real estate German tax effect as asset deal (15.825%).

The Company holds additionally liquid assets at the amount of Euro 313 million to finance its current pipeline resulting in a net debt of Euro 500 million as of September 30, 2014 - excluding the convertible bond which is in the money since August 2014.

	Sep 14	Dec 13
As of	€'000	€'000
Total bank debt and bonds	813,479	666,992
Cash and liquid assets	313,040	166,800
Total net debt without convertible bond	500,439	500,192
Convertible bond Series C *)	272,020	-
Total net debt with convertible bond	772,459	500,192

*) the convertible bond Series C is in the money since August 2014



NOTES ON BUSINESS PERFORMANCE

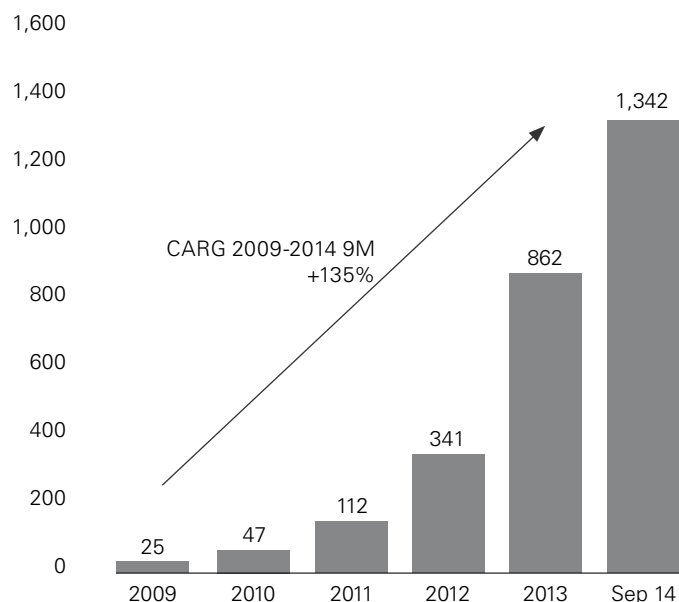
EPRA NAV

	Sep 14 €'000	Dec 13 €'000
Total Equity	948,126	767,925
Fair Value measurements of derivative financial instruments	4,201	13,832
Deferred Tax Liabilities	111,076	80,169
Convertible bond series C *)	278,797	-
EPRA NAV	1,342,200	861,926

*) the convertible bond Series C is in the money since August 2014 includes deferred income and accrued interest

The EPRA NAV of the Company amounted as of September 30, 2014 to over Euro 1.34 billion compared to Euro 862 million as of December 31, 2013.

The increase in EPRA NAV is mainly attributed to the profit for the period of Euro 174 million and the inclusion of the convertible bond, as it is in the money.



FFO I (FUNDS FROM OPERATION) AND ADJUSTED EBITDA

	2014 €'000	2013 €'000
for the nine months ended September 30		
EBITDA	219,015	157,227
Capital gains, property revaluations and other income	(140,026)	(122,409)
Profit on disposal of Inventories - trading properties	(250)	-
Adjusted EBITDA	78,739	34,818
Finance Expense	(17,692)	(9,371)
Tax	(7,909)	(3,075)
FFO I	53,138	22,372
FFO I per share in €	0.46	0.32

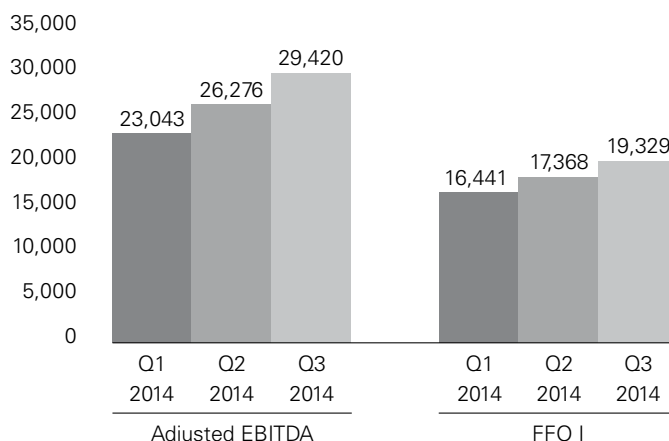
Funds From Operation (FFO) provides an indication of materialized profit from operation, and is calculated deducting tax and interest expenses from the Adjusted EBITDA, not taking into account the effect of capital gain and revaluations.

FFO in the nine months of 2014 amounted to Euro 53.1 million, reflecting an increase of 138% compared with the nine months of 2013.

The increase of FFO is due to the increase of rental and operating income and decrease of the proportions of operational and financial expenses, resulting in high operational profitability.

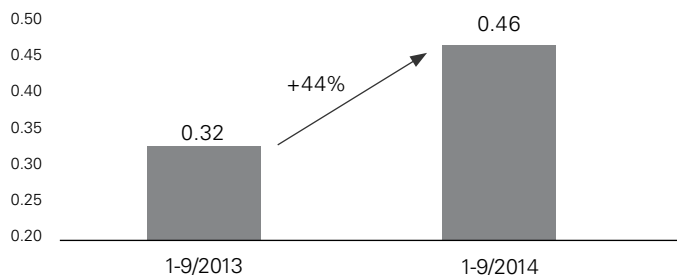
As properties which were acquired during 2014 could not impact the FFO on a full 9 month basis the FFO presented as of September 30th, 2014 does not reflect GCP's properties' full potential. The FFO run rate (monthly annualized) as of November 2014 is EUR 91 million compared to EUR 77 million third quarter/2014 annualized or EUR 71 million 9 months 2014 annualized.

ADJUSTED EBITDA AND FFO IN Q1-Q3 2014 (€ 000')



NOTES ON BUSINESS PERFORMANCE

FFO I PER SHARE



	2014	2013
for the nine months ended September 30	€'000	€'000
FFO I	53,138	22,372
Profit from capital gain *)	2,512	-
FFO II	55,650	22,372
FFO II per share in €	0.48	0.32

*) the excess amount of the sale price to the cost price, including Euro 250 thousand from sale of inventory

LOAN-TO-VALUE

The loan-to-value ("LTV") as of September 30, 2014 of 40% demonstrates GCP's conservative approach on financial leverage. The LTV as of September 30, 2014 assuming conversion of the convertible bond, which is in the money since August 2014, is 26%. The Group kept its LTV since 2011 below its self-set long-term policy of 50%.

LTV is calculated as the sum of the bonds, loan and borrowings and other loans, offset by cash and traded securities, and divided by the sum of investment property (including advanced payments), assets held for sale, investments in equity accounted investees and inventories -trading property.



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, November 17, 2014

Simone Runge-Brandner
Director

Refael Zamir
Director, CFO

Daniel Malkin
Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the nine months ended September 30,		For the three months ended September 30,	
		2014	2013	2014	2013
		€'000			
Revenue		165,573	64,315	56,306	30,897
Capital gains, property revaluations and other income	4, 5	140,026	122,409	46,134	68,706
Share of profit from investments in equity accounted investees		94	157	-	59
Property operating expenses		(69,146)	(27,609)	(25,868)	(10,910)
Cost of buildings sold		(14,250)	-	-	-
Administrative and other expenses		(3,760)	(2,099)	(1,093)	(748)
Operating profit		218,537	157,173	75,479	88,004
Finance expenses		(17,692)	(9,371)	(5,917)	(3,272)
Other financial results		220	6,952	(5,096)	3,576
Net finance expenses		(17,472)	(2,419)	(11,013)	304
Profit before tax		201,065	154,754	64,466	88,308
Tax and deferred tax expenses	6	(27,201)	(17,651)	(12,748)	(9,206)
Profit for the period		173,864	137,103	51,718	79,102
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		173,864	137,103	51,718	79,102

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	For the nine months ended September 30,		For the three months ended September 30,	
	2014	2013	2014	2013
Note		€'000		
Profit attributable to:				
Owners of the Company	142,182	111,036	33,905	65,798
Non-controlling interests	31,682	26,067	17,813	13,304
	173,864	137,103	51,718	79,102
Net earnings per share attributable to the owners of the Company				
	€			
Weighted average number of ordinary shares (basic)	115,425,000	69,259,467	115,425,000	83,206,044
Basic earnings per share	1.23	1.60	0.29	0.79
Weighted average number of ordinary shares (diluted)	132,736,729	69,259,467	143,709,615	83,206,044
Diluted earnings per share	1.09	1.60	0.25	0.79



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	September 30	December 31
		2014 Unaudited	2013 Audited
		€'000	
ASSETS			
Equipment and intangible assets		7,414	4,383
Investment property	5	1,902,937	1,368,281
Advanced payment for investment property		18,829	7,169
Equity-accounted investees		-	7,354
Deferred tax assets		4,984	2,491
Other long-term assets		13,372	12,817
Non-current assets		1,947,536	1,402,495
Cash and cash equivalents		223,093	132,542
Traded securities at fair value through profit and loss		89,947	34,258
Inventories – Trading property		5,733	19,949
Trade and other receivables		102,506	61,843
Current assets		421,279	248,592
Total assets		2,368,815	1,651,087



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	September 30	December 31
		2014 Unaudited	2013 Audited
		€'000	
EQUITY			
Share capital	8	11,543	11,543
Other reserves		22,206	14,211
Share premium		305,029	305,029
Retained earnings		516,324	374,141
Equity attributable to the owners of the Company		855,102	704,924
Non-controlling interests		93,024	63,001
Total equity		948,126	767,925
LIABILITIES			
Loans and borrowings	7A	461,512	461,753
Bond series B	7B	344,092	194,676
Convertible bond series C	7C	272,020	-
Derivative financial instruments		4,201	13,832
Deferred tax liabilities		111,076	80,169
Other long-term liabilities		67,671	21,455
Non-current liabilities		1,260,572	771,885
Current portion of long-term loans	7	7,875	6,986
Other bank loans	7	-	3,577
Trade and other payables		135,590	92,357
Accrued interest	7	7,528	1,005
Tax payable		3,027	3,298
Provisions for other liabilities and charges		6,097	4,054
Current liabilities		160,117	111,277
Total liabilities		1,420,689	883,162
Total equity and liabilities		2,368,815	1,651,087

The Board of Directors of Grand City Properties S.A. authorized these condensed consolidated interim financial statements for issuance on November 17, 2014



Simone Runge-Brandner (Director)



Refael Zamir (Director, CFO)



Daniel Malkin (Director)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Attributable to the owners of the Company

	Share capital	Share premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	€'000							
Balance as at January 1, 2014	11,543	305,029	-	14,211	374,141	704,924	63,001	767,925
Profit for the period	-	-	-	-	142,182	142,182	31,682	173,864
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	142,182	142,182	31,682	173,864
Equity component of convertible bond	-	-	7,995	-	-	7,995	-	7,995
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	2,190	2,190
Acquisition of non-controlling interests	-	-	-	-	1	1	(3,849)	(3,848)
Balance as at September 30, 2014	11,543	305,029	7,995	14,211	516,324	855,102	93,024	948,126
Balance as at January 1, 2013	5,550	13,391	134	14,211	150,972	184,258	18,685	202,943
Profit for the period	-	-	-	-	111,036	111,036	26,067	137,103
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	111,036	111,036	26,067	137,103
Issuance of ordinary shares	800	31,384	-	-	-	32,184	-	32,184
Equity component of convertible bond	-	-	(134)	-	-	(134)	-	(134)
Issuance of shares related to convertible bond	2,493	93,593	-	-	-	96,086	-	96,086
Transactions with non-controlling interests	-	-	-	-	(760)	(760)	(2,540)	(3,300)
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	14,938	14,938
Balance as at September 30, 2013	8,843	138,368	-	14,211	261,248	422,670	57,150	479,820





CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the nine months ended September 30,	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	Note	€'000	
Profit for the period		173,864	137,103
Adjustments for the profit:			
Depreciation and amortization		478	54
Share of profit from investments in equity accounted investees		(94)	(157)
Profit from business combinations, other income and sale of investments		(13,678)	(37,957)
Change in fair value of investment property	5	(126,348)	(84,710)
Finance expenses, net		17,472	2,419
Tax and deferred tax expenses	6	27,201	17,651
		78,895	34,403
Changes in:			
Inventories – trading property		14,215	(569)
Trade and other receivables		(33,352)	(13,916)
Trade and other payables		31,478	13,251
Provisions for other liabilities and charges		1,819	(*) 722
		93,055	33,891
Taxes paid		(7,909)	(3,075)
Net cash provided by operating activities		85,146	30,816
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and intangible assets, net		(1,260)	(321)
Investments and acquisitions of investment property and advances paid, net		(317,266)	(127,699)
Acquisition of subsidiaries, net of cash acquired		(24,636)	(71,522)
Disposal of Subsidiary, net of cash disposed		24,718	-
Investment in trade securities and other financial assets		(14,380)	(32,489)
Loans granted		-	(77)
Net cash used in investing activities		(332,824)	(232,108)

(*) Reclassified

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the nine months ended September 30,

		2014	2013
		€'000	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares, net	8	-	32,151
Amortization of loans from financial institutions		(4,834)	(*) (2,188)
(Repayments) / proceeds of loans from financial institutions		(79,625)	(*) (30,398)
Proceeds from bond series B, net	7B	158,584	194,324
Proceeds from Convertible bond series C, net	7C	284,672	-
Transactions with non-controlling interests		(3,848)	(3,300)
Interest and other financial expenses, net		(16,720)	(5,081)
Net cash provided by financing activities		338,229	246,304
Assets held for sale – cash		-	11
Net increase in cash and cash equivalents		90,551	45,023
Cash and cash equivalents at the beginning of the period		132,542	80,977
Cash and cash equivalents at the end of the period		223,093	126,000

(*) Reclassified



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 consolidated interim financial statements ("interim financial statements") for the nine months ended September 30, 2014 consist of the financial statements of the Company and its subsidiaries ("the Group").

The Group's vision is buying, redeveloping, turning around and optimizing real estate properties in Germany.

b. CAPITAL AND BOND INCREASES DURING 2013 AND 2014

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

c. LISTING ON THE FRANKFURT STOCK EXCHANGE

On May 28, 2012 the Company was listed on the Frankfurt Stock Exchange in the Entry Standard market segment. The Company has registered 50,000,000 ordinary shares with a par value of euro 0.10 per share. Currently the issued share capital consists 115,425,000 shares with a par value of euro 0.1 per share.

d. BUSINESS ACTIVITY

From the beginning of the reporting period and until the approval date of these interim financial statements, the Group acquired approx. 17,000 units through asset and share deals in several cities in Germany.

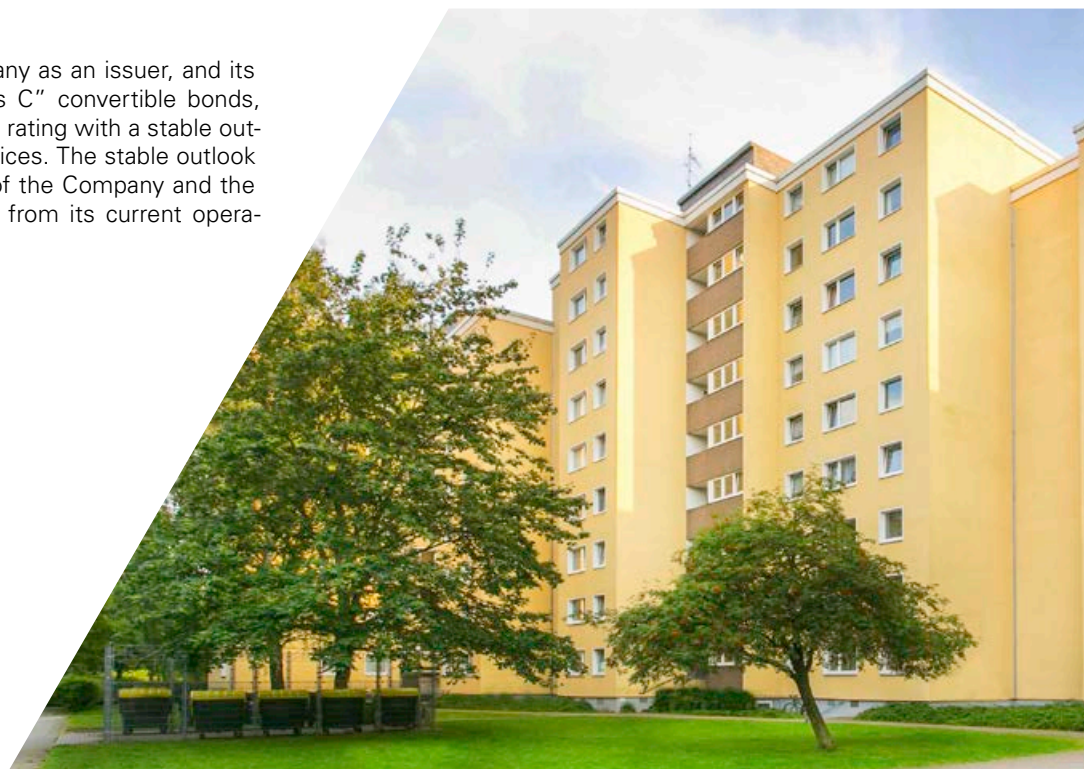
e. GROUP RATING

As at September 30, 2014, the company as an issuer, and its "Series B" straight bonds and "Series C" convertible bonds, are individually assigned with a "BB+" rating with a stable outlook by Standard & Poor's Rating Services. The stable outlook reflects the current liquidity position of the Company and the estimate of cash production capacity from its current operations, among other factors.

f. DEFINITIONS

Throughout these notes to the interim financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees
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 and that are not subsidiaries. The Company's investment therein is included in the interim financial statements of the Group at equity
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24
The period	The nine months ended on September 30, 2014



2. BASIS OF PREPARATION

a. STATEMENT OF COMPLIANCE

These condensed consolidated interim 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, 2013. These condensed consolidated interim financial statements have not been reviewed by the auditor.

For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2013, which are the basis for these consolidated interim financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on November 17, 2014.

b. JUDGMENTS AND ESTIMATES

In preparing these condensed consolidated interim 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, 2013.

c. OPERATING SEGMENTS

The Group meets the definition of operating in one operating segment. 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 condensed consolidated interim financial statements.

e. GOING CONCERN

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



3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended on December 31, 2013, except for the adoption of new standards and interpretations that became mandatory for the first time in the 2014 financial year and are noted below, yet have no significant effect on the company's consolidated financial statements for the interim period:

(I) IFRS 10, CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group applied IFRS 10, retrospectively, from January 1, 2014.

(II) IFRS 11, JOINT ARRANGEMENTS

IFRS 11 replaces IAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities – Non-monetary Contributions by Venturers. This standard provides for a more consistent reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group applied IFRS 11, retrospectively, from January 1, 2014.

(III) IFRS 12, DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 includes all of the disclosure requirements that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint ventures, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group applied IFRS 12, retrospectively, from January 1, 2014.

(IV) IAS 28, INVESTMENT IN ASSOCIATES AND JOINT VENTURES (AS REVISED IN 2011)

As a consequence of IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28, Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The standard defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. The Group applied IAS 28 (revised 2011), prospectively, from January 1, 2014.



4. ACQUISITION OF SUBSIDIARIES & NON-CONTROLLING INTERESTS

During the reporting period the Group obtained control of several companies through acquisitions in a total consideration of euro 23.5 million, net of cash acquired. The acquired companies are comprised of real estate properties mainly in Cologne and Berlin, and management companies that provided real estate property management services to approximately 18,000 units around Germany. As an outcome of the business combinations, the Group recorded profit arising from bargain purchases at the amount of euro 11.4 million, which was presented in Capital gains, property revaluations and other income within the consolidated statement of comprehensive income, and also recorded Goodwill at the amount of euro 1.9 million. The Group recognized non-controlling interests in the amount of euro 2.2 million.

The above business combinations include obtaining control on joint venture companies that were presented according the equity method.

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 13,487 thousand and euro 1,786 thousand, respectively.

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

	€'000
Equipment and intangible assets	353
Investment property	129,682
Investment in equity-accounted investees	(7,447)
Trade and other receivables	8,070
Loans and borrowings	(69,442)
Deferred tax liabilities	(8,565)
Other long term liabilities, net	(4,262)
Trade and other payables	(11,500)
Provisions for other liabilities and charges	(609)
Total identifiable net assets	36,280
Non-controlling interests arising from initial consolidation	(2,190)
Cash paid regarding acquisition of subsidiary, net of cash acquired	(24,636)
Profit arising from business combinations (bargain purchase)	(11,357)
Equipment and intangible assets – Goodwill recognized	1,903

If all the above purchases were carried out at the beginning of the reporting period, the Group's revenue would have been increased by euro 4,933 thousand, and the Group's net profit would have been increased by euro 929 thousand.

During the third quarter of 2014 the Group sold non-core properties for the amount of euro 24.7 million and recognized a capital gain of euro 1 million.

5. INVESTMENT PROPERTY

	Nine months ended September 30	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Balance at the beginning of the period	1,368,281	407,086
Additions	303,171	335,752
Disposals	(24,545)	-
Additions through business combinations	129,682	425,932
Transfer from assets held for sale	-	10,320
Fair value adjustments	126,348	189,191
Balance at the end of the period	1,902,937	1,368,281

6. TAX & 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.

The Group tax and deferred tax expenses for the nine months ended September 30, 2014, is euro 27,201 thousand (2013: euro 17,651 thousand). The Company recorded euro 2,592 thousand for corporation tax (2013: euro 889 thousand), euro 19,292 thousand for deferred tax and euro 5,317 thousand for property tax (2013: euro 14,577 thousand and euro 2,185 thousand, respectively).



7. LOANS AND BORROWINGS, BOND SERIES B AND CONVERTIBLE BOND

A. COMPOSITION

	September 30	December 31
	2014	2013
	Unaudited	Audited
	€'000	
Long-term liabilities		
Bank loans	461,512	458,802
Other loans	-	2,951
Total long-term loans	461,512	461,753
Bond series B (B)	344,092	194,676
Convertible Bond series C (C)	272,020	-
Total Bonds	616,112	194,676
Short-term liabilities		
Bank loans	7,875	6,986
Other bank loan	-	3,577
Total short-term loans	7,875	10,563

B. BOND SERIES B

On June 3, 2013 the Company issued in a private placement euro 100 million unsubordinated straight bonds maturing in June 2020, bear a coupon of 6.25% p.a. payable semi-annually in arrears ("Series B bond").

On July 24, 2013, the Company successfully increased the Series B bond issued in June by additional euro 100 million (nominal value).

On April 15, 2014, the Company successfully completed with the placement of additional euro 150 million (nominal value) of Series B bond, for a consideration that reflects 107.25% of their principal amount. The total aggregate principal amount of the series B bond was thereby increased to euro 350 million (nominal value). Morgan Stanley acted as the sole underwriter. On 29 October 2014, the Company purchased euro 331,833 thousand in aggregate principal amount of Series B Bonds. For more information please see note 12 (a).

	Nine months ended	Year ended
	September 30	December 31
	2014	2013
	Unaudited	Audited
	€'000	
Balance at the beginning of the period	195,681	-
Proceeds from issuance of bond during the period (150,000 notes at euro 1,000 par value) (*)	160,875	200,000
Transaction costs	(2,291)	(5,676)
Net proceeds during the period	158,584	194,324
Expenses for the period	12,982	7,607
Expenses paid	(7,521)	(6,250)
Carrying amount of liability at the end of the period	359,726	195,681
Non-current portion of bond series B	344,092	194,676
Accrued interest	7,110	1,005
Total bond series B	351,202	195,681
Deferred income	8,524	-

(*) This amount includes additional euro 10,875 thousand (reflects 7.25% of the par value), allocated as deferred income and presented in other long term liabilities account balance.



7. LOANS AND BORROWINGS, BOND SERIES B AND CONVERTIBLE BOND (CONTINUED)

C. CONVERTIBLE BOND SERIES C

On February 24, 2014, the Company issued euro 150 million (nominal value) bonds, convertible into ordinary shares of the Company and bear a coupon of 1.50% p.a. payable semi-annually in arrears ("Convertible bond series C"). The initial conversion price was fixed at euro 9.72. The bonds were issued at 100% of their principle amount and will be redeemed at maturity at 106.65% of their principle amount.

On June 19, 2014, the Company successfully completed with the tap up placement of additional euro 125 million (nominal value) of Convertible bond series C, for a consideration that reflects 111.25% of their principal amount. The total aggregate principal amount of the Convertible bond series C increased to euro 275 million (nominal value).

	Nine months ended September 30	Year ended December 31
	2014	2013
	Unaudited	Audited
	€'000	
Proceeds from issuance of convertible bond series C (1,500 notes at euro 100,000 par value)	150,000	-
Proceeds from tap issuance of convertible bond series C (1,250 notes at euro 100,000 par value) (a)	139,063	-
Transaction costs	(4,391)	-
Net proceeds during the period	284,672	-
Amount classified as equity (a) (b)	(7,995)	-
Expenses for the period	3,584	-
Expenses paid	(1,464)	-
Carrying amount of liability at the end of the period	278,797	-
Non-current portion of Convertible bond series C	272,020	-
Accrued interest	418	-
Total convertible bond series C	272,438	-
Deferred income	6,359	-

(a) This amount includes additional euro 14 million that were received as part of the bond placement (reflects 11.25% of the par value), out of which euro 7.3 million were allocated as an equity component according to external economic valuer. The residual amount of euro 6.7 million was allocated as a deferred income and presented in other long term liabilities account balance.

(b) The equity component referring to the first placement of convertible bond series C is euro 0.7 million.

D. BOND SERIES D

On October 29, 2014, the Company successfully completed with a placement of euro 500 million bond series D, for more information please see note 12(b).

E. (1) SECURITY, NEGATIVE PLEDGE

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in Grandcity property Ltd ("Grand City Ltd");
- a first-ranking account pledge, governed by Luxembourg law, over each bank account held by the Company;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by Grand City Ltd.; and
- first-ranking charges, governed by Cypriot law, over each bank account held by Grand City Ltd.

(2) COVENANTS

- procure that Net Debt shall not exceed (i) at any time, 70% of the Portfolio Value and (ii) 65% of the Portfolio Value for a period of more than twelve (12) months;
- Grand City 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 Grand City 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;
- will not permit any restriction on the ability of any subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's investees or (ii) (a) pay any indebtedness owed to the Company or any of the Company's subsidiaries (b) make loans or advances to the Company or any of the Company's subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's subsidiaries; and
- the total indebtedness incurred by the group in respect of project financing debt shall not exceed the higher of euro 65 million or 25% of the portfolio value.



8. CAPITAL & RESERVES

ISSUANCE OF ORDINARY SHARES

- a. On April 12, 2012 the Company increased its share capital to euro 5,000,000 (50,000,000 shares of euro 0.10 per share).
- b. On July 19, 2012 the Company received gross proceeds of euro 15.1 million from a capital increase against a cash contribution. A total of 5.5 million new shares were placed at an issue price of euro 2.75 as part of an international private placement to institutional investors.
- c. On February 19, 2013 the Company received gross proceeds of euro 35.7 million from a second capital increase against a contribution in cash. A total of 8 million new shares were placed at an issue price of euro 4.46 as part of an international private placement to institutional investors.
- d. As at September 30, 2013 a total amount of euro 99.7 million of the convertible bonds 2012-2017 were converted to shares. Accordingly, 24.9 million shares with nominal value of euro 0.1 each per share were issued.
- e. On December 3, 2013, the Company received gross proceeds of euro 175.5 million in a capital increase against a contribution in cash. A total of 27 million new shares, with a par-value of euro 0.10 each, were placed at an issue price of euro 6.5 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolios.

SHARE CAPITAL COMPOSITION:

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	Unaudited		Audited	
	Number of shares	€'000	Number of shares	€'000
Authorized				
Ordinary shares of euro 0.10 each	200,000,000	20,000	200,000,000	20,000
Issued and fully paid				
Balance as at the beginning of the period	115,425,000	11,542.5	55,500,000	5,550
Issuance of shares on February 19, 2013	-	-	8,000,000	800
Exercise of convertible bond	-	-	24,925,000	2,492.5
Issuance of shares on December 3, 2013	-	-	27,000,000	2,700
Balance at the end of the period	115,425,000	11,542.5	115,425,000	11,542.5

9. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(I) LOANS TO ASSOCIATED UNDERTAKINGS

	September 30 2014 Unaudited	December 31 2013 Audited
	€'000	
Other associated undertakings	-	153

(II) LOANS FROM ASSOCIATED UNDERTAKINGS

	September 30 2014 Unaudited	December 31 2013 Audited
	€'000	
Other associated undertakings	501	446

(III) INTEREST ON LOANS FROM RELATED PARTIES

	For the nine months ended September 30,	
	2014	2013
	€'000	
Interest (expenses) income	(79)	109

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			
September 30, 2014				
Traded securities at fair value through profit or loss	89,947	-	-	89,947
Investment in financial long term assets	-	-	2,049	2,049
Total assets	89,947	-	2,049	91,996
Derivative financial instruments (a)	-	4,201	-	4,201
Total liabilities	-	4,201	-	4,201
December 31, 2013				
Traded securities at fair value through profit or loss	34,258	-	-	34,258
Investment in financial long term assets	-	-	2,578	2,578
Total assets	34,258	-	2,578	36,836
Derivative financial instruments (a)	-	13,832	-	13,832
Total liabilities	-	13,832	-	13,832

(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.

11. CONTINGENT ASSETS & LIABILITIES

The Group had no significant contingent assets and liabilities as at September 30, 2014.

12. EVENTS AFTER THE REPORTING PERIOD

(a) On October 29, 2014, the Company repaid euro 331,833 thousand in aggregate principal amount of series B bond. The Company paid for series B 109.5 per cent of the principal amount of the relevant series B bond, together with all accrued and unpaid interest in respect of those series B bond. An amount of euro 18,167 thousands in aggregate principal amount of series B bond remained outstanding as at the approval date of these interim financial statements.

(b) On October 29, 2014, the Company successfully completed with placement of euro 500 million (denominations of euro 100,000) in aggregate principal amounts of new fixed-rate secured bonds (the "series D bond"), due 2021 with a coupon of 2 per cent. The Company received a price of 95.564% of their principal amount. The offer was over-subscribed.

(c) As of the signing date of this report the Group has 43,000 units with euro 245 million revenue of an annualized basis.







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GRAND CITY PROPERTIES S.A.

24, Avenue Victor Hugo
L-1750 Luxembourg

www.grandcityproperties.com

