



CONDENSED  
INTERIM  
CONSOLIDATED  
FINANCIAL  
STATEMENTS

FOR THE NINE MONTH PERIOD  
ENDED SEPTEMBER 30, 2016

Q3 2016

GRAND CITY  
Properties S.A.





Bremen



# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016



## IMPRINT

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Hannover

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# KEY FINANCIALS

	Sep 2016	Dec 2015	Dec 2014
<b>TOTAL ASSETS (€'000)</b>	<b>6,108,470</b>	<b>4,688,903</b>	<b>2,629,058</b>
	Sep 2016	Dec 2015	Dec 2014
<b>EPRA NAV (€'000)</b>	<b>2,630,500</b>	<b>2,066,201</b>	<b>1,439,386</b>
	Sep 2016	Dec 2015	Dec 2014
<b>EPRA NAV INCL PERPETUAL NOTES (€'000)</b>	<b>3,297,167</b>	<b>2,544,347</b>	<b>1,439,386</b>
	Sep 2016	Dec 2015	Dec 2014
<b>TOTAL EQUITY (€'000)</b>	<b>2,957,298</b>	<b>2,172,295</b>	<b>1,041,650</b>
	Sep 2016	Dec 2015	Dec 2014
<b>LOAN-TO-VALUE</b>	<b>38%</b>	<b>42%</b>	<b>45%</b>
	Sep 2016	Dec 2015	Dec 2014
<b>EQUITY RATIO</b>	<b>48%</b>	<b>46%</b>	<b>40%</b>

## EPRA NAV

€'000	EPRA NAV	EPRA NNNNAV	EPRA NAV net of minorities	EPRA NAV including perpetual notes	Basic # of shares
<b>Sep 2016</b>	2,630,500	2,499,972	2,402,096	3,297,167	153,789
<b>Sep 2016 € per share</b>	17.1	16.3	15.6	21.4	
<b>Dec 2015</b>	2,066,201	2,046,264	1,923,941	2,544,347	140,971
<b>Dec 2015 € per share</b>	13.3	13.2	12.4	16.4	

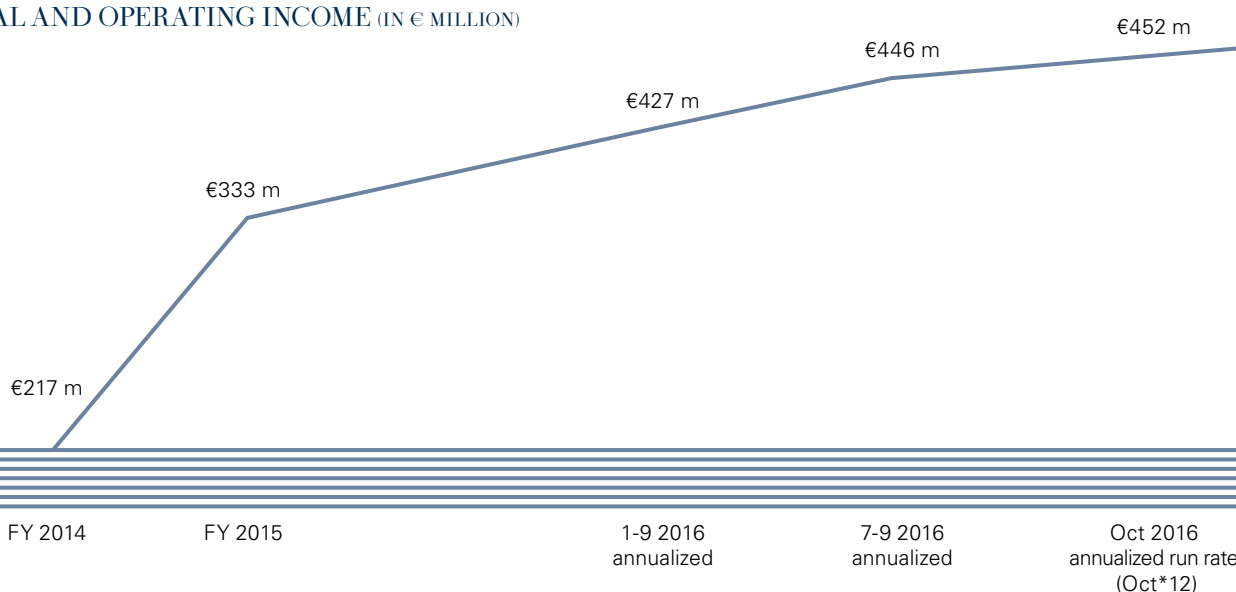


<b>RENTAL AND OPERATING INCOME (€'000)</b>	1-9/2016 <b>320,189</b>	change <b>36%</b>	1-9/2015 <b>234,902</b>
<b>EBITDA (€'000)</b>	1-9/2016 <b>630,609</b>	change <b>78%</b>	1-9/2015 <b>354,049</b>
<b>ADJUSTED EBITDA (€'000)</b>	1-9/2016 <b>164,745</b>	change <b>35%</b>	1-9/2015 <b>121,616</b>
<b>FFO I (€'000)</b>	1-9/2016 <b>116,540</b>	change <b>33%</b>	1-9/2015 <b>87,334</b>
<b>FFO I PER SHARE (€)</b>	1-9/2016 <b>0.76</b>	change <b>7%</b>	1-9/2015 <b>0.71</b>
<b>FFO I AFTER PERPETUAL NOTES ATTRIBUTION PER SHARE (€)</b>	1-9/2016 <b>0.67</b>	change <b>6%</b>	1-9/2015 <b>0.63</b>
<b>FFO II (€'000)</b>	1-9/2016 <b>153,031</b>	change <b>29%</b>	1-9/2015 <b>118,909</b>
<b>NET PROFIT (€'000)</b>	1-9/2016 <b>495,340</b>	change <b>73%</b>	1-9/2015 <b>286,052</b>
<b>EPS (BASIC) (€)</b>	1-9/2016 <b>2.66</b>	change <b>29%</b>	1-9/2015 <b>2.07</b>
<b>EPS (DILUTED) (€)</b>	1-9/2016 <b>2.43</b>	change <b>38%</b>	1-9/2015 <b>1.76</b>
<b>PAID DIVIDEND PER SHARE (€)</b>	2016 <b>0.25</b>	change <b>25%</b>	2015 <b>0.20</b>

# ACHIEVEMENTS - OPERATIONS

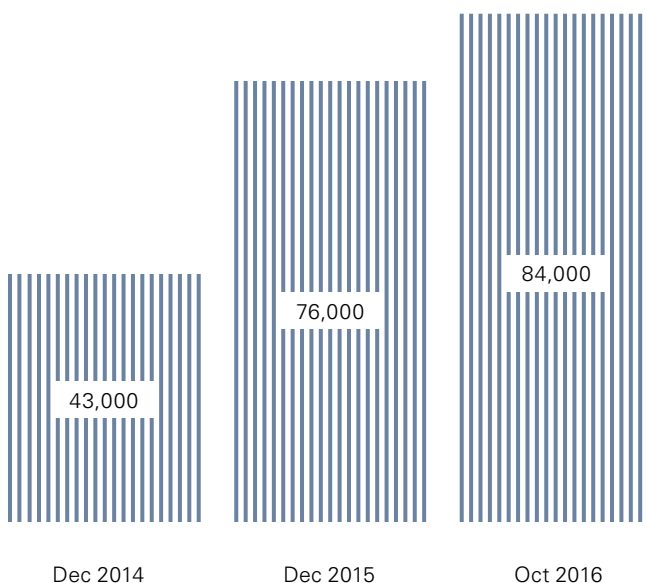
STRONG OPERATIONAL PLATFORM SUPPORTING  
INTERNAL AND EXTERNAL GROWTH

RENTAL AND OPERATING INCOME (IN € MILLION)



Dresden

PORTFOLIO GROWTH IN UNITS

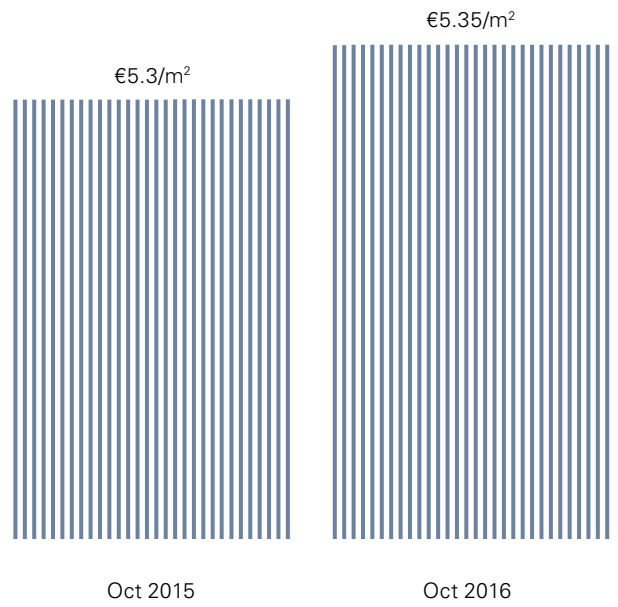




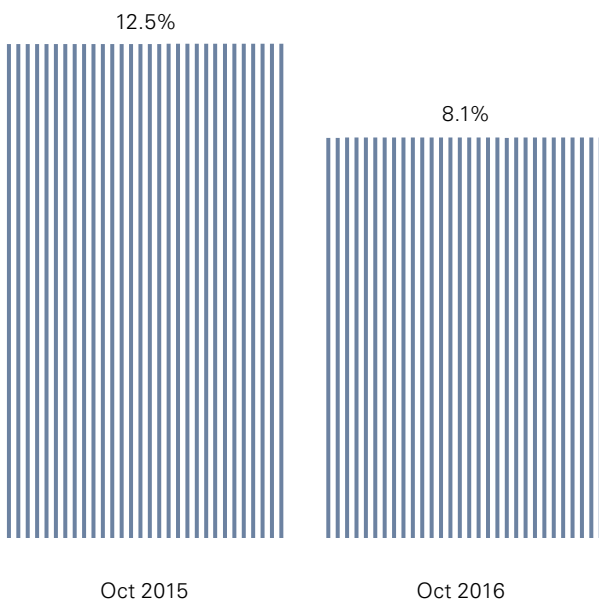


Berlin

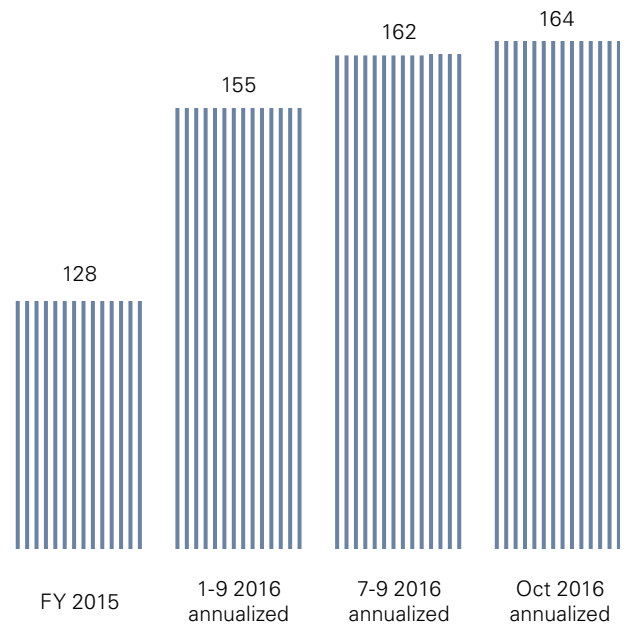
IN-PLACE RENT



EPRA VACANCY



FUNDS FROM OPERATION (IN € MILLION)



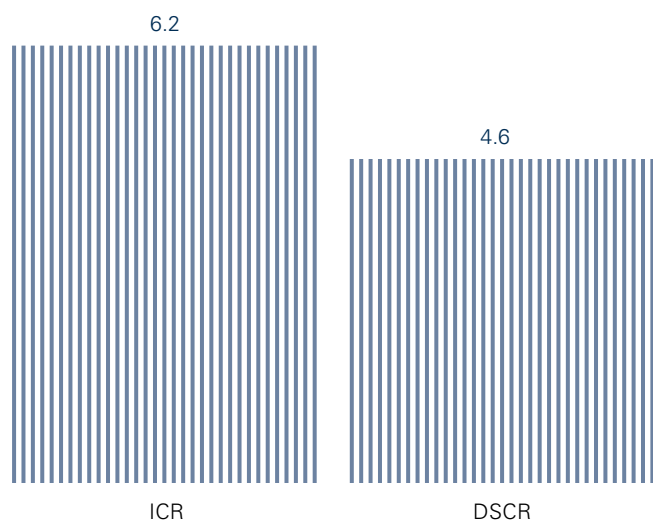
# ACHIEVEMENTS - CAPITAL & DEBT STRUCTURE

IMPROVED CAPITAL & DEBT STRUCTURE,  
REFLECTING CONSERVATIVE POLICY

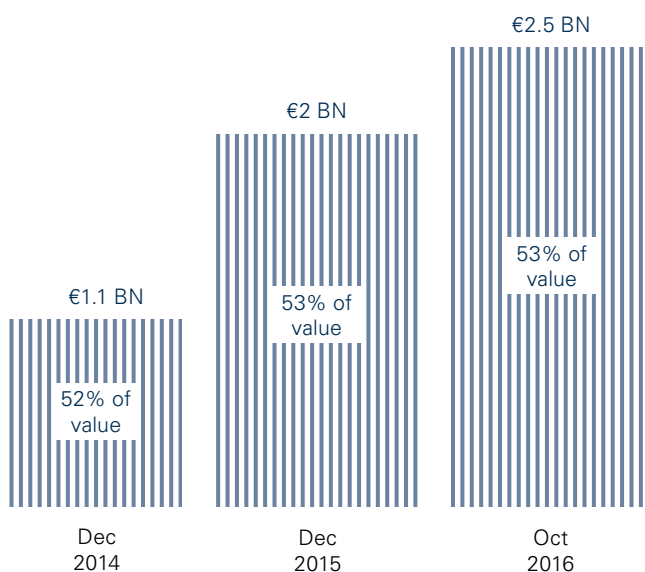
DIVIDEND POLICY

50% OF  
FFO I PER SHARE

PRESENTING STRONG  
DEBT-COVER RATIOS (1-9 2016)



INCREASING VALUE  
OF UNENCUMBERED ASSETS

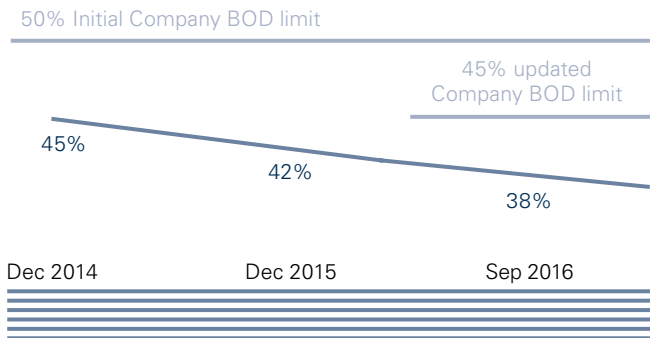




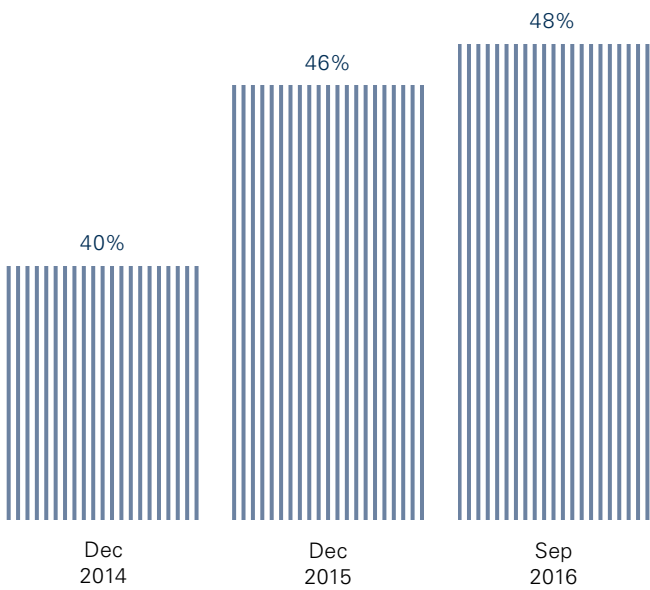


Berlin

### SUSTAINING A CONSERVATIVE LEVERAGE (LTV)



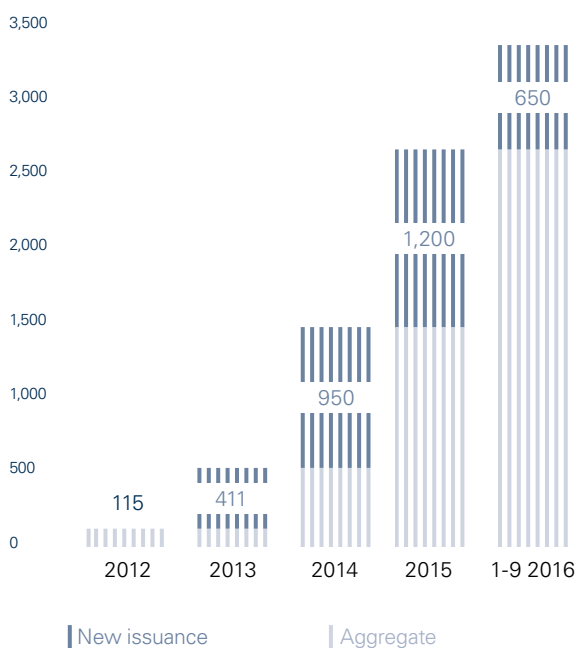
### HIGH EQUITY RATIO DERIVED FROM HIGH PROFITABILITY AND LOW LEVERAGE



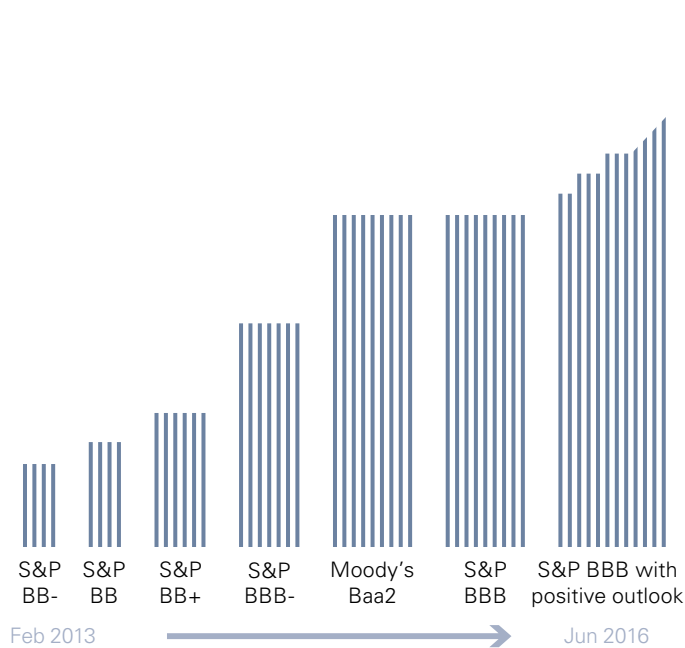
Mönchengladbach

# ACHIEVEMENTS - CAPITAL MARKETS ACTIVITIES

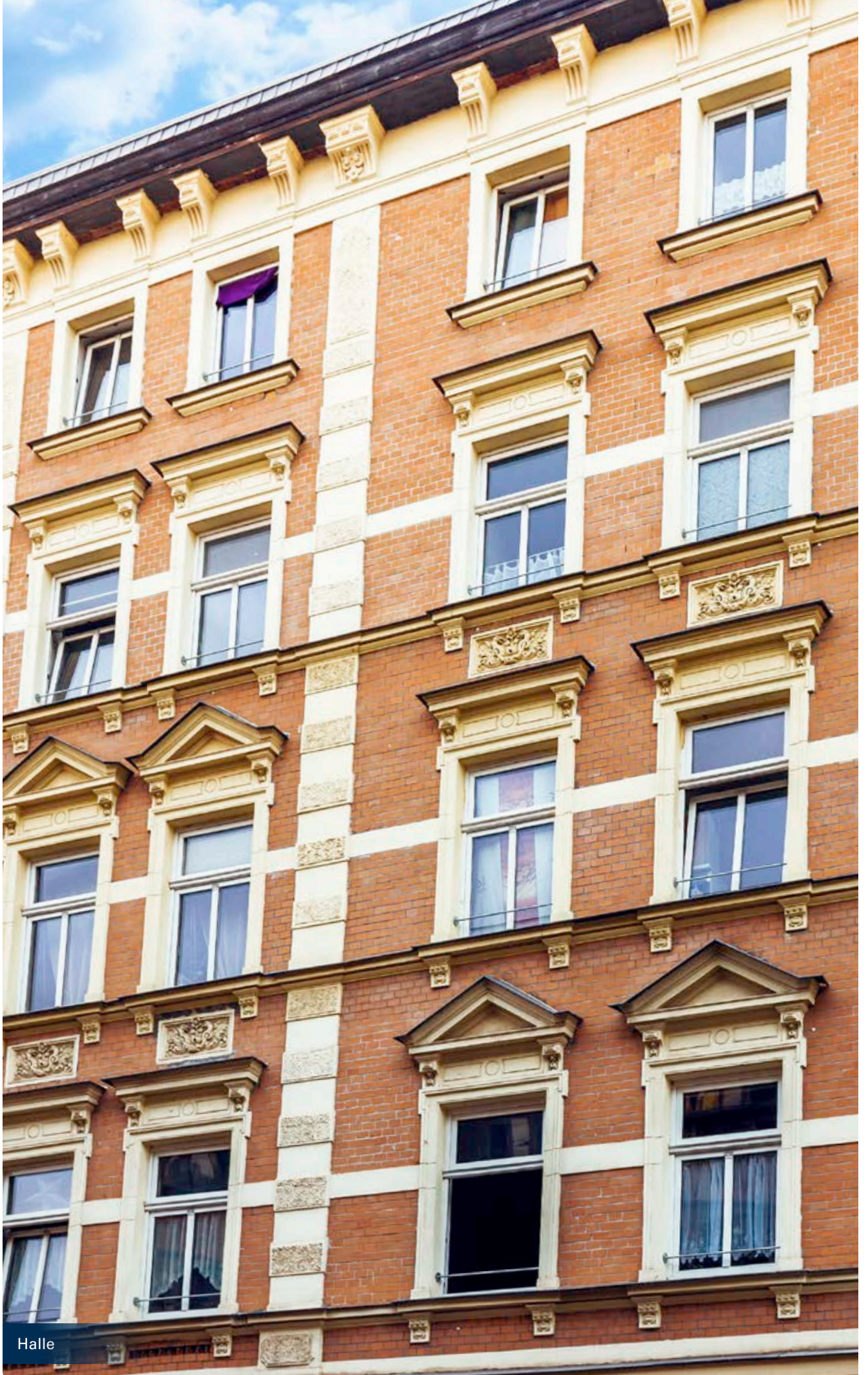
STRONG ACCESS TO CAPITAL IN € MILLION



CORPORATE CREDIT RATING







Halle



# LETTER OF THE MANAGEMENT BOARD





## DEAR SHAREHOLDERS,

Grand City Properties' financial report of the first nine months of 2016 shows the Company's strong operational performance paired with strong financial results. As our business platform enables us to materialize the embedded upside potential, we have been able to further reduce our portfolio's vacancy to 8% and consequently increase rent. We present high discipline in following our strict acquisition criteria and have selected during 2016 properties with substantial value creation potential. Our portfolio has increased to a total of 84 thousand units, reflecting a portfolio increase of over 10% year-to-date. Additionally, we further disposed of non-core units in the third quarter which resulted in a disposal profit margin of 53% for all sales in the first nine months of 2016.

In managing our portfolio, we continued in 2016 to put great emphasis on reducing vacancy levels and decreasing tenant churn, as drivers to increase profitability and benefit from the full potential of the properties. Communicating with our existing and prospective tenants and understanding their specific need is a cornerstone of this strategy. We are continuously working on improving the quality of our assets and accessibility of our services. Measures undertaken include adding ramps, elevators and balconies, renewing bathrooms, modernizing facades and staircases and installing energy efficient systems.

In working to further capture the benefits of the strong fundamentals of our assets, we reinforced our operational and back-office teams in 2016. Our TÜV-certified Service Center team has been upgraded through hiring additional staff which add new skill sets and fresh perspectives to our existing team, and help us provide services to our increasing tenant pool. Our on-site service has also been extended by additional property managers in order to improve the quality and promptness of provided services.

We invest in the development of expertise and skills of our employees. Our Leadership Program improves the department specific skills and soft skills of participating employees, providing GCP with strong candidates for leadership positions within our growing organization and providing the employees with the opportunity to develop their skills internally. The participants of the 2015 cycle have now found positions within our organization as team managers and deputies of department managers, and we look forward to conclude the 2016 cycle and start preparing for the next year.

At Grand City Properties we believe that the community plays an essential role in creating a quality residential experience for our tenants. We continue to put emphasis on promoting the community feeling by creating community spaces, such as playgrounds and gardens. As in previous years, we continued to promote the social infrastructure by organizing and supporting local initiatives. GCP supports an initiative of a two-week summer holiday games organized in NRW, where almost 100 children and 25 adults attended workshops on music, art, poetry, and sports as well other fun activities. In Bremen we supply a community area to a charity that provides subsidized meals and tutoring for children. Additionally, GCP organizes neighborhood summer parties and Easter Egg hunts, Christmas events and Christmas cards with candy sent to our younger residents.

With respect to our financial position, we have worked intensively over 2016 to keep the highest standards in forming a conservative and well balanced financing mix to support the Company's current and future growth. The results of this effort are the favorable terms of the September issuance of perpetual notes with a principal of €200 million bearing a coupon of 2.75%, compared to the 3.75% coupon perpetual notes issued in 2015. In addition, Grand City has continued its conservative financial approach in-line with the Company's updated financial policy to maintain a leverage below 45%. Furthermore, following our general meeting held in the end of June 2016, we paid a dividend of €38.4 million to our shareholders, which corresponds to €0.25 per share and is 25% higher than last year's dividend payout on a per share basis. The higher dividend distribution per share validates our accretive value creation to our shareholders.

With over €6 billion in assets, and in keeping our strict acquisition criteria and conservative financial profile, we are confident that GCP stands to benefit significantly from its established market position as a participant of a large scale, long term investment horizon and high quality portfolio. The decision by the Board of Directors to apply for admission to trading of the Company's shares in the stock exchange's regulated market during 2017 will complement this perception. We believe that the up-listing will provide the Company with further opportunities and inclusion in various stock indices. In parallel, GCP is well positioned to further drive operational improvements going forward, fortifying a solid base for the Company's future development and creating value to its shareholders.



Christian Windfuhr  
CEO



Simone Runge-Brandner  
Director



Refael Zamir  
Director, CFO



Daniel Malkin  
Director

# HIGHLIGHTS



## PROFITABILITY HIGHLIGHTS

	1-9/2016	1-9/2015
	€'000	
<b>Rental and operating income</b>	<b>320,189</b>	<b>234,902</b>
EBITDA	630,609	354,049
<b>Adjusted EBITDA</b>	<b>164,745</b>	<b>121,616</b>
Profit for the period	495,340	286,052
EPS (basic) in €	2.66	2.07
EPS (diluted) in €	2.43	1.76
<b>FFO I</b>	<b>116,540</b>	<b>87,334</b>
FFO I per share (€)	0.76	0.71
FFO I per share, after perpetual notes attribution (€)	0.67	0.63
<b>FFO II</b>	<b>153,031</b>	<b>118,909</b>
Interest Cover Ratio	6.2	6.5
Debt Service Cover Ratio	4.6	4.6





## FINANCIAL POSITION HIGHLIGHTS

	Sep 2016	Dec 2015
	€'000	
<b>Cash and liquid assets</b>	<b>643,550</b>	<b>388,925</b>
<b>Total Assets</b>	<b>6,108,470</b>	<b>4,688,903</b>
Investment Property <sup>1)</sup>	4,818,733	3,876,839
<b>Total Equity</b>	<b>2,957,298</b>	<b>2,172,295</b>
<b>EPRA NAV</b>	<b>2,630,500</b>	<b>2,066,201</b>
<b>EPRA NAV inc. perpetual notes</b>	<b>3,297,167</b>	<b>2,544,347</b>
Total loans and borrowings	982,313	846,900
Straight bonds	1,047,896	1,045,413
Convertible bond Series C <sup>2)</sup>	-	122,576
Convertible bond Series F <sup>3)</sup>	426,960	-
Loan To Value	38%	42%
Equity Ratio	48%	46%

1) including advanced payment and balance of inventories

2) As of Jan 2016 Convertible Bond Series C has been converted

3) Series F bonds issued in February 2016



# 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 September 30, 2016.

The figures presented in this Board of Directors' Report are based on the interim consolidated financial statements as of September 30, 2016, unless stated otherwise.

Grand City Properties S.A. is a specialist real estate company focused on investing in and managing value-add opportunities in the German real estate market. The Group's total portfolio as of October 2016 consists of 84,000 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 Leipzig, Halle and Dresden and other densely populated areas.

The Portfolio's monthly in-place rent is €5.35 per square meter and the EPRA Vacancy is 8.1%. 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.



Mönchengladbach





Berlin

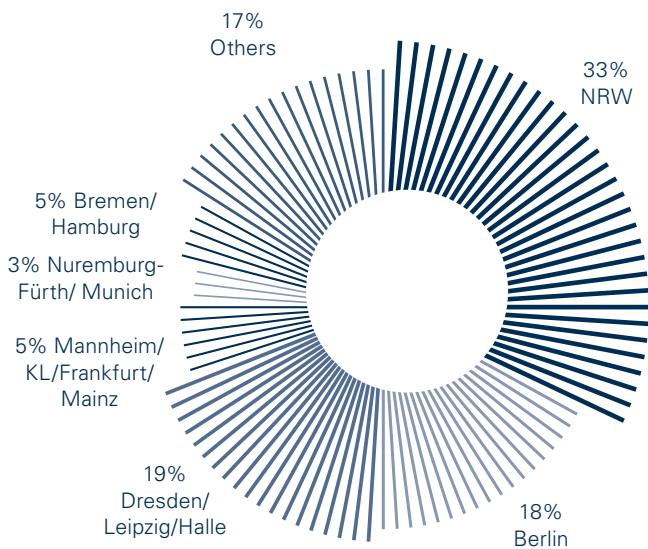


# KEY STRENGTHS

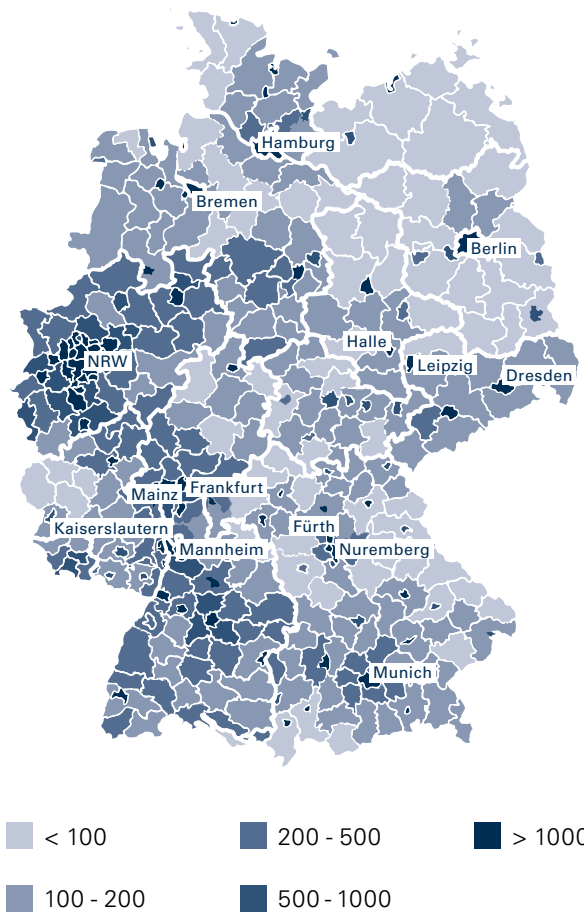
## ATTRACTIVE PORTFOLIO WITH SIGNIFICANT REPOSITIONING POTENTIAL AND DEFENSIVE CHARACTERISTICS

Properties that are attractively located and have been specifically selected because of their significant potential for value creation 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 while reducing geographical clustering and thereby supporting the risk-averse and well allocated portfolio targets set by the Board. GCP's focus on densely populated areas is mirrored by 33% of its Portfolio being held in NRW, 18% in Berlin, 19% in the metropolitan regions of Leipzig, Halle and Dresden and significant holdings in other major urban markets with strong fundamentals such as Nuremberg, Munich, Mannheim, Frankfurt, Bremen and Hamburg.





Munich

## FULLY INTEGRATED AND SCALABLE PLATFORM THAT IS TAILORED FOR ACQUISITIONS, VALUE-ADD AND FAST GROWTH

Through its purpose-built platform GCP provides efficient in-house management to its existing real estate portfolio as well as support for the execution of its expansion plans. The Group has established a strong operational platform employing about 600 staff members.

Specialized teams cover the entire range 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. GCP puts strong emphasis on growing relevant skills in-house to improve responsiveness and generate innovation across processes and departments. In particular, its advanced proprietary IT/software enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. A rigorous focus on cost extends across the entire operations of GCP, including those that are chargeable to its tenants.

GCP strategically positioned itself for a quick and rapid takeover of further property acquisitions. Given the efficiency measures taken, the portfolio today has the capacity to further grow at a marginal cost to the platform, and benefit from further 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.

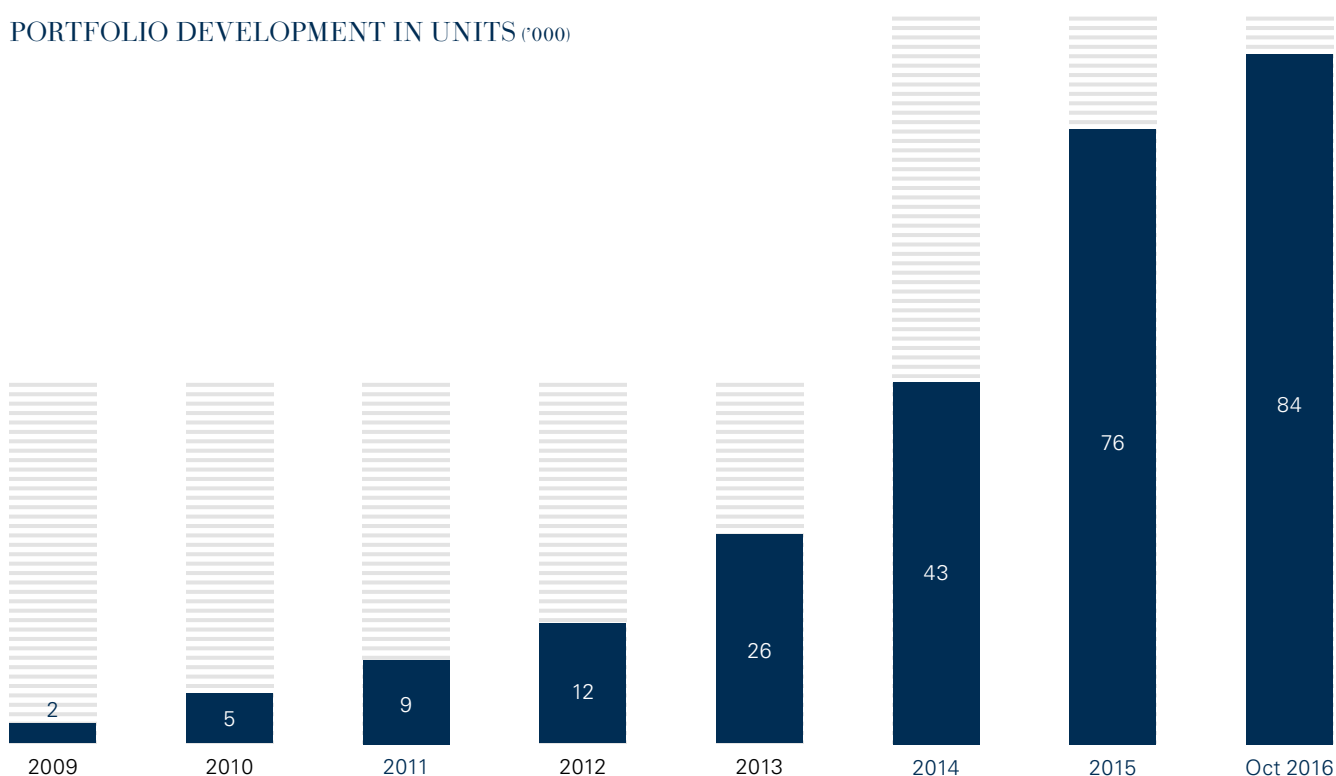
The Group is directed by an experienced and well-balanced management team, led by the Board of Directors. The Company operates through over a dozen different departments which all form an important component in the value creation cycle from acquisition to a fully stabilized portfolio.

## PROVEN SOURCING CAPABILITIES AND SUCCESSFUL PORTFOLIO GROWTH

The Company's track record and established reputation provides access to numerous investment opportunities often before they are widely promoted or publicized, reflecting GCP's preferential counterparty status, both on a local and on a national level. This advantage is also reflected in improved access to financing and helped establishing strong relationships with debt providers. GCP operates in an attractive market niche where the average deal size discourages most market players, as the typical properties it acquires are either too large for private individuals or too small and difficult for institutional investors. GCP's focus on identifying properties with significant value-add drivers that match the Company's skills, and determinedly improving their operational performance under its management is unique in the German real estate market and a sustainable competitive advantage.

The Portfolio exhibited continuous growth to currently 84 thousand units in comparison to 76 thousand units in December 2015. Through this growth GCP has further reached scalability which enables it to benefit from economies of scale, creating value throughout the Company's value chain: from higher efficiency at the takeover stage to stronger bargaining power with suppliers.

### PORTFOLIO DEVELOPMENT IN UNITS ('000)





## STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING OF ASSETS

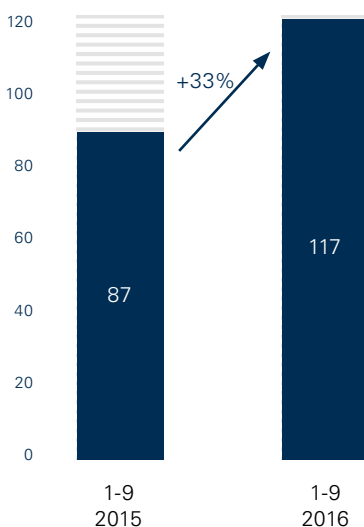
Apart from GCP's unique skills in identifying properties with significant upside potential, the Company has the ability to create and execute tailor made strategies for each asset to optimally improve its operating performance, which is reflected in the significant value appreciation in its portfolio. GCP's continuous asset management efforts result not only in improved cash flow results, but also in tangible value creation that is captured instantly as well as over the long run in the Group's financial performance. The Group's experience and in-house operational skills allow it to continuously maximize returns after the successful repositioning of the assets.

## STRONG AND GROWING FFO WITH HIGH RETURN POTENTIAL

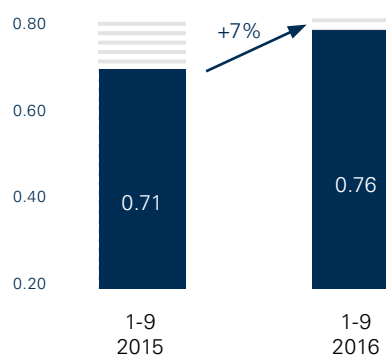
GCP's current portfolio generates strongly growing funds from operations, demonstrated by a FFO I increase of 33% YOY during the first nine months of 2016. GCP's value-add management focuses on increasing initial cash flows through raising rental income, decreasing vacancy levels, as well as maintaining strict cost discipline through active management. The Group exhibits strong growth from the operational optimization of its existing portfolio as well as expansion through the acquisition of additional properties with great value adding potential.



FFO I (IN € MILLION)



FFO I PER SHARE (IN €)



## CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

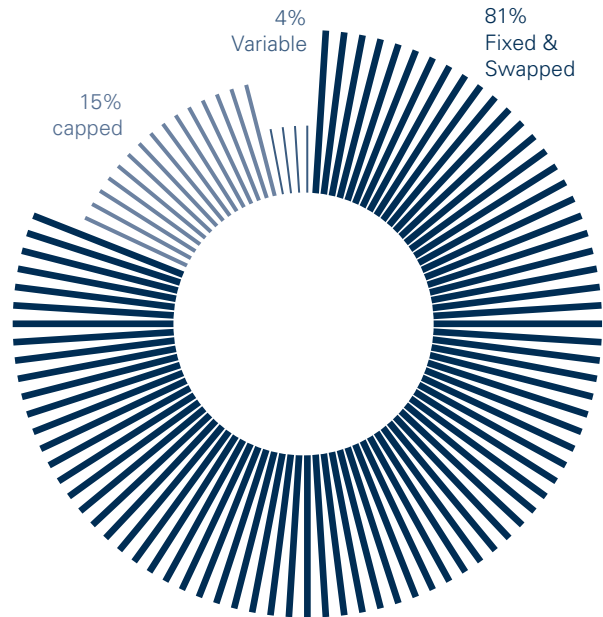
GCP follows a financial policy in order to maintain and improve its strong capital structure:

- **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 very 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
- Dividend of 50% of FFO I per share

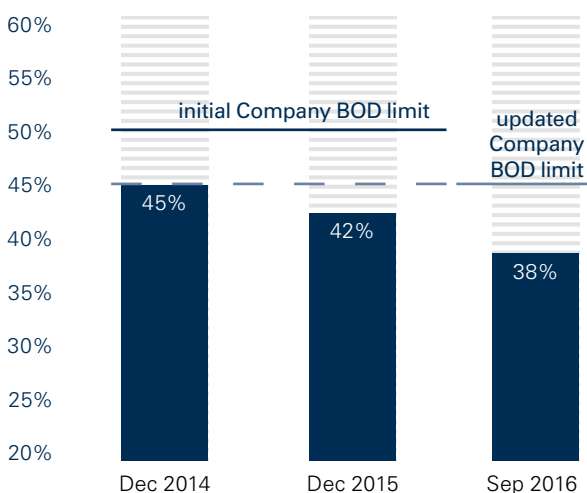
With €644 million in liquid assets and over €200 million unused credit lines as of September 30, 2016 GCP has a high amount of financial flexibility, which is also reflected in the €2.5 billion of unencumbered assets as of October 2016. The high amount of liquidity enables GCP on one hand to pursue attractive deals, and on the other provides significant headroom and comfort to its debt holders. GCP strategically maintains its strong financial profile characterized by long term maturities, low debt amortization rates, hedged interest rates, excellent financial coverage ratios, and a low LTV, reflecting its disciplined approach. The LTV as of September 30, 2016 is at 38% 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.

GCP's bank loans are spread across more than 40 separate loans from over 20 different financial institutions that are non-recourse and have no cross collateral or cross default provisions.

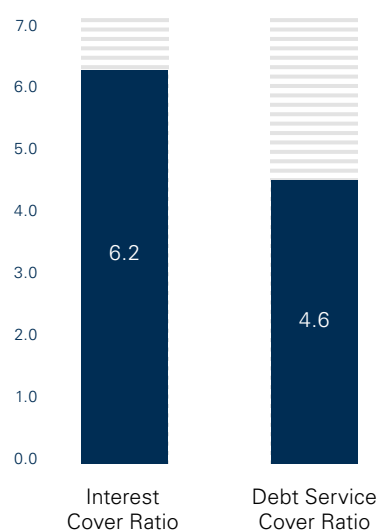
Fitting to the Company's conservative capital structure 96% of its interest is hedged.



### LOAN-TO-VALUE



### DEBT COVER RATIOS (1-9 2016)

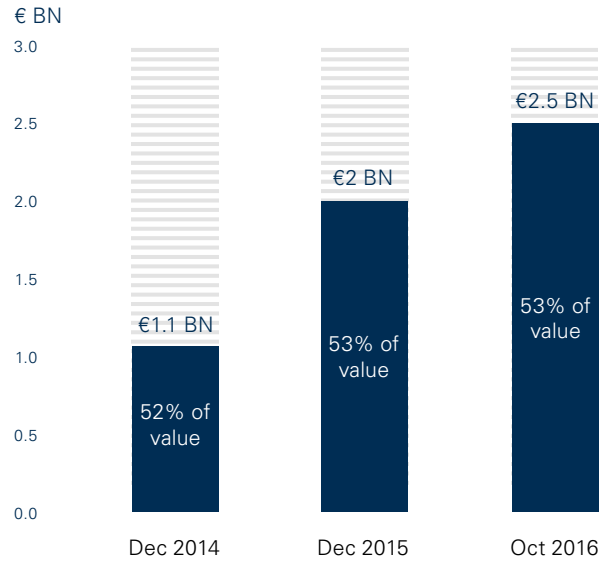




GCP's financial flexibility is becoming stronger over time, both due to improved fundamentals affecting coverage ratios and improving profitability. Adjusted EBITDA increased significantly while proportional debt service payments decreased. This led to a strong Interest Cover Ratio of 6.2 and a Debt Service Cover Ratio of 4.6 in the first nine months of 2016. An increasing portion of assets are free of lien. As of October 2016, €2.5 billion of the held assets are unencumbered investment properties, in comparison to €2 billion in December 2015.

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.

### UNENCUMBERED ASSETS



Dortmund

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

SEP 16	Issuance of €200 million perpetual notes, bearing a coupon of 2.75% p.a.	JUN 16 <b>BBB/positive S&amp;P rating</b>
FEB 16	Issuance of Series F, 2022 convertible bonds of € 450m, coupon of 0.25% p.a	
JAN 16	Completion of the conversion of Series C convertible bonds (€275m)	
SEP 15	Tap issuance of € 150m of 10 year straight bond to an aggregate nominal amount of € 550m	JUL 15 <b>BBB S&amp;P rating</b>
SEP 15	Equity capital increase of € 151m at €15.9 per share	
JUL 15	Tap issuance of perpetual notes, (coupon 3.75%), of additional € 100m	
APR 15	Issuance of Series E, 10 year straight bond of € 400m with a coupon of 1.5% p.a.	FEB 15 <b>Baa2 Moody's rating</b>
MAR 15	Tap issuance of perpetual notes of additional € 250m	
FEB 15	Issuance of €150m perpetual notes, coupon 3.75%	
OCT 14	Redemption of straight bonds with nominal amount of € 350m. Issuance of 7 year straight bond of € 500m with a coupon of 2% p.a.	NOV 14 <b>BBB- S&amp;P rating</b>
JUN 14	Tap issuance of convertible bonds with gross proceeds of € 140m	
APR 14	Tap issuance of existing straight bonds with gross proceeds of € 160m	
FEB 14	Issuance of Series C, 5 year convertible bonds of € 150m and a coupon of 1.50% p.a	FEB 14 <b>BB+ S&amp;P rating</b>
DEC 13	Equity capital increase of € 175m at €6.5 per share	
OCT 13	Full conversion of € 100m Series A convertible bonds into equity	
JUL 13	Issuance of Series B, 7 year straight bonds of € 200m with a coupon of 6.25% p.a.	NOV 13 <b>BB S&amp;P rating</b>
FEB 13	Equity capital increase of € 36m at €4.5 per share	
OCT 12	Issuance of Series A, 5 year convertible bonds of € 100m and a coupon of 8% p.a.	
JUL 12	Equity capital increase of € 15m at €2.8 per share	FEB 13 <b>BB- S&amp;P initial rating</b>



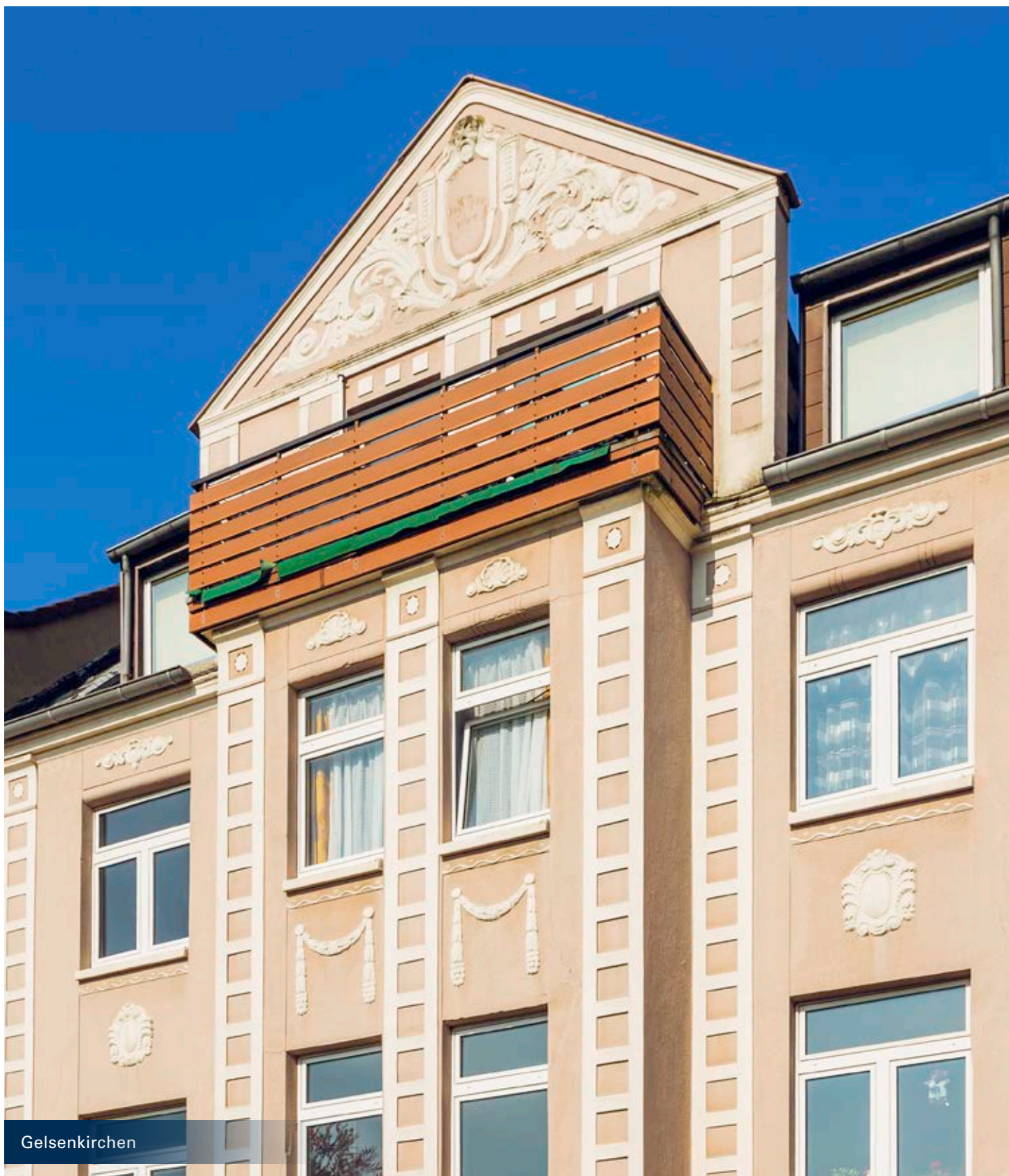
EQUITY AND BOND  
BOOKRUNNERS



J.P.Morgan



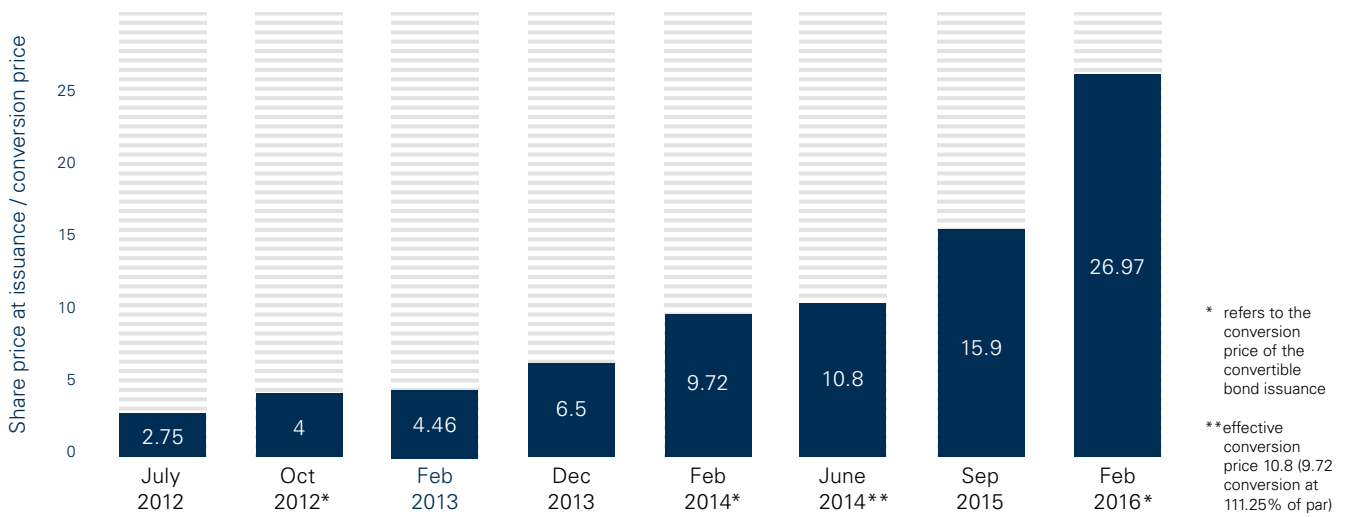
Morgan Stanley



Gelsenkirchen



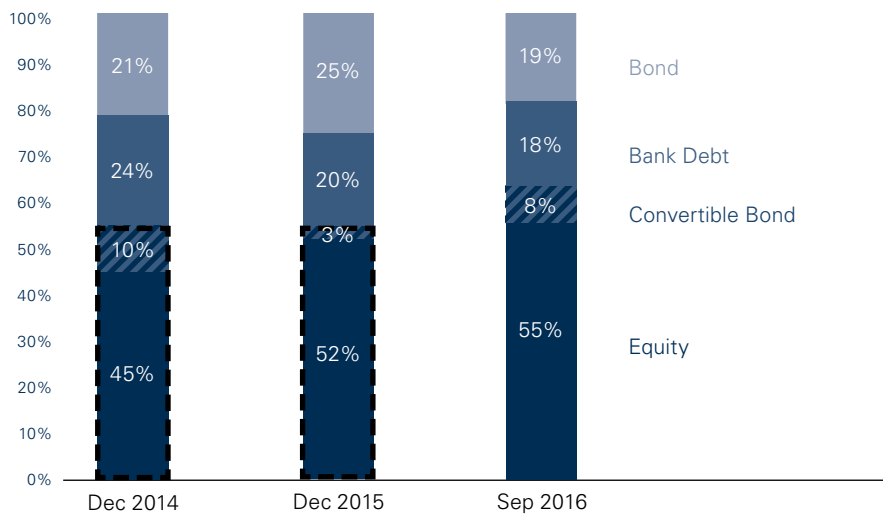
THE FOLLOWING ILLUSTRATION SHOWS THE SHARE PRICE/CONVERSION PRICE THROUGHOUT THE COMPANY'S ISSUANCES



Hamburg



## FINANCING SOURCE MIX





# COMPANY STRATEGY



## FOCUS ON VALUE-ADD OPPORTUNITIES IN ATTRACTIVE, DENSELY POPULATED AREAS OF THE GERMAN REAL ESTATE MARKET, WHILE KEEPING A CONSERVATIVE FINANCIAL POLICY AND AN INVESTMENT GRADE RATING

GCP's investment focus is on the German real estate 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 expand successfully in the German market. 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

## TARGETED CASH FLOW IMPROVEMENTS 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, 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 acquired, 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 TO REDUCE RE-LETTING RISK AND TENANT CHURN

Part of GCP's strategy to minimize tenant churn across its portfolio is to provide a high quality service to its tenants. The Company 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 polishing aged facades. Reflecting the special needs of the elderly and handicapped tenants, GCP continues to implement structural changes to facilitate their requirements.



### OPERATIONS SUPPORTED BY ADVANCED AND 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.

### CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

GCP intends to expand its portfolio via acquisitions which meet its strict investment criteria. The Group constantly evaluates opportunities to identify strong value creation targets for its portfolio and management platform.

# COMPANY STRATEGY

## MAINTAIN A CONSERVATIVE CAPITAL STRUCTURE

GCP seeks to preserve its conservative capital structure with an LTV limit to remain below 45%, sustain excellent financial coverage ratios and the majority of assets unencumbered, low cost of debt that is 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

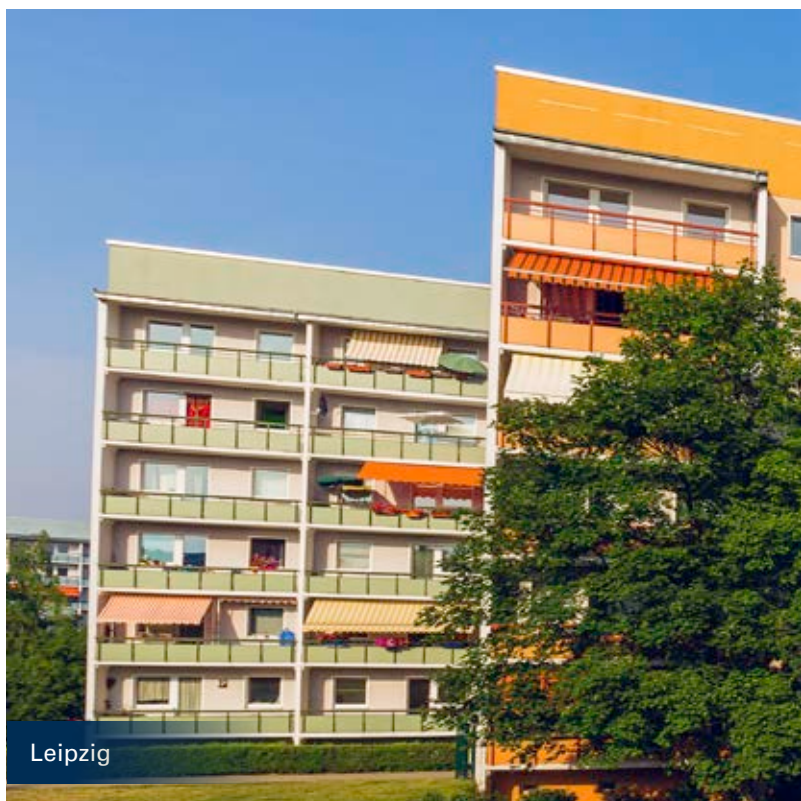
GCP is proactively presenting its business strategy and thus enhancing perception, as well as awareness, of the Company among the different players of the capital markets through targeted and manifold investor relations activities over the year.

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 business model, its competitive advantage, and hence to a higher demand among the capital market players for participation in its success. Currently, GCP is being covered on an ongoing basis by 18 different equity analysts, who publish their reports regularly. GCP is part 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
First listing	Q2 2012
Number of shares (as of 30 September 2016)	153,788,883 ordinary shares with a par value of EUR 0.10 per share
Nominal Share Capital (as of 30 September 2016)	15,378,883 EUR
Number of shares on a fully diluted basis (as of 30 September 2016)	171,852,285
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market Cap (as of 30 September 2016)	2.7 bn EUR
Indices	FTSE EPRA/NAREIT Global FTSE EPRA/NAREIT Developed FTSE EPRA/NAREIT Developed Europe GPR 250 index



Bielefeld

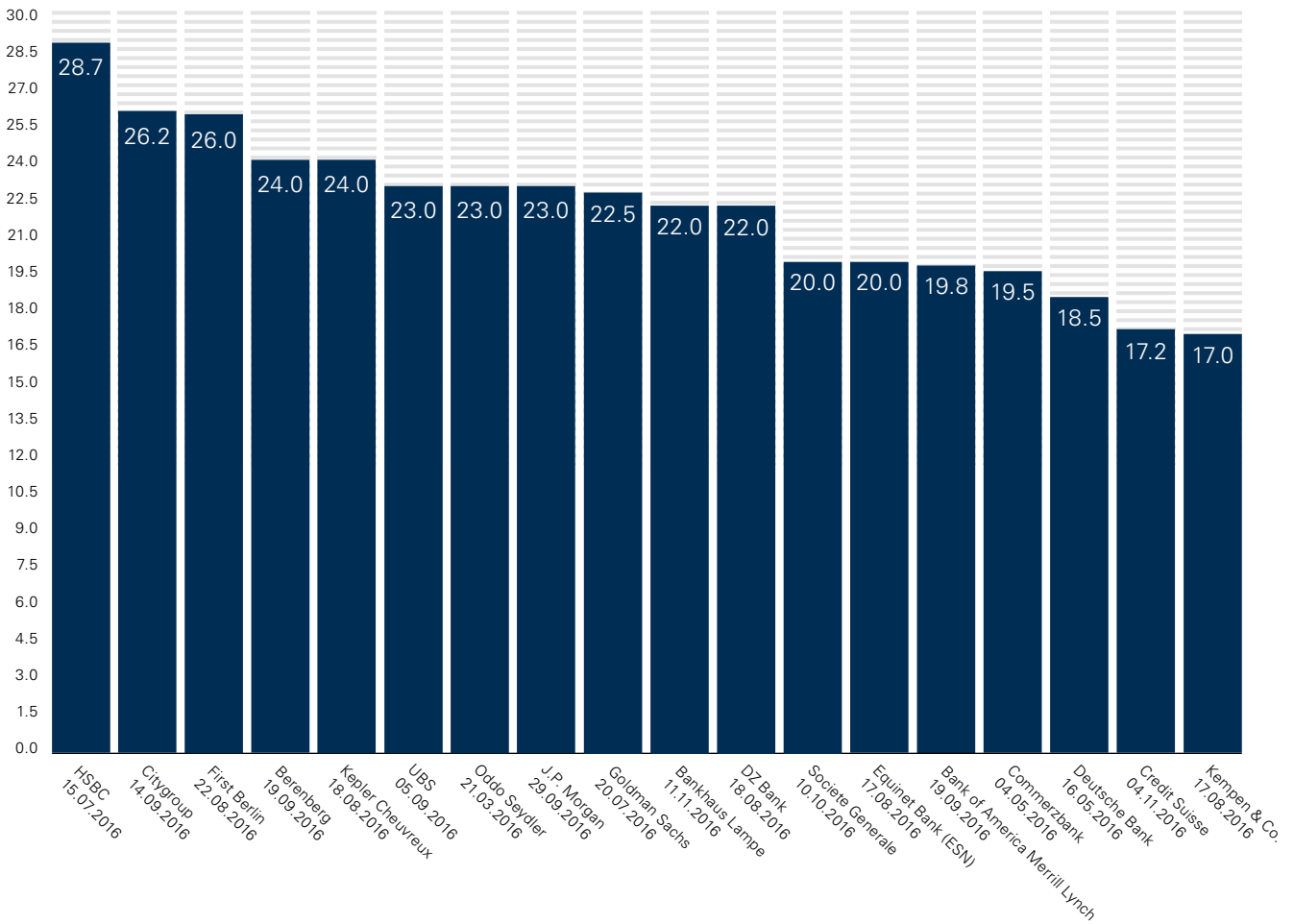


Leipzig





## ANALYST RECOMMENDATIONS



## BUSINESS MODEL



# COMPANY STRATEGY

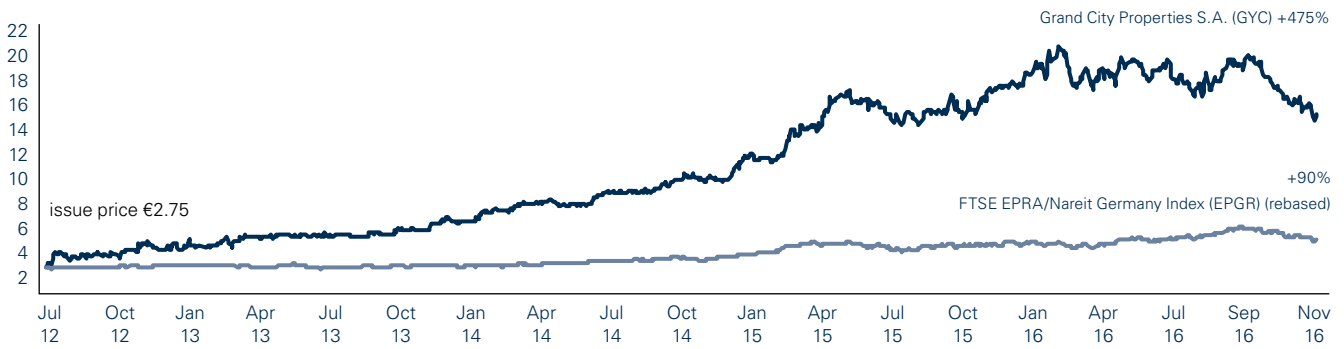


Leipzig

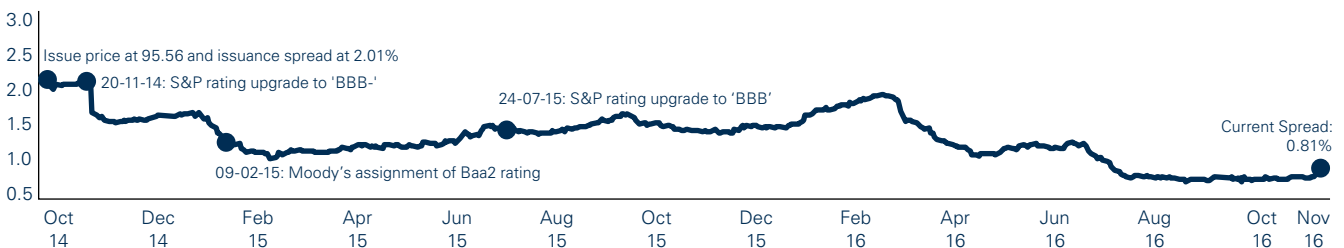


Cologne

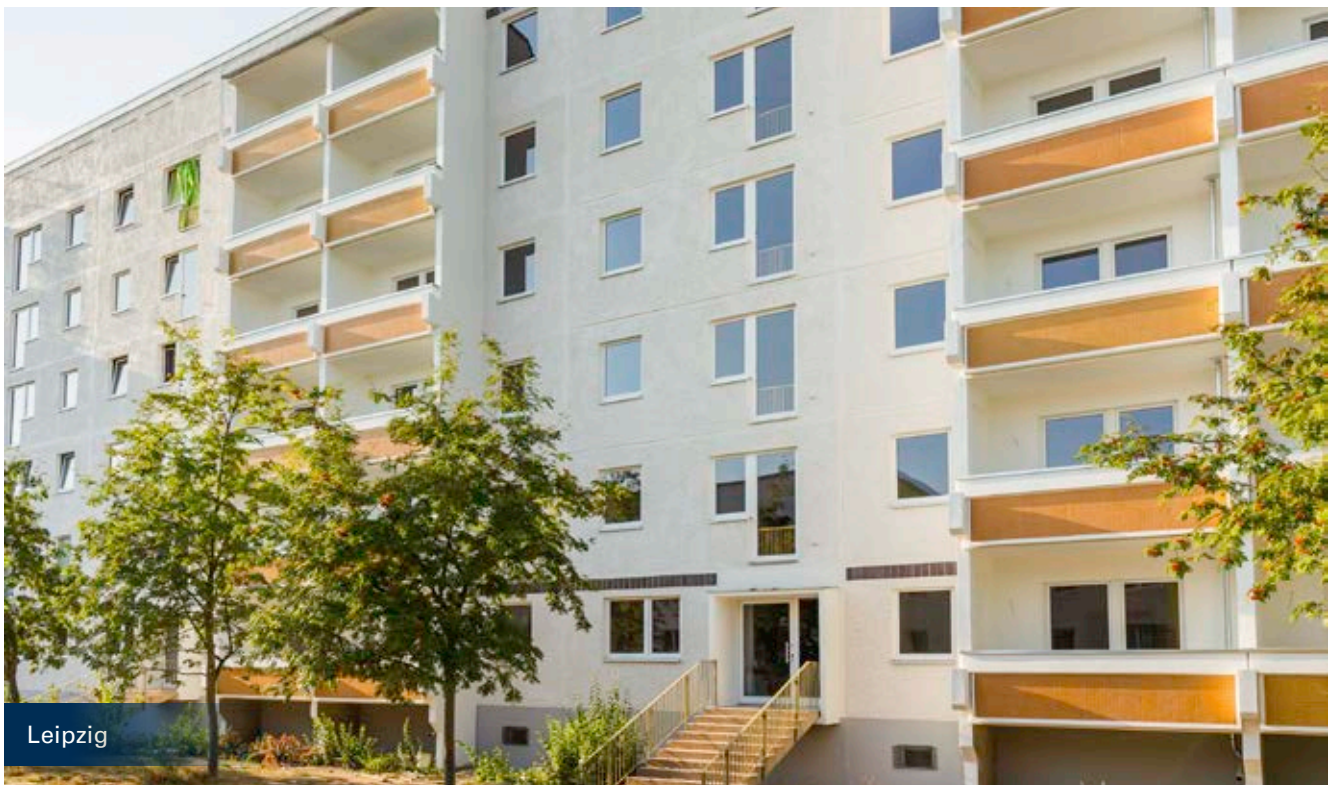
## SHARE PRICE PERFORMANCE COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)



## STRAIGHT BOND SERIES D - SPREAD OVER MID-€-SWAP, REMAINING 5 YEARS







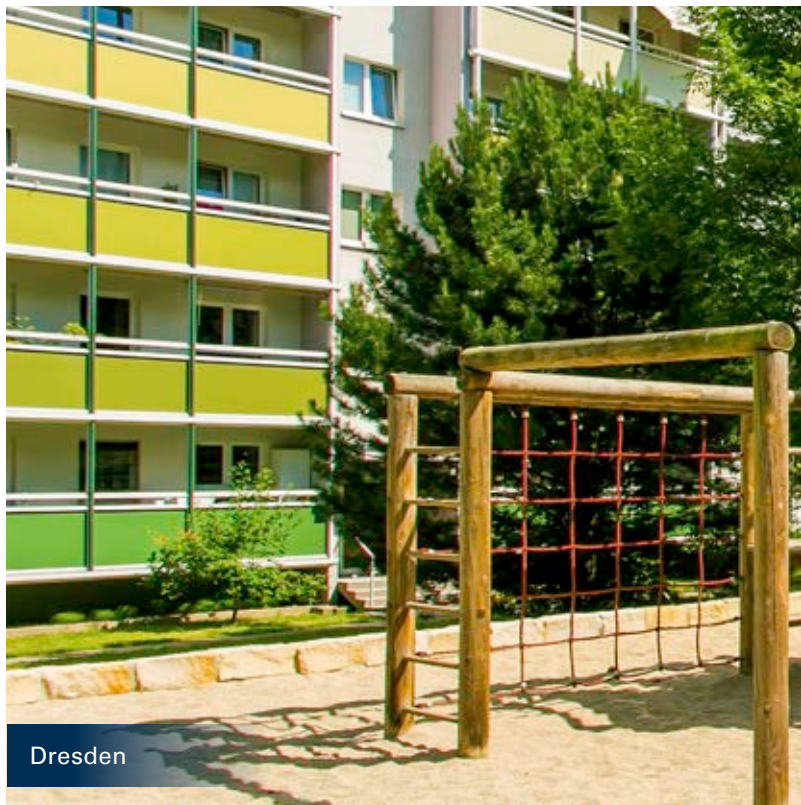
Leipzig



# CORPORATE GOVERNANCE



Dortmund



Dresden

## ANNUAL GENERAL MEETING

The Annual General Meeting of Grand City Properties S.A. was held on June 29, 2016 in Luxembourg.

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 December 31, 2015. The Annual General Meeting approved the distribution of a dividend in the amount of €0.25 per share for the holders of record on June 29, 2016.

## EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of Grand City Properties S.A. was held on August 9, 2016 in Luxembourg. All of the items on the agenda were approved by a great majority.

## CORPORATE GOVERNANCE

GCP puts a strong emphasis on corporate governance with high transparency, executed responsibly by the Board of Directors, Advisory Board, and the management teams. The Company directs its efforts in maintaining the high trust it received from its shareholders to balance interests. 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 were, in recent issuances, placed into many international leading institutional investors and major global investment and sovereign funds.

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. Section 161 of the German Stock Corporation Act (AktG) does not apply, since the Company is a joint stock corporation under the laws of the Grand Duchy of Luxembourg (société anonyme, S.A.) and not a German Stock Corporation. The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange do not apply, since the shares of the Company are not admitted to trading on a regulated market operated by the Luxembourg Stock Exchange. In addition, neither the UK Corporate Governance Code nor the Irish Corporate Governance Annex apply to the Company.

Nevertheless, the Company strives to put a strong emphasis on high standards of corporate governance and transparency. This is particularly the case with the implementation of the Advisory Board, the Risk Committee, and the Audit Committee. Furthermore, the Company ensures that its Board of Directors and its senior management are comprised of senior executives with vast experience and skills in the areas relevant to the business of the group. The Company has adopted quarterly reporting standards and updates its corporate presentation and most updated Run Rate figures on a continuous basis.

The Company has a very strict code of conduct which applies to all its employees such as – Anti Corruption Policy, Conflict of Interest Policy, and more.





## BOARD OF DIRECTORS

The Company is administered and managed by a Board of Directors that is vested with the broadest powers to perform all acts of administration and management in the Company's interest.

All powers not expressly reserved by the Luxembourg law or by the articles of incorporation to the general meeting of the shareholders fall within the competence of the Board of Directors.

The Board of Directors represents the shareholders as a whole and makes decisions solely on the Company's interest and independently of any conflict of interest. The Board of Directors and its senior management regularly evaluate the effective fulfillment of their remit and compliance with strong corporate governance rules. This evaluation is also performed on, and 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 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
Ms Simone Runge-Brandner	Chairperson
Mr Daniel Malkin	Member
Mr Refael Zamir	Member, CFO

## SENIOR MANAGEMENT

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.



# CORPORATE GOVERNANCE

## 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 Mr Markus J. Leininger, Mr Eldad Marciano, and Mr Christian G. Windfuhr. 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 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 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.



Mönchengladbach



## RISK COMMITTEE

The Board of Directors established a Risk Committee for assisting and providing 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 its process 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.

The members of the Risk Committee are Ms Simone Runge-Brandner, Mr Daniel Malkin, Mr Markus J. Leininger, Mr Refael Zamir, and Mr Eldad Marciano. The Board of Directors decides on the composition, tasks, and term of the Risk Committee, as well as the appointment and dismissal of its members.

## 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.



Duisburg



# CORPORATE GOVERNANCE

## INTERNAL RISK MITIGATION

Internal controls are constructed from four main elements:

- o Risk assessment – set by the Risk Committee and guided by an ongoing analysis of the organizational structure and by identifying potential weaknesses. Further, the committee assesses control deficiencies in the organization and executes issues raised by internal audit impacting the risk management framework.
- o 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.
- o 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.
- o 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.

## 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% if 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 next 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 and (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.







Duisburg



# NOTES ON BUSINESS PERFORMANCE



## SELECTED CONSOLIDATED INCOME STATEMENT DATA

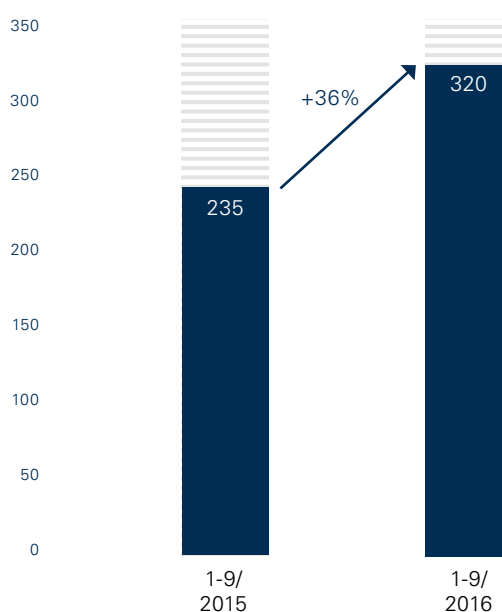
For the 9 months ended September 30,	2016	2015
	€'000	
Revenue	326,666	234,902
<b>Rental and operating income</b>	<b>320,189</b>	<b>234,902</b>
Capital gains, property revaluations and other income	463,837	232,433
Result on the disposal of inventories - trading properties	2,027	-
Property operating expenses	(150,437)	(109,632)
Administrative & other expenses	(6,612)	(4,614)
Operating profit	629,090	353,089
<b>Adjusted EBITDA</b>	<b>164,745</b>	<b>121,616</b>
Finance expenses	(26,653)	(18,609)
Other financial results	(10,321)	(2,768)
Current tax expenses	(20,478)	(15,437)
Deferred tax expenses	(76,298)	(30,223)
<b>Profit for the period</b>	<b>495,340</b>	<b>286,052</b>
<b>FFO I</b>	<b>116,540</b>	<b>87,334</b>

## REVENUE

For the 9 months ended September 30,	2016	2015
	€'000	
Rental and operating income	320,189	234,902
Revenue from sales of inventories - trading properties	6,477	-
<b>Total revenue</b>	<b>326,666</b>	<b>234,902</b>

GCP generated in the first nine months of 2016 revenues at the amount of €327 million, an increase year-over-year of 39%. The majority of the increase results from an increase in rental and operating income of over 36% to €320 million which is the effect of a larger portfolio from acquisitions compared to last year's period as well as successful operational improvements through rent and occupancy increases. GCP also recorded in the first nine months of 2016 revenue from sales of units at the amount of €6.5 million which is the result of the sale of units which were held as inventory - trading properties.

## RENTAL AND OPERATING INCOME DEVELOPMENT (IN € MILLION)

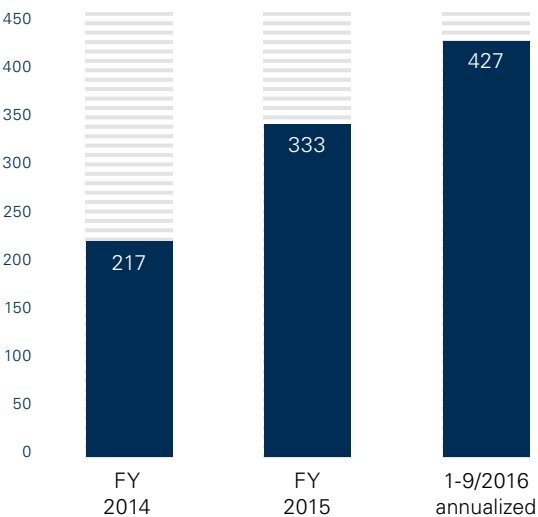




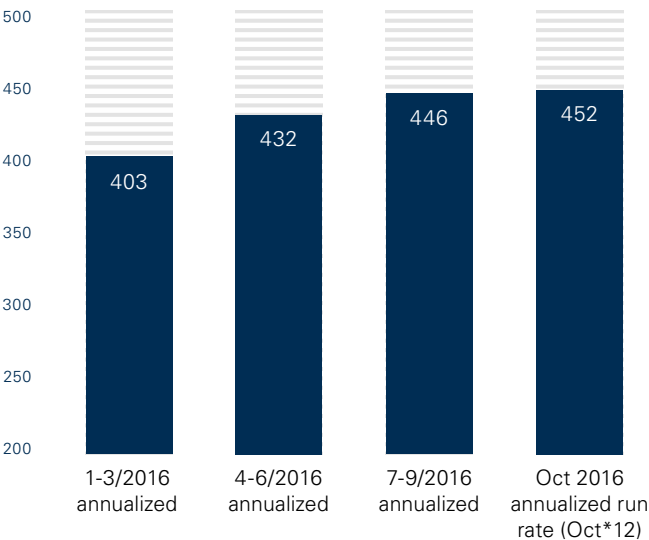


As newly acquired properties and operational improvements within the period could not contribute fully to the full period's results the reported figures do not reflect the entire portfolio's current rental income generation. In order to adjust this discrepancy we present the monthly annualized rental income run rate which is as of October 2016 €452 million, up 6% from the annualized nine months 2016 rental income (1-9 2016 \* 4/3). The quarterly annualized rental income for the third quarter of 2016 amounted to €446, further reflecting the growth within the nine months reporting period.

**RENTAL AND OPERATING INCOME ANNUAL DEVELOPMENT (IN € MILLION)**



**RENTAL AND OPERATING INCOME 2016 QUARTERLY DEVELOPMENT (IN € MILLION)**



# NOTES ON BUSINESS PERFORMANCE

## CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

For the 9 months ended September 30,	2016	2015
	€'000	
Change in fair value of investment property	423,049	181,596
Profit arising from business combinations	40,625	50,016
Capital gains and other income	163	821
<b>Total</b>	<b>463,837</b>	<b>232,433</b>

Capital gains, property revaluations and other income resulted in the first nine months of 2016 to €464 million compared to €232 million in the comparable period in 2015. The strong increase of 100% validates GCP's business model of creating value through lifting its properties' value potential and through its deal sourcing abilities. The fair values of GCP's investment properties are determined by external, market leading and independent qualified valuers.

Change in fair value in investment property (also known as revaluation gains) amounted in the first nine months of 2016 to €423 million. The increase of 133% to the comparable period in 2015 results from GCP's focus on properties which embed value-add potentials and its ability to consistently extract the value.

Whereas revaluation gains result from value uplifts of the properties, the item profit arising from business combinations arises in a share deal when the fair value of the total identifiable net assets of the company acquired exceeds the purchase price, which amounted in the first nine months of 2016 to €41 million. The lower amount in the first nine months of 2016 compared to first nine months of 2015 refers to less acquisitions through share deals but still validates GCP's ability to gain access to favorable properties through its profound deal sourcing network that locates and provides acquisition opportunities fitting to the Company's skills and experience. Further details can be found in note 4 to the consolidated financial statements.

Capital gains and other income refers to gains from asset disposals above their book value. In the first nine months of 2016 GCP recorded capital gains at the amount of €0.2 million. The capital gains refer to sales of non-core assets in the amount of €98 million. The disposal price over the book value supports the value assessments conducted and the Company's ability to realize value creation. For the properties sold in the first nine months of 2016, GCP realized profit from disposals of €34.3 million reflecting the economic value creation achieved on the assets and a disposal profit margin of 54%. Additionally and presented below, is the sale of inventories – trading properties which are not included in the capital gain and are recorded separately in the P&L. Accounting for all the disposals GCP realized a disposal profit of €36 million, reflecting a disposal profit margin of 53%, in the first nine months of 2016.

For the 9 months ended September 30,	2016	2015
	€'000	
Acquisition cost including capex of disposed properties	63,939	39,106
Total revaluation gains on disposed investment property	34,301	30,754
Book Value (IFRS)	98,240	69,860
Disposal value of non-core investment property	98,403	70,681
<b>Capital gain</b>	<b>163</b>	<b>821</b>
Disposal value of non-core investment property	98,403	70,681
Acquisition cost including capex of disposed properties	(63,939)	(39,106)
<b>Realized profit from disposal of investment properties</b>	<b>34,464</b>	<b>31,575</b>
<b>Disposal profit margin on investment property</b>	<b>54%</b>	<b>81%</b>
Revenue from sales of inventories - trading properties	6,477	-
Cost of inventories - trading properties sold	(4,450)	-
<b>Result on the disposal of inventories - trading properties</b>	<b>2,027</b>	-
<b>Disposal profit margin on inventories - trading properties</b>	<b>46%</b>	<b>N/A</b>
<b>Total result from disposal of properties</b>	<b>36,491</b>	<b>31,575</b>
<b>Total disposal profit margin on properties</b>	<b>53%</b>	<b>81%</b>

## PROPERTY OPERATING EXPENSES

For the 9 months ended September 30,	2016	2015
	€'000	
<b>Total</b>	<b>(150,437)</b>	<b>(109,632)</b>

In the first nine months of 2016 the property operating expenses resulted to €150 million and increased along the expansion of the portfolio with more apartments being let from vacancy reduction as well as from acquisitions. These expenses relate mainly to ancillary costs recoverable from the tenants, such as heating and water costs, and also include maintenance costs and personnel expenses related to the operations of the properties. GCP is implementing vari-



ous cost saving measures across its portfolio but which impact newly acquired properties only in the periods to come. Measures include benefits from economies of scale such as country wide tenders for facility management services, energy providers, outsourced maintenance and capex measures etc. to single unit cost saving measures by implementing advanced metering systems for heating, water, waste disposal among other. Our maintenance management is centralized through our Service Center which is 24/7 available to take up tenants' request and organizes the execution with the on-site staff until final completion as well as follows up with tenants to ensure full satisfaction. High quality tenant service is one of GCP's highest priorities as satisfied tenants not only decreases fluctuation but also attracts new and prospective tenants and justifies higher rent increases, especially when ancillary costs are kept at a minimum or are even decreased.

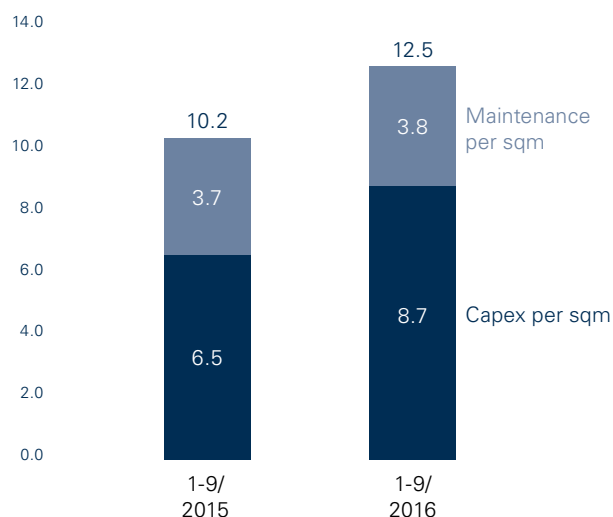
## MAINTENANCE AND CAPITALIZED EXPENDITURES

GCP's high standard of quality for its tenant service is also reflected in its capex and maintenance expenses. Besides maintaining its properties' quality GCP is also improving the quality by additions and upgrades to the apartments, common areas and premises such as installations of balconies, windows, insulation, heating systems, playgrounds, benches, gardens, elderly friendly facilities such as elevators and ramps etc. Current capex measures also decrease future maintenance expenses and thus keep expenses stable. The increase in the occupancy rate and lettings subsequently results in targeted investments. Besides investing in its current tenants GCP is also investing to attract prospective tenants. Various vacancy reduction measures have proven to be very successful such as presenting fully refurbished master apartments on open visiting days and refurbishing apartments to increase demand and achieve higher letting rents. GCP largely focuses on advancing letting activities and rent levels where a wide gap to market already exists. The effectiveness of all measures is reflected in GCP's strong occupancy improvements and decreasing overall vacancy to the current level of 8%.

Maintenance expenses amounted in the first nine months of 2016 to €19 million, which translates to €3.8 per sqm, or €5.1 per sqm on an annual basis.

For investments in newly acquired properties, GCP prepares a detailed inspection and investment plan prior to the acquisition, to ensure that expected costs are reflected in the purchase price. The works are carried out closely following the plan, benefiting from GCP's experience in similar cases and large connection network of contractors, making sure suitable teams are selected. In the first nine months of 2016 the total capex amounted to €44 million, translating to €8.7 per sqm.

## CAPEX AND MAINTENANCE DEVELOPMENT



## ADMINISTRATIVE AND OTHER EXPENSES

For the 9 months ended September 30,	2016	2015
	€'000	
<b>Total</b>	<b>(6,612)</b>	<b>(4,614)</b>

Administrative and other expenses resulted in the first nine months of 2016 to €6.6 million compared to €4.6 million in the comparable period in 2015 and refer to expenses related to legal and professional fees, expenses for marketing, personnel, and depreciation.

## FINANCE EXPENSES

For the 9 months ended September 30,	2016	2015
	€'000	
<b>Finance expenses</b>	<b>(26,653)</b>	<b>(18,609)</b>

GCP was able to consistently maintain a conservative financing structure which is reflected in a low LTV of 38% and decreased cost of debt of 1.6%. The low cost of debt, along strong operational performance resulted in high Interest Cover Ratio ICR of 6.2, and is further reflected in its credit ratings of BBB/Baa2 from S&P and Moody's. Finance expenses increased in the first nine months of 2016 to €27 million, up from €19 million in the respective period in 2015.

# NOTES ON BUSINESS PERFORMANCE

## OTHER FINANCIAL RESULTS

For the 9 months ended September 30,	2016	2015
	€'000	
<b>Other financial results</b>	<b>(10,321)</b>	<b>(2,768)</b>

Other financial results, which are mainly related to one-time non-cash effects, amounted in the first nine months of 2016 to €10 million and refers mainly to changes in the fair value of financial derivatives and in traded securities, and also to bank fees, break fees of prepayments of loans and other.

## TAXATION

For the 9 months ended September 30,	2016	2015
	€'000	
Current tax expenses	(20,478)	(15,437)
Deferred tax expenses	(76,298)	(30,223)
<b>Total</b>	<b>(96,776)</b>	<b>(45,660)</b>

Expenses for taxes amounted in the first nine months to €97 million of which the majority is made up of deferred taxes at the amount of €76 million. Deferred taxes are the result of the strong revaluation gains GCP generated and thus increased substantially compared to the first nine months of 2015. GCP practices a conservative approach with regard to its deferred tax item, providing for the theoretical future property disposal through asset deals structures subject to the full German real estate tax of 15.825%. Deferred tax expenses are non-cash items which do not materialize as part of the long term operations of the Company's assets. The current taxes increased along the growth of the operational profits to €20.5 million.

## PROFIT FOR THE PERIOD

For the 9 months ended September 30,	2016	2015
	€'000	
<b>Profit for the period</b>	<b>495,340</b>	<b>286,052</b>

The profit for the first nine months of 2016 increased by 73% to almost €0.5 billion compared to the corresponding period in 2015. The strong growth results from the strong revenue generation and revaluation gains based on the strong growth and operational achievements of the Company.

## EARNINGS PER SHARE

For the 9 months ended September 30,	2016	2015
Basic earnings per share in €	2.66	2.07
Diluted earnings per share in €	2.43	1.76
Weighted average basic shares in thousands	152,472	122,438
Weighted average basic shares (diluted) in thousands	167,148	144,409

GCP's shareholder value creation is reflected in the consistent growth in earnings per share to €2.7 in the first nine months of 2016. The growth was offset by a larger amount of outstanding shares from the full conversion of the convertible bond Series C completed in the beginning of 2016 and the equity increase from September 2015.

The diluted earnings per share amounted in the first nine months of 2016 to €2.4, up by 38% compared to the comparable period in 2015.

## ADJUSTED EBITDA AND FFO I

For the 9 months ended September 30,	2016	2015
	€'000	
Operating Profit	629,090	353,089
Total depreciation and amortization	1,519	960
<b>EBITDA</b>	<b>630,609</b>	<b>354,049</b>
Capital gains, property revaluations and other income	(463,837)	(232,433)
Result on the disposal of inventories - trading properties	(2,027)	-
<b>Adjusted EBITDA</b>	<b>164,745</b>	<b>121,616</b>
Finance expenses	(26,653)	(18,609)
Current tax expenses	(20,478)	(15,437)
Amounts relating to minorities	(1,074)	(236)
<b>FFO I</b>	<b>116,540</b>	<b>87,334</b>
Weighted average basic shares in thousands	152,472	122,438
<b>FFO I per share in €</b>	<b>0.76</b>	<b>0.71</b>

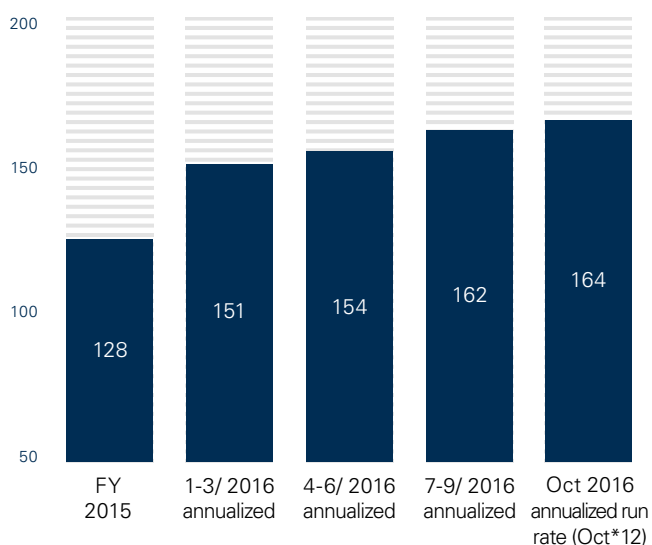


The adjusted EBITDA reflects the recurring operational profit, excluding the effect of capital gains and revaluations and profits from disposal of inventories, before interest and tax and is a market standard indication of the operational results. Funds from Operations I (FFO I) reflects the recurring profit from operations, after deducting the finance expenses and the current tax.

The adjusted EBITDA grew to €165 million in the first nine months of 2016, reflecting an increase of 35% in comparison to the first nine months of 2015. The increase in the adjusted EBITDA is a direct result of higher operational profits rising from increasing occupancy and rent levels as well as from absolute portfolio growth. This increase validates GCP's capability to continue and improve the performance of its portfolio while successfully integrating new acquisitions into the operational platform. Following the increase in the adjusted EBITDA, the FFO I for the first nine months of 2016 increased as well to €117 million, up from €87 million in the respective period. The growth in FFO I, reflecting the bottom line operational profits, was supported by low financing expenses which is a reflection of GCP's low cost of debt.

GCP's operational growth is based on increasing occupancy rates, rent level, optimization of the cost structure alongside accretive additions to the portfolio. Therefore, the Company is able to increase its FFO I generation period over period. As acquisitions and operational improvements materialized throughout the period and thus could not impact the entire period, the full effect did not fully contribute to the FFO I of the whole period. The annualized FFO I for the third quarter of 2016 amounted to €162 million, presenting the steady increase in the operational profits. The monthly annualized FFO I run rate as of October 2016 amounts to €164 million.

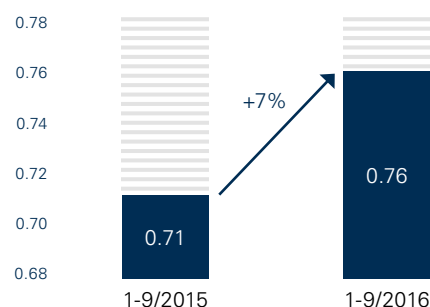
#### FFO I DEVELOPMENT (IN € MILLION)



#### FFO I PER SHARE

The FFO I per share amounted in the first nine months of 2016 to €0.76, an increase of 7% to the comparable period in 2015 which was offset by a higher amount of shares due to the full conversion of the Series C convertible bonds in the beginning of 2016 and the equity increase from September 2015. The increase once again validates GCP's ability to create accretive operational profits also on a per share basis.

#### FFO I PER SHARE (IN €)

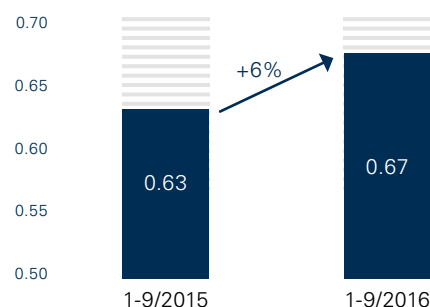


#### FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION

FFO I per share after perpetual notes attribution amounted to €0.67 in the first nine months of 2016. GCP provides this additional calculation as a supplementary FFO I per share calculation, as IFRS records attribution to perpetual notes through change in equity and does not recognize it as financial expenses in the P&L, thus not deducted otherwise from the FFO.

For the 9 months ended September 30,	2016	2015
	€'000	
<b>FFO I</b>	<b>116,540</b>	<b>87,334</b>
Adjustment for accrued perpetual notes attribution	(14,414)	(9,586)
<b>FFO I after perpetual notes attribution</b>	<b>102,126</b>	<b>77,748</b>
Weighted average basic shares in thousands	152,472	122,438
<b>FFO I per share in €, after perpetual notes attribution</b>	<b>0.67</b>	<b>0.63</b>

#### FFO I PER SHARE (IN €), AFTER PERPETUAL NOTES ATTRIBUTION



# NOTES ON BUSINESS PERFORMANCE

## AFFO

For the 9 months ended September 30,	2016	2015
	€'000	
<b>FFO I</b>	<b>116,540</b>	<b>87,334</b>
Capex	(43,748)	(23,871)
<b>AFFO</b>	<b>72,792</b>	<b>63,463</b>

Adjusted funds from operations (AFFO), accounting for the fund from operations after capitalized expenditure, amounted to €73 million in the first nine months of 2016. The capex is used to maintain the properties' quality and to increase the occupancy levels. Regarding the increase in capex please see above in the capex and maintenance section.

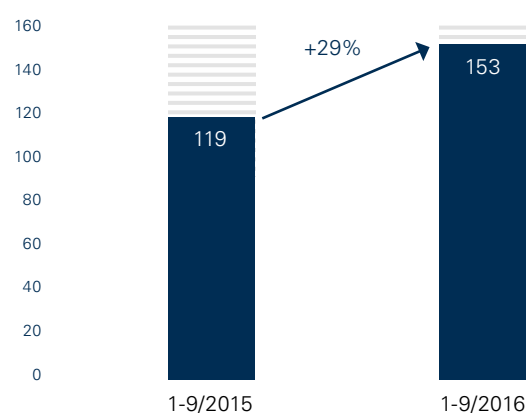
## FFO II

For the 9 months ended September 30,	2016	2015
	€'000	
FFO I	116,540	87,334
Total result from disposal of properties	36,491	31,575
<b>FFO II</b>	<b>153,031</b>	<b>118,909</b>

FFO II, which includes results from the disposal of investment property and inventories, rose in the first nine months of 2016 to €153 million from €119 million in the comparable period. In the first nine months GCP disposed non-core assets and inventories in a total amount of €105 million. The high disposal gains underline GCP's ability to create strong value on its portfolios and validates its capability to dispose the assets at high gain.



## FFO II DEVELOPMENT (IN € MILLION)



## CASH FLOW

For the 9 months ended September 30,	2016	2015
	€'000	
Net cash provided by operating activities	151,055	112,562
Net cash used in investing activities	(517,936)	(933,107)
Net cash provided by financing activities	629,562	1,074,035
<b>Net increase in cash and cash equivalents</b>	<b>262,681</b>	<b>253,490</b>

Net cash provided by operating activities during the first nine months of 2016 increased by 34% compared to the same period the previous year, due to the added cash generated as the portfolio matures and vacancy decreases, as well as due to the overall larger portfolio following the new acquisitions made during 2016.

Net cash used in investing activities amounted to €518 million during the first nine months of 2016, a decrease of 44% to the comparable period in 2015. The amount is net of funds received from sale of units along the period, the decrease however mainly results from a lower volume of acquisitions in 2016. GCP follows strict acquisition criteria guidelines, whereby the purchase strategy is guided by the quality of the assets and their economic fundamentals rather than a broad volume target.

Net cash provided by financing activities amounted to a negative of €630 million in the first nine months of 2016, in line with the amount utilized for the Company's investment over this period. This amount is mainly brought about by the €450 million principle value convertible bond series F issued during the first quarter of the year, and the issuance of €200 million perpetual notes during the third quarter, complemented also by net funds received from banking loans.



## ASSETS

	Sep 2016	Dec 2015
	€'000	
<b>Non-current assets</b>	<b>5,057,982</b>	<b>4,061,699</b>
Investment property*	4,818,733	3,876,839
<b>Current assets</b>	<b>1,050,488</b>	<b>627,204</b>
<b>Total Assets</b>	<b>6,108,470</b>	<b>4,688,903</b>

\*Including advanced payments for investment properties and balance of inventories

Investment property, the main item in the Company's non-current assets, increased by €0.9 billion over the first nine months of 2016, a combined result of long term value captured as the Company's assets continued to improve operationally, alongside the effect of new acquisitions and offset by disposals performed over the period.

GCP's balance of cash and other liquid assets increased by 65% since 2015 year-end to €644 million, bringing the total balance of current assets to over €1 billion. The increase is supported by the €200 million perpetual notes issuance of September 2016, adding to the cash gained from the ongoing operational results and offset by funds used to finance the Company's growth.

Total assets increased in the first nine months of 2016 by 30% to over €6.1 billion, progressing to position GCP as a central participant in the German residential market with solid presence in its focus geographic areas.

## LIABILITIES

	Sep 2016	Dec 2015
	€'000	
Total loans and borrowings*	982,313	846,900
Straight bonds	1,047,896	1,045,413
Convertible bond	426,960	122,576
Deferred tax liabilities	327,454	239,374
Other long term liabilities and derivative financial instruments	54,970	39,704
Current liabilities**	311,579	222,641
<b>Total Liabilities</b>	<b>3,151,172</b>	<b>2,516,608</b>

\* Includes short term loans and borrowings and loan redemption

\*\* Excludes short term loans and borrowings and loan redemption

Total liabilities increased in the first nine months of 2016 by 25% compared to the increase of 30% in total assets, coinciding with GCP's conservative financial policy and contributing to the decrease in leverage with an LTV of 38% as of September 2016 down from 42% in December 2015.

Total loans and borrowings increased by €135 million since 2015 year-end as GCP has been working in replacing old loans and securing new ones for selected properties, thereby achieving long term favorable interest levels for these properties, and maintaining an active and dynamic relationship with various local and national financing institutions.

GCP's financing approach is conservative also with regard to the diversity of instruments on its liability side. The Company has replaced during the first quarter its Series C convert-

ible series, which was fully converted, with a new series F convertible bond, keeping a healthy mix of financing sources of convertible bonds, straight bonds and bank debt, alongside equity and perpetual notes.

GCP conservative approach is also reflected 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 an asset deal. Deferred tax liabilities, a subsequent effect of the revaluation gains over the period, has thus increased by €88 million, or 37% since December 2015.

## LOAN-TO-VALUE

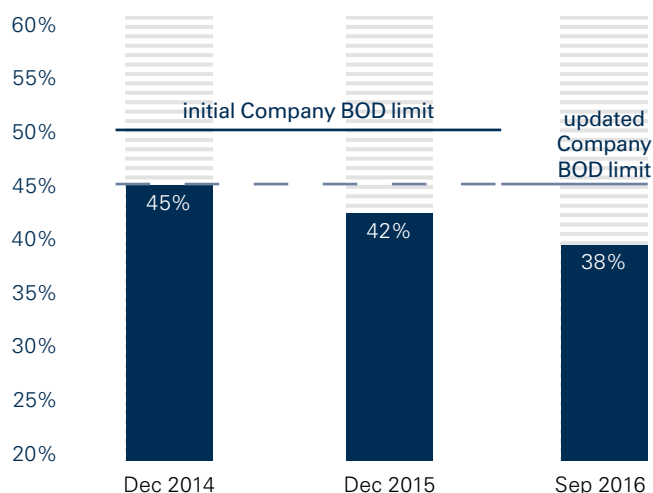
	Sep 2016	Dec 2015
	€'000	
Investment property*	4,818,733	3,876,839
<b>Total value</b>	<b>4,818,733</b>	<b>3,876,839</b>
Total Debt	2,457,169	2,014,889
Cash and liquid assets	643,550	388,925
<b>Net debt</b>	<b>1,813,619</b>	<b>1,625,964</b>
<b>LTV</b>	<b>38%</b>	<b>42%</b>

\* including advanced payments for investment properties and balance of inventories

GCP has decreased its LTV to 38% as of September 2016, down from 42% as of year-end 2015, a result of the Company's conservative financial policy and following the Board of Directors strategical aim of positioning the Company for further improvements in its credit rating. The current leverage level is substantially clear of the 45% LTV limit set by the Board of Directors. This limit, recently updated to its current level of 45%, will provide GCP with the flexibility to keep pursuing attractive growth opportunities fitting to its current size and position, further supported by value creation emerging from the steady operational results.

In consideration of GCP's favorable business and financial position, Standard & Poor's has increased in June 2016 the outlook on GCP's current investment grade rating of BBB to positive from stable.

## LOAN-TO-VALUE



# NOTES ON BUSINESS PERFORMANCE

## EPRA NAV

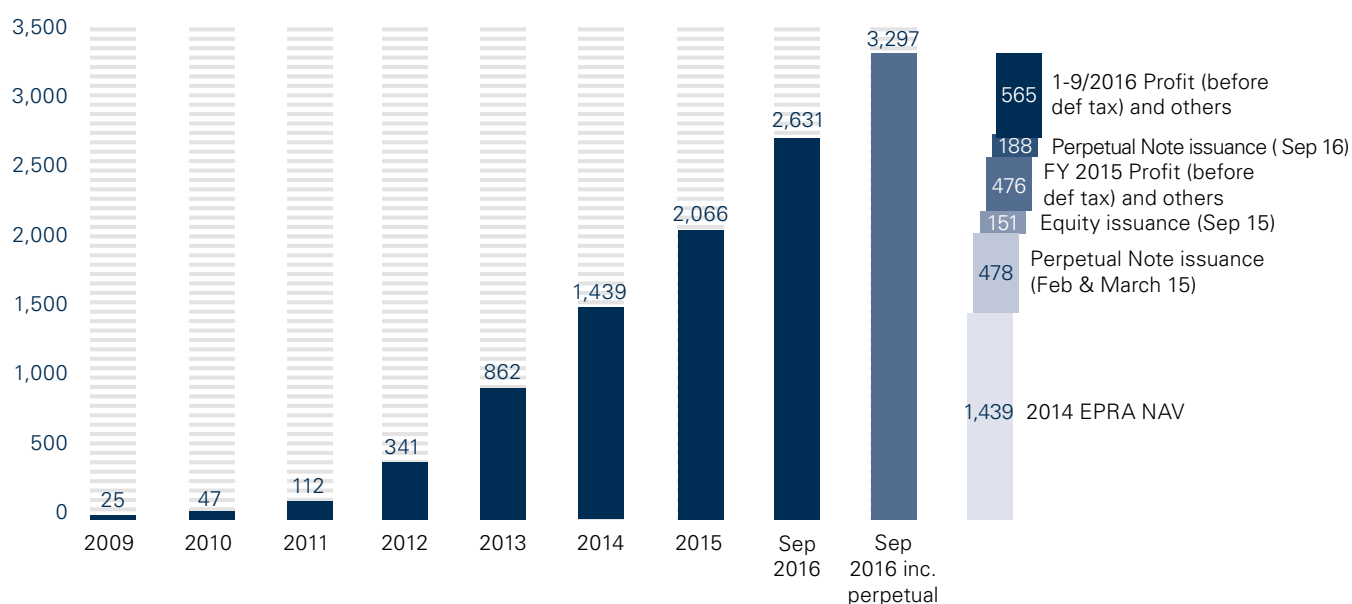
	Sep 2016	Dec 2015
	€'000	
Total Equity	2,957,298	2,172,295
Fair Value measurements of derivative financial instruments	12,415	6,995
Deferred tax liabilities	327,454	239,374
In-the-money Convertible bond*	-	125,683
<b>EPRA NAV including perpetual notes</b>	<b>3,297,167</b>	<b>2,544,347</b>
Equity attributable to perpetual notes investors	666,667	478,146
<b>EPRA NAV</b>	<b>2,630,500</b>	<b>2,066,201</b>

\* The amount includes accrued interest

As of September 2016 GCP's EPRA NAV reached €2.6 billion, an increase of 27% from 2015 year-end, resulting from the significant value creation to the shareholders over the first nine months of 2016. The amount was decreased by the dividend payout of €38 million in July 2016. EPRA NAV including the perpetual notes increased by 30% from 2015 year-end, complemented by the issuance of perpetual notes of €200 million during September 2016.

GCP's currently outstanding convertible bonds are not in the money as of the date of this report, and are therefore not included in the EPRA NAV calculation.

## EPRA NAV DEVELOPMENT (IN € MILLION)



€'000	EPRA NAV	EPRA NNNAV	EPRA NAV net of minorities	EPRA NAV including perpetual notes	Basic # of shares	EPRA NAV including perpetual notes & Conv. Bond F *	Fully diluted number of shares
<b>Sep 2016</b>	2,630,500	2,499,972	2,402,096	3,297,167	153,789	3,724,215	171,852
<b>Sep 2016 € per share</b>	17.1	16.3	15.6	21.4		21.7	
<b>Dec 2015</b>	2,066,201	2,046,264	1,923,941	2,544,347	140,971	2,544,347	154,910
<b>Dec 2015 € per share</b>	13.3	13.2	12.4	16.4		16.4	

\* Convertible bond Series F conversion price at €26.97





Neu-Isenburg

## 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. These condensed interim consolidated financial statements have not been reviewed by the auditors.

By order of the Board of Directors,  
November 17, 2016

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Simone Runge-Brandner  
Director

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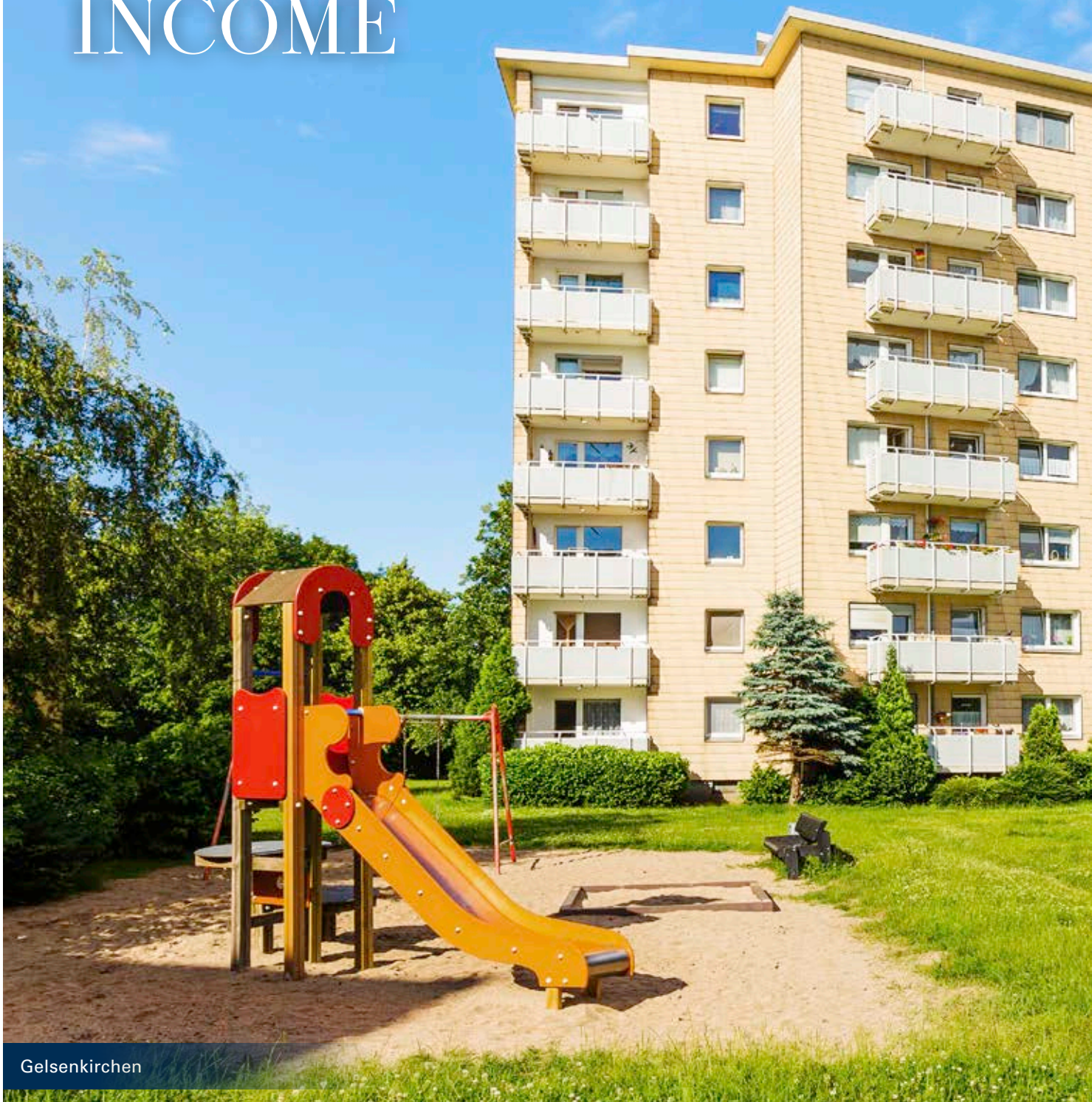
Refael Zamir  
Director, CFO

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Daniel Malkin  
Director



# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



Gelsenkirchen



	Note	For the nine months ended September 30,		For the three months ended September 30,	
		2016	2015	2016	2015
		€'000		€'000	
<b>Revenue</b>		<b>326,666</b>	<b>234,902</b>	<b>117,862</b>	<b>91,472</b>
Capital gains, property revaluations and other income	4, 5	463,837	232,433	84,527	71,936
Share of profit from investments in equity-accounted investees		86	-	156	-
Property operating expenses		(150,437)	(109,632)	(52,006)	(43,289)
Cost of properties sold		(4,450)	-	(4,450)	-
Administrative and other expenses		(6,612)	(4,614)	(2,574)	(1,499)
<b>Operating profit</b>		<b>629,090</b>	<b>353,089</b>	<b>143,515</b>	<b>118,620</b>
Finance expenses		(26,653)	(18,609)	(8,889)	(6,310)
Other financial results		(10,321)	(2,768)	(4,448)	(2,999)
<b>Profit before tax</b>		<b>592,116</b>	<b>331,712</b>	<b>130,178</b>	<b>109,311</b>
Current tax expenses	6	(20,478)	(15,437)	(7,808)	(7,661)
Deferred tax expenses	6	(76,298)	(30,223)	(19,118)	(10,947)
<b>Tax and deferred tax expenses</b>		<b>(96,776)</b>	<b>(45,660)</b>	<b>(26,926)</b>	<b>(18,608)</b>
<b>Profit for the period</b>		<b>495,340</b>	<b>286,052</b>	<b>103,252</b>	<b>90,703</b>
Other comprehensive income for the period, net of tax		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>495,340</b>	<b>286,052</b>	<b>103,252</b>	<b>90,703</b>





# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)



INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the nine months ended September 30,		For the three months ended September 30,	
	2016	2015	2016	2015
	€'000		€'000	
<b>Profit attributable to:</b>				
Owners of the Company	406,185	253,952	86,858	77,227
Perpetual notes investors	14,414	9,586	4,808	4,649
Non controlling interests	74,741	22,514	11,586	8,827
	<b>495,340</b>	<b>286,052</b>	<b>103,252</b>	<b>90,703</b>
<b>Net earnings per share attributable to the owners of the Company (in euro):</b>				
Basic earnings per share	<b>2.66</b>	2.07	<b>0.56</b>	0.61
Diluted earnings per share	<b>2.43</b>	1.76	<b>0.91</b>	0.53

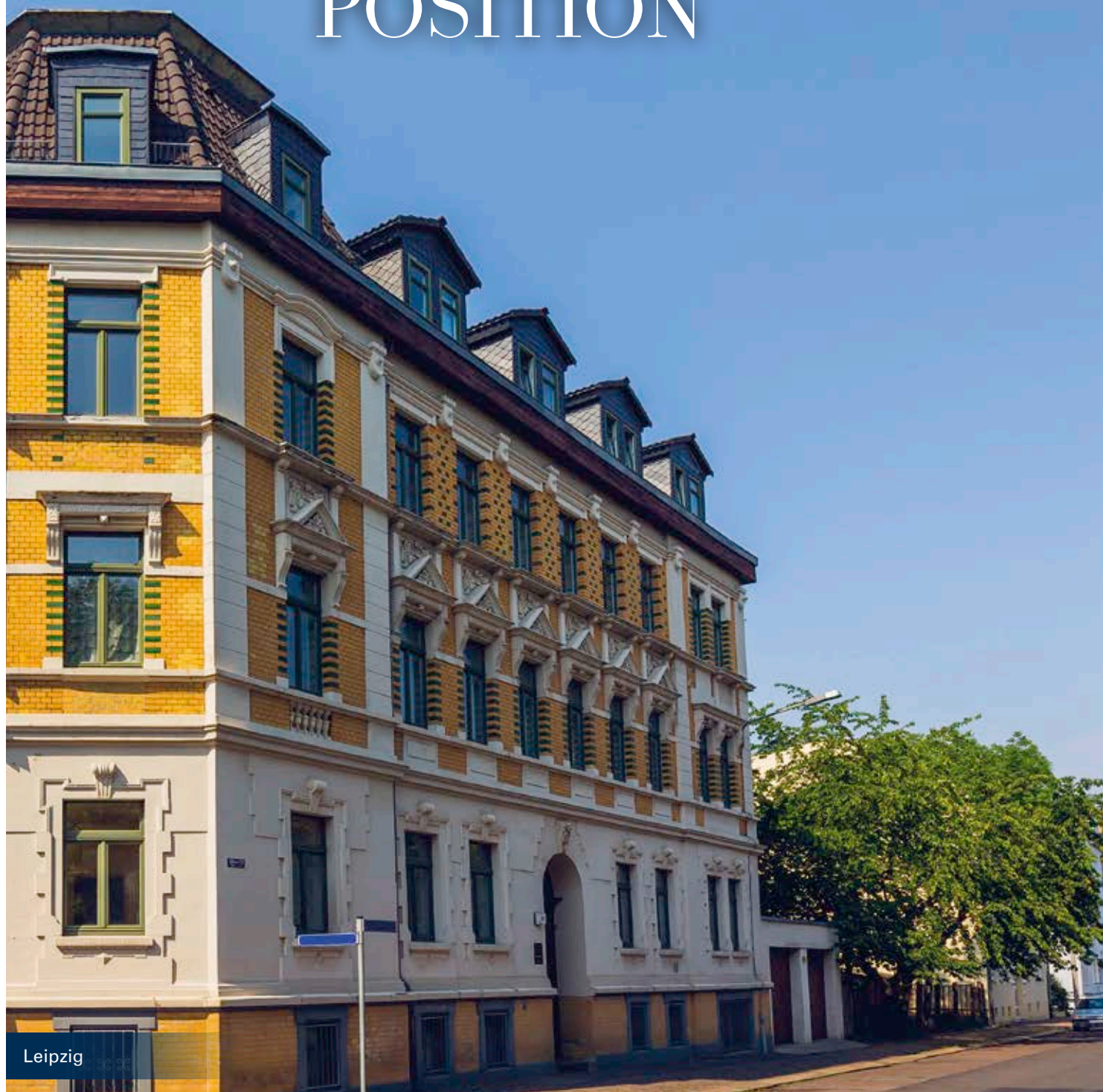




Düsseldorf



# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION







		September 30	December 31
		<b>2016</b>	2015
		Unaudited	Audited
	Note	€'000	
<b>Assets</b>			
Equipment and intangible assets		10,721	9,493
Investment property	5	4,694,727	3,845,979
Advanced payments for investment property		100,154	(*) 18,983
Other non-current assets		240,380	(*) 176,407
Deferred tax assets		12,000	10,837
<b>Non current assets</b>		<b>5,057,982</b>	<b>4,061,699</b>
Cash and cash equivalents		498,682	236,001
Traded securities at fair value through profit and loss		144,868	152,924
Inventories – Trading property		23,852	11,877
Trade and other receivables		383,086	226,402
<b>Current assets</b>		<b>1,050,488</b>	<b>627,204</b>
<b>Total assets</b>		<b>6,108,470</b>	<b>4,688,903</b>

(\*) Reclassified.

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	September 30	December 31
		<b>2016</b>	2015
		Unaudited	Audited
		€'000	
<b>Equity</b>			
Share capital	8	15,379	14,097
Share premium		670,362	582,910
Other reserves		42,994	29,283
Retained earnings		1,333,492	925,599
<b>Total equity attributable to the owners of the Company</b>		<b>2,062,227</b>	<b>1,551,889</b>
Equity attributable to Perpetual notes investors	8	666,667	478,146
<b>Total equity attributable to the owners of the Company and Perpetual notes investors</b>		<b>2,728,894</b>	<b>2,030,035</b>
Non controlling interests		228,404	142,260
<b>Total equity</b>		<b>2,957,298</b>	<b>2,172,295</b>
<b>Liabilities</b>			
Loans and borrowings	7	936,694	792,224
Convertible bond	7B, 7F	426,960	122,576
Straight Bonds	7C- 7E	1,047,896	1,045,413
Derivative financial instruments		12,415	6,995
Other non-current liabilities		42,555	32,709
Deferred tax liabilities		327,454	239,374
<b>Non-current liabilities</b>		<b>2,793,974</b>	<b>2,239,291</b>
Current portion of long term loans	7	13,921	19,998
Loan redemption	7	31,698	34,678
Trade and other payables		271,990	190,358
Tax payable		16,157	13,389
Provisions for other liabilities and charges		23,432	18,894
<b>Current liabilities</b>		<b>357,198</b>	<b>277,317</b>
<b>Total liabilities</b>		<b>3,151,172</b>	<b>2,516,608</b>
<b>Total equity and liabilities</b>		<b>6,108,470</b>	<b>4,688,903</b>

The Board of Directors of Grand City Properties S.A. authorized these condensed interim consolidated financial statements for issuance on November 17, 2016



Simone Runge-Brandner  
Director



Refael Zamir  
Director, CFO



Daniel Malkin  
Director





Frankfurt am Main

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

€'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	Total Equity attributable to the owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
<b>Balance as at December 31, 2015 (Audited)</b>	<b>14,097</b>	<b>582,910</b>	<b>7,131</b>	<b>22,152</b>	<b>925,599</b>	<b>1,551,889</b>	<b>478,146</b>	<b>2,030,035</b>	<b>142,260</b>	<b>2,172,295</b>
Profit for the period	-	-	-	-	406,185	406,185	14,414	420,599	74,741	495,340
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	<b>406,185</b>	<b>406,185</b>	<b>14,414</b>	<b>420,599</b>	<b>74,741</b>	<b>495,340</b>
Issuance of shares related to conversion of convertible bond C	1,282	125,899	(7,131)	-	-	120,050	-	120,050	-	120,050
Equity component of convertible bond F	-	-	20,289	-	-	20,289	-	20,289	-	20,289
Amount attributed to Perpetual notes investors	-	-	-	-	-	-	(14,293)	(14,293)	-	(14,293)
Issuance of Perpetual notes	-	-	-	-	-	-	188,400	188,400	-	188,400
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	-	1,708	1,708	-	1,708	11,403	13,111
Equity settled share-based payment	-	-	-	553	-	553	-	553	-	553
Dividend distribution	-	(38,447)	-	-	-	(38,447)	-	(38,447)	-	(38,447)
<b>Balance as at September 30, 2016 (Unaudited)</b>	<b>15,379</b>	<b>670,362</b>	<b>20,289</b>	<b>22,705</b>	<b>1,333,492</b>	<b>2,062,227</b>	<b>666,667</b>	<b>2,728,894</b>	<b>228,404</b>	<b>2,957,298</b>

INTERIM CONSOLIDATED CHANGES IN EQUITY



Attributable to the owners of the Company

€'000	Share capital	Share Premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total	Equity attributable to Perpetual notes investors	Total Equity attributable to the owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
<b>Balance as at December 31, 2014 (Audited)</b>	<b>11,854</b>	<b>335,171</b>	<b>7,841</b>	<b>14,382</b>	<b>581,666</b>	<b>950,914</b>	-	<b>950,914</b>	<b>90,736</b>	<b>1,041,650</b>
Profit for the period	-	-	-	-	253,952	253,952	9,586	263,538	22,514	286,052
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	<b>253,952</b>	<b>253,952</b>	<b>9,586</b>	<b>263,538</b>	<b>22,514</b>	<b>286,052</b>
Issuance of ordinary shares	981	153,795	-	-	-	154,776	-	154,776	-	154,776
Issuance of shares related to conversion of convertible bond C	1,012	94,550	(493)	-	-	95,069	-	95,069	-	95,069
Issuance of Perpetual notes	-	-	-	-	-	-	480,079	480,079	-	480,079
Issuance of financial instrument	-	-	-	7,017	-	7,017	-	7,017	-	7,017
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	-	-	-	-	-	10,203	10,203
Equity settled share-based payment	-	-	-	490	-	490	-	490	-	490
Dividend distribution	-	(*) (24,333)	-	-	(*) -	(24,333)	-	(24,333)	-	(24,333)
<b>Balance as at September 30, 2015 (Unaudited)</b>	<b>13,847</b>	<b>(*) 559,183</b>	<b>7,348</b>	<b>21,889</b>	<b>(*) 835,618</b>	<b>1,437,885</b>	<b>489,665</b>	<b>1,927,550</b>	<b>123,453</b>	<b>2,051,003</b>

(\*) Reclassified.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS



Leipzig





	Note	For the nine months ended September 30,	
		2016	2015
		€'000	
<b>Cash flows from operating activities:</b>			
Profit for the period		495,340	286,052
Adjustments for the profit:			
Depreciation and amortization		1,519	960
Profit from business combinations, other income and sale of investments	4	(40,788)	(50,837)
Change in fair value of investment property	5	(423,049)	(181,596)
Share of profit from investments in equity accounted investees		(86)	-
Net finance expenses		36,974	21,377
Tax and deferred tax expenses	6	96,776	45,660
Equity settled share-based payment		553	490
		<b>167,239</b>	<b>122,106</b>
Changes in:			
Inventories – Trading property		3,366	(385)
Trade and other receivables		(77,089)	(74,377)
Trade and other payables		71,985	75,051
Provisions for other liabilities and charges		43	2,790
		<b>165,544</b>	<b>125,185</b>
Taxes paid		(14,489)	(12,623)
<b>Net cash provided by operating activities</b>		<b>151,055</b>	<b>112,562</b>
<b>Cash flows from investing activities</b>			
Acquisition of equipment and intangible assets, net		(2,682)	(3,302)
Investments and acquisitions of investment property, capex and advances paid, net		(251,723)	(329,374)
Acquisition of investees and loans, net of cash acquired		(236,910)	(400,526)
Disposal of subsidiaries, net of cash disposed		39,961	60,013
Investment in trade securities and other financial assets		(66,582)	(259,918)
<b>Net cash used in investing activities</b>		<b>(517,936)</b>	<b>(933,107)</b>

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)



For the nine months  
ended September 30,

		2016	2015
	Note	€'000	
<b>Cash flows from financing activities</b>			
Amortization of loans from financial institutions		(8,805)	(7,756)
Proceeds (repayments) from (of) loans from financial institutions, net		99,336	(31,635)
Proceeds from Convertible bonds, net	7F	444,868	-
Proceeds from Straight bonds, net		-	516,624
Proceeds (payment) from (to) Perpetual notes investors, net		171,405	480,079
Proceeds from issuance of ordinary shares and financial instrument, net		-	161,793
Acquisition of Straight bond CHF		(2,595)	-
Transactions with non-controlling interests		(3,335)	538
Dividend distributed to the shareholders		(38,447)	(24,333)
Interest and other financial expenses, net		(32,865)	(21,275)
<b>Net cash provided by financing activities</b>		<b>629,562</b>	<b>1,074,035</b>
<b>Net increase in cash and cash equivalents</b>		<b>262,681</b>	<b>253,490</b>
Cash and cash equivalents at the beginning of the period		236,001	270,131
<b>Cash and cash equivalents at the end of the period</b>		<b>498,682</b>	<b>523,621</b>





Dortmund



# CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016



# 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 nine months ended September 30, 2016 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

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. As at the reporting date, the issued and fully paid share capital consists 153,788,883 shares with a par value of euro 0.1 per share.

## (D) GROUP RATING

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
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 nine months ended on September 30, 2016

## 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, 2015. These condensed interim consolidated 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, 2015, 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 November 17, 2016.

### (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, 2015.

### (C) OPERATING SEGMENTS

The Group meets the definition of operating in two operating segments. 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.

The main operating segment is rental income relates to owned investment properties. The second operating segment relates to services charges to third parties (e.g. property management). The results from this segment is minor and does not meet the threshold to show as a separate reporting segment, therefore only one reporting segment is presented.

### (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 accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended on December 31, 2015. The following standards have been issued but are not yet effective for annual periods beginning on January 1, 2016. Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards.

#### (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 comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customers Loyalty Programs. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Group has considered the above new 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.



# 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 234.7 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 40.6 million and non-controlling interests at the amount of euro 17.8 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 10 million and euro 996 thousand, respectively.

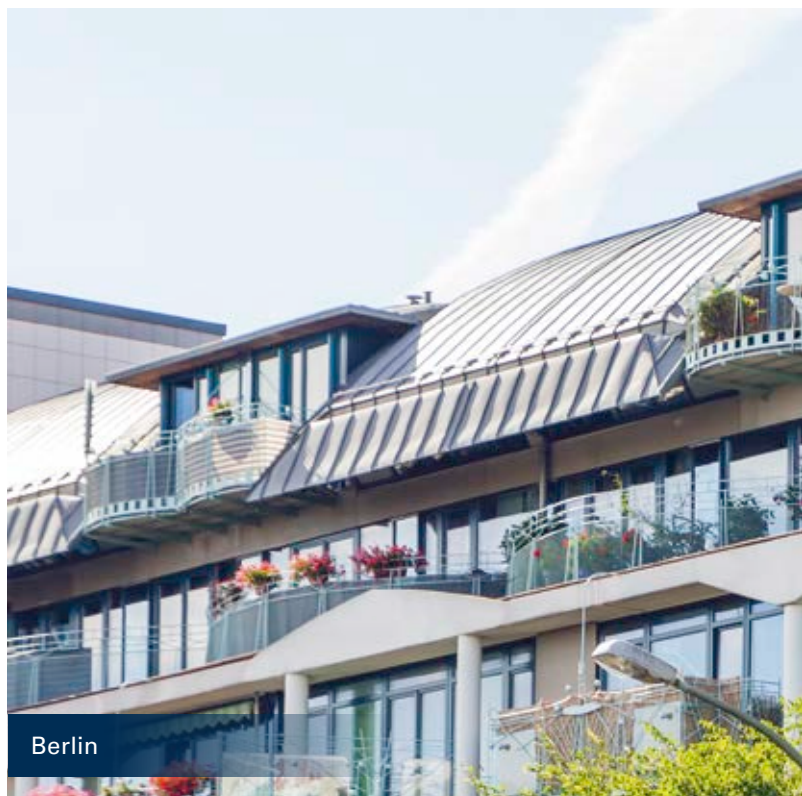
The aggregated identifiable assets and liabilities acquired as at the date of each transaction are as follows:

	€'000
Investment property	354,767
Working capital, net	12,450
Cash and Cash equivalents	3,058
	370,275
Working capital, net	(48,930)
Bank loans	(25,205)
Other liabilities, net	(74,135)
<b>Total identifiable net assets</b>	<b>296,140</b>
Non-controlling interests arising from initial consolidation	(17,762)
Consideration paid	(237,753)
Profit arising from business combination (bargain purchase)	40,625

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 7.9 million, and the Group's net profit would have been increased by euro 1.2 million.

## (B) DISPOSALS

During the reporting period, the Group sold several non-core properties (through share deals) based on value of euro 98.2 million. The Group recorded capital gain in amount of euro 163 thousands as part of the consolidated statement of comprehensive income.







## 5. INVESTMENT PROPERTY

	Nine months ended September 30	Year ended December 31
	<b>2016</b>	2015
	Unaudited	Audited
	€'000	
Balance as at January 1	3,845,979	2,179,982
Acquisitions of investment property during the period / year	169,172	409,912
Investment property arising from initial consolidation	354,767	1,138,494
Disposal of investment property	(98,240)	(101,720)
Transfer to Inventories – trading property	-	(5,120)
Fair value adjustment	423,049	224,431
Balance as at September 30 / December 31	4,694,727	3,845,979

## 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.

The Group tax and deferred tax expenses for the nine months ended September 30, 2016, is euro 96,776 thousand (2015: euro 45,660 thousand). The Company recorded euro 9,989 thousand for corporation tax (2015: euro 7,709 thousand), euro 76,298 thousand for deferred tax and euro 10,489 thousand for property tax (2015: euro 30,223 thousand and euro 7,728 thousand, respectively).



## 7. LOANS AND BORROWINGS, CONVERTIBLE AND STRAIGHT BONDS

### A. COMPOSITION

	Note	September 30	December 31
		2016	2015
		Unaudited	Audited
		€'000	
<b>Long - term loans</b>			
Loans and borrowings		936,694	792,224
<b>Total long - term loans</b>		<b>936,694</b>	<b>792,224</b>
<b>Straight and Convertible bonds</b>			
Convertible bond series C	B	-	122,576
Straight bond series D	C	481,535	479,032
Straight bond E	D	518,834	516,517
Straight bond CHF	E	47,527	49,864
Convertible bond series F	F	426,960	-
<b>Total Straight and Convertible bonds</b>		<b>1,474,856</b>	<b>1,167,989</b>
<b>Short - term loans</b>			
Loans and borrowings		13,921	19,998
Loan redemption		31,698	34,678
<b>Total short - term loans</b>		<b>45,619</b>	<b>54,676</b>



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

## B. 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 (hereafter – “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 reflected 111.25% of their principal amount. The total aggregated principal amount of the Convertible bond series C increased to euro 275 million (nominal value).

On June 25, 2015, as a result of the resolved dividend distribution (see note 8) and in accordance with the terms and conditions of the bond, the Company adjusted the conversion price for the Convertible bond series C to be euro 9.5957 per share.

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 C (hereafter – “Convertible bond”) in accordance with the terms and conditions of the Convertible bond. As of the resolution day, the principle amount of the Convertible bond which has been converted and/or redeemed is 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 results a decrease of debt in the same amount. As a result, the equity of the company increase 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.

	Nine months ended September 30	Year ended December 31
	<b>2016</b>	2015
	Unaudited	Audited
€'000		
Balance at the beginning of the period / year	125,683	247,451
Expenses (income) for the period / year	(3,063)	583
Expenses paid	-	(3,433)
Conversion to ordinary shares and redemption	(122,620)	(118,918)
Carrying amount of liability at the end of the period / year	-	125,683
Non-current portion of Convertible bond series C	-	122,576
Accrued interest	-	-
Total convertible bond series C	-	122,576
Deferred income	-	<b>3,107</b>



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

## 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 in a price of 95.564% of their principal amount. The offer was over-subscribed. Starting that day, series D bond is traded on the Irish stock exchange, on its regulated market.

	Nine months ended September 30,	Year ended December 31
	<b>2016</b>	2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	480,758	478,107
Issuance costs	-	(610)
Expenses for the period / year	9,996	13,261
Expenses paid	(5,000)	(10,000)
Carrying amount of liability at the end of the period / year	<u>485,754</u>	<u>480,758</u>
Non-current portion of bond series D	481,535	479,032
Accrued interest	4,219	1,726
<b>Total bond series D</b>	<u>485,754</u>	<u>480,758</u>

## 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 in 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).

	Nine months ended September 30,	Year ended December 31
	<b>2016</b>	2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	518,213	-
Proceeds from issuance of bond series E (550,000 notes at euro 100,000 par value)	-	520,860
Issuance costs	-	(5,854)
Net proceeds during the period	-	515,006
Expenses for the period	8,600	6,342
Expenses paid	(4,227)	(3,135)
Carrying amount of liability at the end of the period / year	<u>522,586</u>	<u>518,213</u>
Non-current portion of bond series E	518,834	516,517
Accrued interest	3,752	1,696
<b>Total bond series E</b>	<u>522,586</u>	<u>518,213</u>





Berlin

## 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.

	Nine months ended September 30, 2016	From July 2, 2015 until December 31, 2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / business combination (July 2, 2015)	51,029	54,582
Financial expenses (income) for the period, net	1,905	(1,058)
Expenses paid	(2,405)	(2,495)
Held in Group treasury	(2,476)	-
Carrying amount of liability at the end of the period	48,053	51,029
Non-current portion of straight bond	47,527	49,864
Accrued interest	526	1,165
Total bond	48,053	51,029

## 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 bear 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.

	Nine months ended September 30, 2016	Year ended December 31, 2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	-	-
Proceeds from issuance of Convertible bond series F (4,500 notes at euro 100,000 par value)	450,000	-
Issuance costs	(5,132)	-
Net proceeds during the period	444,868	-
Amount classified as equity component	(20,289)	-
Expenses for the period	3,032	-
Expenses paid	(563)	-
Carrying amount of liability at the end of the period / year	427,048	-
Non-current portion of Convertible bond series F	426,920	-
Accrued interest	88	-
Total convertible bond series F	427,048	-

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

## G. OTHER INFORMATION

### (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 ISSUED)

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. 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;
- f. 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
- g. 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.

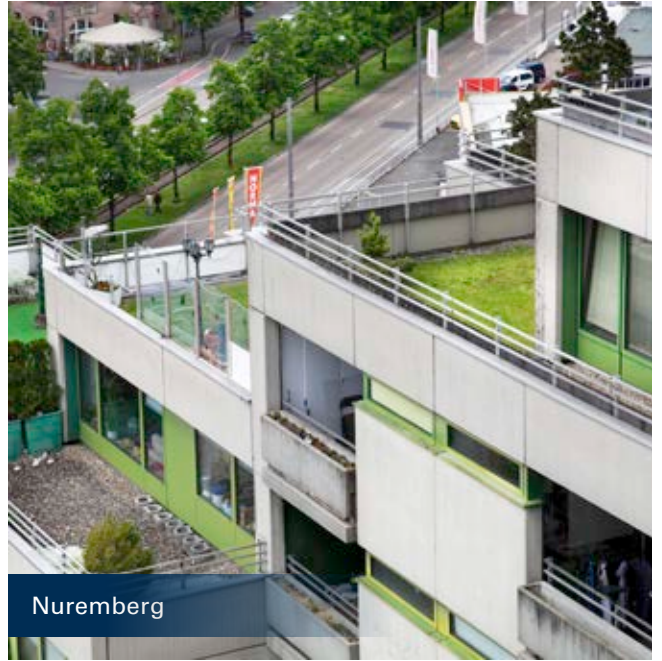
### For straight CHF bond:

- h. 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;
- i. 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;
- j. 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;
- k. The adjusted equity ratio of the Gutburg Group must not fall below 22.5% because of a Distribution.





Essen



Nuremberg



Kaiserslautern



# 8. CAPITAL AND RESERVES

## ISSUANCE OF ORDINARY SHARES

- a. On September 10, 2015 the Company received gross proceeds of euro 151 million from a capital increase against a cash contribution. A total of 9.5 million new shares were placed at an issue price of euro 15.9 as part of a private placement to institutional investors.
- b. On September 29, 2015 the Company received gross proceeds of euro 5 million from capital increase against a cash contribution. A total of 308.6 thousand new shares were placed at an issue price of euro 16.35.
- c. On September 29, 2015 the Company received gross proceeds of euro 7 million from a placement of a financial instrument – a 1.1 million call options convertible to the Company's shares (in ratio of 1:1) for an additional price of euro 17.17 per option and exercisable in the period between March 2016 to August 2021.
- d. Since the initial placement of Convertible bond series C and until September 30, 2016, a total amount of 274.8 million bonds were converted into shares. According to the convertible bond's terms, a total of 28.5 million shares were issued. (12.8 million shares were issued in 2016. See also Note 7B).

## ISSUANCE OF PERPETUAL NOTES

- a. 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.
- b. 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.
- c. 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 million 500.
- d. 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 only 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.
- e. 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. Due to dividend distribution, an amount of euro 11.8 million payable to the Perpetual notes holders has been reclassified and presented in Trade and other payables.







## 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).

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.

Share capital composition:

	<b>Nine months ended September 30, 2016</b>		Year ended December 31, 2015	
	Unaudited		Audited	
	<b>Number of shares</b>	<b>In thousands of euro</b>	Number of shares	In thousands of euro
<b>Authorized</b>				
Ordinary shares of euro 0.10 each	400,000,000	40,000	200,000,000	20,000
<b>Issued and fully paid</b>				
Balance at the beginning of the period/year	140,970,655	14,097	118,541,449	11,854
Exercise of Convertible bond series C into shares	12,818,228	1,282	12,620,565	1,262
Issuance of new ordinary shares	-	-	9,808,641	981
Balance at the end of the period/year	153,788,883	15,379	140,970,655	14,097

## 9. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

### (i) Loans from associated undertakings

	September 30	December 31
	<b>2016</b>	2015
	Unaudited	Audited
	€'000	
Other associate undertakings	-	54

### (ii) Interest on loans from related parties

	For the nine months ended September 30,	
	2016	2015
	€'000	
Interest expenses	-	40

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).

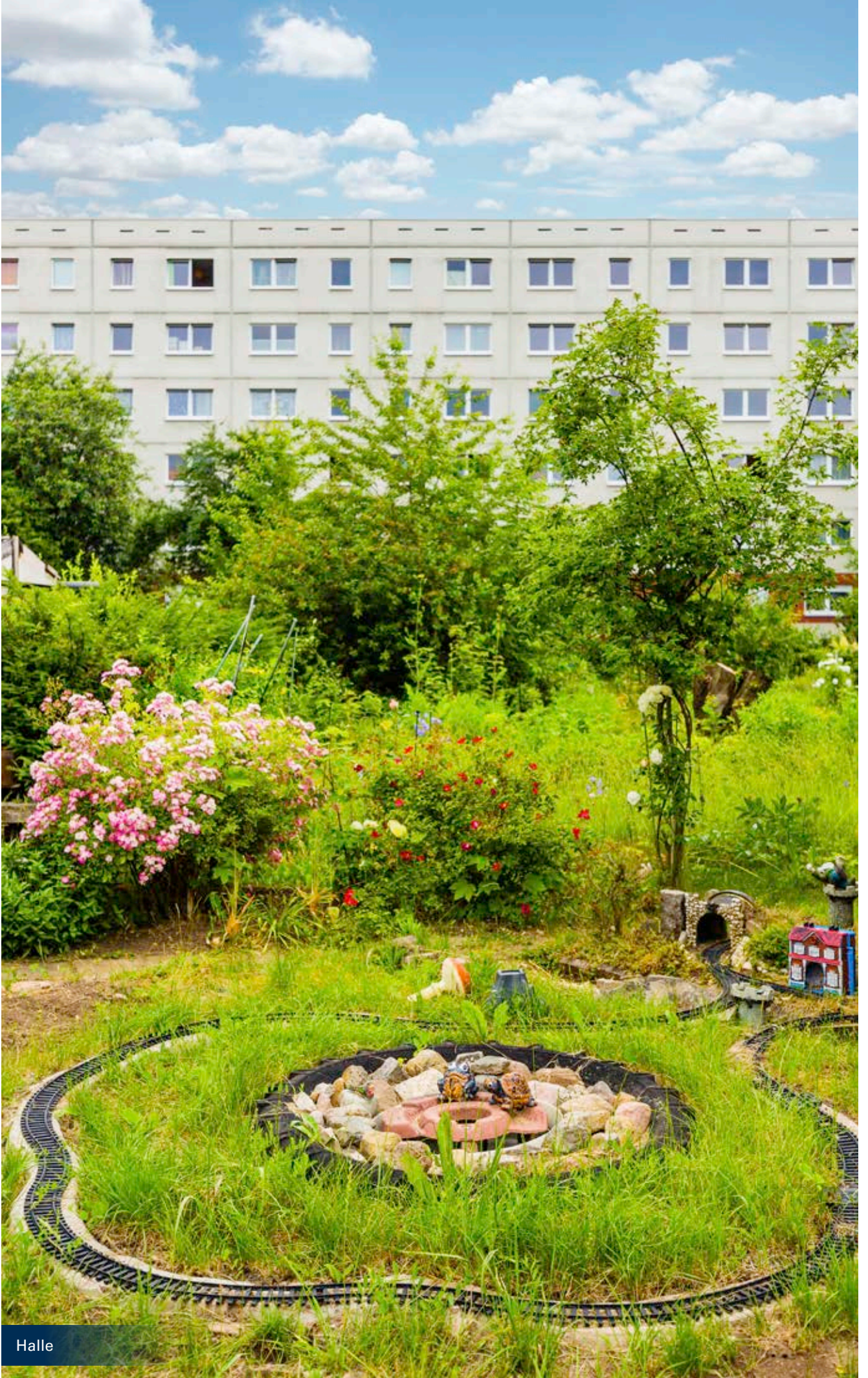
**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	€'000			
<b>September 30, 2016 (Unaudited)</b>				
Traded securities at fair value through profit or loss	144,868	-	-	144,868
<b>Total assets</b>		-	-	<b>144,868</b>
Derivative financial instruments (a)	-	12,415	-	12,415
<b>Total liabilities</b>	-	<b>12,415</b>	-	<b>12,415</b>
<b>December 31, 2015 (Audited)</b>				
Traded securities at fair value through profit or loss	152,924	-	-	152,924
<b>Total assets</b>	<b>152,924</b>	-	-	<b>152,924</b>
Derivative financial instruments (a)	-	6,995	-	6,995
<b>Total liabilities</b>	-	<b>6,995</b>	-	<b>6,995</b>

(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.





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## 11. COMMITMENTS

The Group had no significant commitments as at September 30, 2016.

## 12. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at September 30, 2016

## 13. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the balance sheet date.



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