GCP

2021

CONSOLIDATED ANNUAL REPORT

For the year ended 31 December

Leipzig

CONTENTS

Board of Directors' report	2
EPRA Performance Measures	60
Alternative Performance Measures	68
Report of the Rèviseur d'Enterprises Agréé (Independent Auditor)	76
Consolidated financial statements	
Consolidated statement of profit or loss	80
Consolidated statement of comprehensive income	81
Consolidated statement of financial position	82
Consolidated statement of changes in equity	84
Consolidated statement of cash flows	86
Notes to the consolidated financial statements	88

IMPRINT

Publisher: Grand City Properties S.A. | 1, Avenue du Bois | L-1251 Luxembourg
phone: +352 28 77 87 86 | **e-mail:** info@grandcity.lu | www.grandcityproperties.com

KEY FINANCIALS

BALANCE SHEET HIGHLIGHTS

in €'000 unless otherwise indicated	Dec 2021	Dec 2020	Dec 2019
Total Assets	11,561,992	10,865,780	9,851,428
Investment Property	9,339,489	8,022,351[1]	7,971,744[1]
Total Equity	5,802,586[2]	5,554,928	4,966,599
Loan-to-Value	36%	31%	33%
Equity Ratio	50%[2]	51%	50%

1. including inventories - trading properties
2. During the year the Company bought back its shares in amount of approx. €270 million

OPERATIONAL HIGHLIGHTS

in €'000 unless otherwise indicated	2021	Change	2020
Net Rental Income	374,550	1%	372,462
Adjusted EBITDA	298,589	0%	299,780
FFO I	186,326	2%	182,206
FFO I per share (in €)	1.11	4%	1.07
EBITDA	994,223	54%	645,197
Profit for the year	617,089	37%	449,071
EPS (basic) (in €)	3.12	46%	2.13
EPS (diluted) (in €)	2.90	44%	2.01

	2021[1]	Change	2020
Dividend per share (in €)	0.8340[2]	1%	0.8232

1. 2021 Dividend is subject to AGM approval and based on a pay-out policy of 75% of FFO I per share
2. reflecting a dividend yield of 4.1%, based on a share price of €20.2

EPRA PERFORMANCE MEASURES

In €'000 unless otherwise indicated	2021	2020
EPRA NRV	5,228,882	4,775,679
EPRA NRV per share (in €)	31.7	27.8
EPRA NTA	5,020,190	4,566,426
EPRA NTA per share (in €)	30.4	26.5
EPRA NDV	3,853,263	3,451,717
EPRA NDV per share (in €)	23.3	20.1
EPRA Earnings	173,884	182,657
EPRA Earnings per share (in €)	1.04	1.08
EPRA Net initial yield (NIY)	3.2%	3.5%
EPRA "topped-up" NIY	3.2%	3.5%
EPRA Vacancy	5.1%	6.2%
EPRA Cost Ratio (incl. direct vacancy costs)	21.4%	20.2%
EPRA Cost Ratio (excl. direct vacancy costs)	19.5%	17.9%

London

HIGHLIGHTS

STRONG OPERATIONAL PERFORMANCE, SUPPORTED BY ACCRETIVE CAPITAL RECYCLING

+2.2%
L-F-L
In-place rent growth
Dec 2021

+2.8%
L-F-L
Total net rent growth
Dec 2021

+0.6%
L-F-L
Occupancy growth
Dec 2021

2021 ACQUISITIONS*

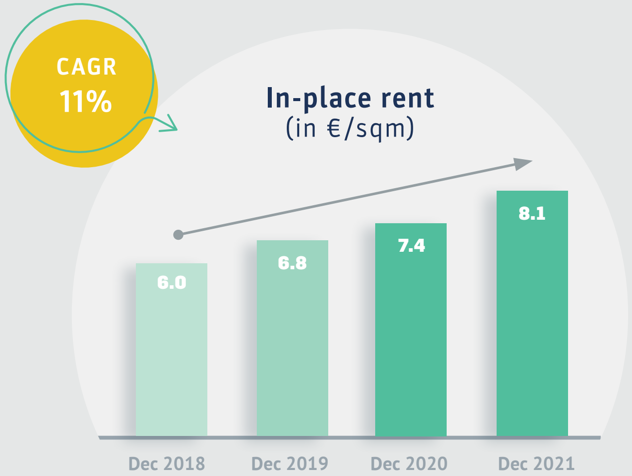
Acquiring quality, stable assets

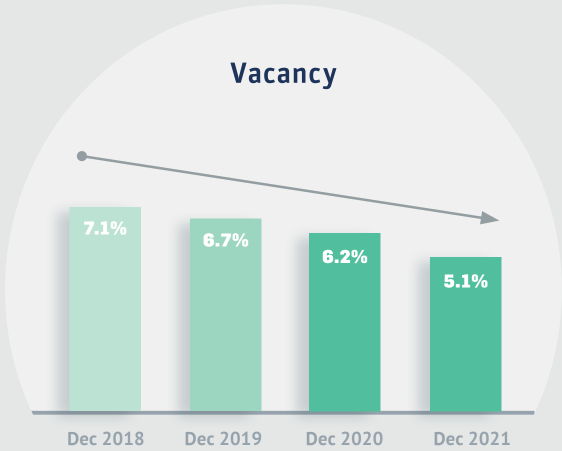
Over €700 million

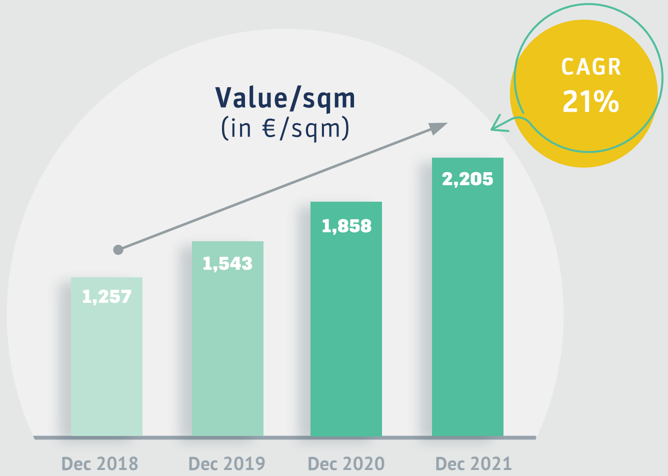
2021 DISPOSALS

Disposing non-core properties above book value

Approx. €360 million







* including the full impact of acquiring a controlling stake in an existing investee and consolidating a portfolio of approx. €280 million, previously held as an equity investee

CONTINUED OPTIMIZATION OF FINANCIAL PROFILE THROUGH PROACTIVE DEBT MANAGEMENT

Total Debt Repayments of

over €1.1 billion

Largest issuance

€1 billion

bond due 2028 at a record low coupon of 0.125%

Reduced cost of debt

1%

from **1.3%** DEC 2020

Long average debt maturity

6 years

ICR

6.4x 2021

5.7x 2020

CREDIT RATING WITH STABLE OUTLOOK AND STRATEGIC GOAL FOR FURTHER IMPROVEMENT

S & P

BBB+ → A-

LOW LEVERAGE (LOAN-TO-VALUE)

36%

WELL BELOW 45% BOARD OF DIRECTORS' LIMIT

UNENCUMBERED ASSETS

€8.4 BN

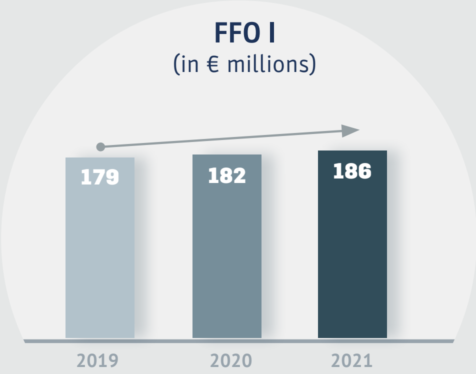
88% of value

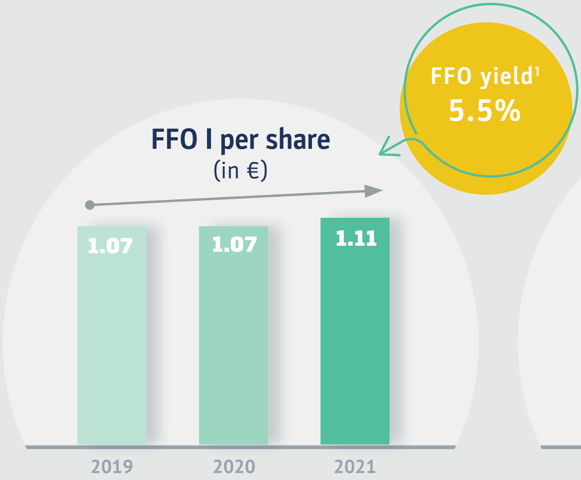
EQUITY RATIO

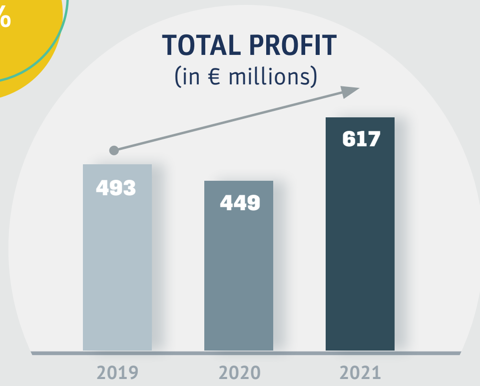
50%

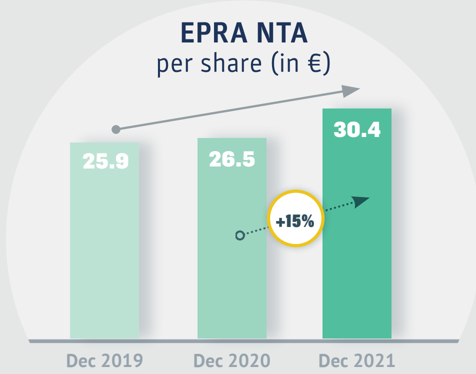
HIGHLIGHTS

RESULTING IN STRONG RECURRING PROFITS AND SHAREHOLDER VALUE CREATION

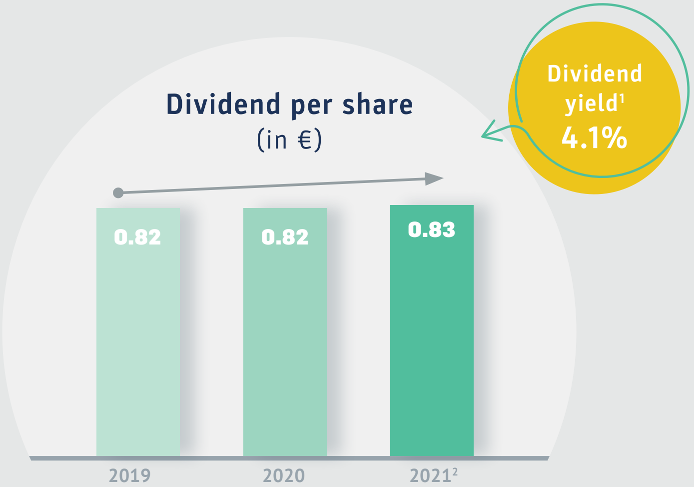








RETURNING VALUE TO SHAREHOLDERS



SHARE BUYBACK 2021

€270 million

7% OF SHARE CAPITAL

1. based on a share price of €20.2
2. 2021 dividend is subject to AGM approval and based on a payout policy of 75% of FFO I per share

Cologne

LETTER OF THE MANAGEMENT BOARD

Dear Stakeholders,

Looking back at 2021, GCP continued enhancing its platform and increasing the digitization of its processes. This has allowed our operational teams to create a fully digital process for tenants, from signing leases to service requests, which both serve to improve the efficiency of the Company while at the same time increasing tenant satisfaction and safeguarding the health of our tenants and employees. Simultaneously, we have been able to maintain our full operational functionality during times of prolonged lockdowns thanks to the strong commitment of our employees, partners and improvements to our IT infrastructure.

Social responsibility has been and continues to be a core component of how we operate. In 2021 we launched our GCP loyalty program which allows tenants to gather points, for example for each continued year of their contract's duration, by paying rent in a timely fashion, or through participation in various activities and programs, such as by signing a green electricity contract. The points gathered by tenants can be used as credit on the tenant's rent payment, or they can be exchanged for gift cards. Through the program we can enhance our tenant satisfaction while at the same time promoting behaviour that has a positive impact. Maintaining the high quality of our tenant service remained important to us. The hard work of our service team was awarded in 2021, when our TÜV certified Service Center, which is available 24/7, was recognized as "Fairest Customer Hotline" by Focus Money magazine in October of 2021. GCP has also continued its support of local initiatives and organizations, both directly and through the GCP foundation. We supported a wide variety of local initiatives, such as providing funds that allowed a local school for children with physical and mental disabilities near Cologne to purchase tablets which strongly benefit the children as both educational tools as well as in their everyday lives. GCP also contributed in various ways to support the victims of the 2021 floods in North Rhine-Westphalia. As part of the social days several employees supported in clean-up works in Ahrtal. At the same time, funds were provided to a local organisation which organized the distribution of food, clothing, and medicine to victims of the floods. During the year we undertook several investment projects aimed at improving the quality of our offering to tenants. These projects include the addition of new balconies in several locations, painting of facades, installing new and upgrading playgrounds as well as adding parking spaces. We added elevators to several properties, improving the accessibility of these properties. Our long-standing commitment to our tenants and the local communities is also reflected in the many social activities that we do on a continues basis and have mentioned in previous years, such as events related to the Christmas period and the annual summer parties, where we provide our local communities with a variety of fun activities that enhance the sense of community and improve tenant wellbeing. This year activities took place in person when the situation allowed it while during periods of pandemic related restrictions, digital events were organized by our teams instead, such as a digital easter egg hunt and GCP's digital advent calendar, which allowed tenants to participate in events in a safe manner. Furthermore, we have continued our support and sponsorship of local youth sports teams which we believe has a strong positive impact on the local communities and teaches the next generations important skills.

As a part of our ESG strategy, we have set a target to reduce our CO_2 emissions by 40% by 2030. Throughout the year we have continued investing in the energy efficiency of our portfolio, replacing heating systems, insulating facades and installing energy efficient windows, among others. In 2021 we have identified several modernization projects within our portfolio, which we plan to execute in 2022. In addition, we continued switching energy contracts to renewable or climate-neutral energy sources. While GCP does not directly control the energy consumption of our tenants, we continued projects that provide tenants with information and incentives to lower their own consumption of energy or switch to more renewable sources of energy such as through the GCP loyalty program and in cooperation with local partners, and thereby reduce overall emissions. Throughout the year, we also made further improvements to our governance policies, for example by further enhancing our IT systems and data security and bringing our Information Security System to the international standard ISO 27001.

In 2021, German residential was in the focus of political discussion and played a key topic for the federal elections in Germany in September 2021. In April 2021, The Berlin rent cap law was deemed unconstitutional by the German constitutional court, and the impacts of the rent cap have reverted to the situation before the law was enacted. We expect the Berlin government to support new construction and supply in the market, which shall provide relief to the city's housing shortage. On Germany's federal level, the new coalition is introducing constructive measures. Policies are to be focussed on increasing supply, decreasing and streamlining bureaucratic hurdles, which we see as supportive and beneficial for nearly all stakeholders. Regarding other relevant policies, like those related to migration, we expect these to result in continued demand growth over the coming years.

While the coronavirus pandemic had significant impacts on society and the economy, the residential real estate market proved its resilience, with strong underlying trends remaining unbroken, driving continued strong demand for affordable housing. This we see reflected in the very strong performance across our portfolio in 2021, with vacancy within the portfolio further down to 5.1% as of December 2021, the lowest level for GCP on record and a continuous strong rental performance with the like-for-like rental growth increasing by 2.8%. These strong and stable yields resulted in very strong and competitive investment markets which allowed us to execute further capital recycling measures and further increase the quality of the portfolio. We disposed approx. €360 million of mainly non-core and mature properties in the year while acquiring over €700 million of higher quality properties. Acquisitions were primarily in strong locations such as London, Berlin, Dresden, Munich and NRW, while the disposed properties were situated mostly in eastern German cities and secondary cities in NRW, and additionally included building rights. The continued capital recycling along with the strong performance of the portfolio have resulted in further increases in the value per sqm, which increased by 19% compared to December 2020, reaching €2,205/sqm. As mentioned before, during 2021 we continued investing in the portfolio, for example by upgrading facades and installing elevators in properties, significantly increasing the quality and value proposition for tenants. Furthermore, our teams identified several modernization projects throughout the portfolio. While no material works were done in 2021, we already started some of the projects in 2022, which will drive further value creation in the coming periods. The diversification of the portfolio once again played a key role in its performance, with performance in different regions driven by their unique mixes of economic, demographic and regulatory fundamentals. During the year, we saw strong performances across our portfolio, specifically in NRW, Berlin, Leipzig, Dresden and London. The London portfolio showed a significant decrease in vacancy from 8.6% in December 2020 to 5.8% within 12 months as the city quickly rebounded from the impacts of the pandemic. The London portfolio is a well-diversified portfolio, primarily in good middle-class neighbourhoods and includes a mix of newly built or converted apartments and social housing that are well connected to public transportation. We have grown our London portfolio into a scalable platform through dozens of accretive acquisitions, which accounts for 19% of the portfolio as of December 2021. We see the strong demographic trends in London continuing, driving sustainable increased demand. Our London portfolio adds diversification to our German portfolio which both have different economic drivers which we will continue leveraging.

Throughout 2021, GCP undertook several refinancing activities which further boosted the Company's debt metrics. In January, we issued our Series X straight bond at an issue volume of €1 billion, our largest issuance to date and at a record low coupon for the Company of 0.125%. During 2021, we repaid over €1.1 billion of debt. As a result, our average cost of debt has reduced to 1% as at December 2021, compared to 1.3% as at December 2020. The lower cost of debt is also reflected in our higher interest coverage, with an ICR of 6.4x, compared to 5.7x in 2020. As a result of these activities, GCP has been able to maintain a well-balanced maturity schedule with a long average maturity of 6 years and no material near term maturities aside from the Series F convertible, which has been redeemed earlier this month. In line with the conservative debt profile strategy, the strong balance sheet was maintained with a low leverage of 36% and a high unencumbered asset ratio of 88%, reflecting €8.4bn worth of properties. Our BBB+ credit rating by S&P was once more confirmed in December 2021.

In 2021, we recorded a 2% increase in FFO I to €186 million compared to the previous year. FFO II, which takes into account the profit on property disposals, amounted to €288 million. The proceeds of the disposals were partially channelled into share buybacks, and as a result our FFO I per share increased by 4% to €1.11, in line with the guidance. As our dividend policy is tied to the FFO I per share with a 75% payout ratio, the expected dividend for 2021 results in €0.83. The Company's performance further resulted in strong revaluation and capital gains of €695 million, driving total profit of €617 million, reflecting €3.12 earnings per share. As a result of the strong performance, GCP's EPRA NTA increased to €5 billion, or €30.4 per share, with the growth slightly offset by the 2020 dividend of €0.82 per share which was paid in 2021.

We thank you once more for your continued trust in GCP. We especially would like to thank our employees, thanks to whom we have been able to operate and provide the high service quality that our tenants expect from us without disruption, despite restrictions. We remain confident in our ability and the ability of our employees to continue to drive performance and create sustainable value for all stakeholders in the coming year.

Luxembourg, March 16, 2022

Christian Windfuhr
Chairman and member of the Board of Directors

Simone Runge-Brandner
Member of the Board of Directors

Daniel Malkin
Member of the Board of Directors

Refael Zamir
CEO

At GCP sustainable business practices are firmly embedded in our organisation's structure and business strategy

Chairman of the Board of Directors,
Christian Windfuhr

GCP's Sustainable Business Strategy affirms the positive contribution we can make to tackling global challenges such as the climate emergency, while safeguarding the wellbeing of our tenants and supporting our wider communities.

By upgrading existing buildings to ensure high standards of energy efficiency and low or zero-carbon status, we contribute to efforts limiting greenhouse gas emissions. Through the asset repositioning process, we identify and pursue interventions that directly contribute to improving the quality of life for our tenants.

Beyond this, we also create new facilities and services for wider social benefit that support better relations, better education, health and wellbeing, cohesiveness and social opportunity in the communities where we are present.

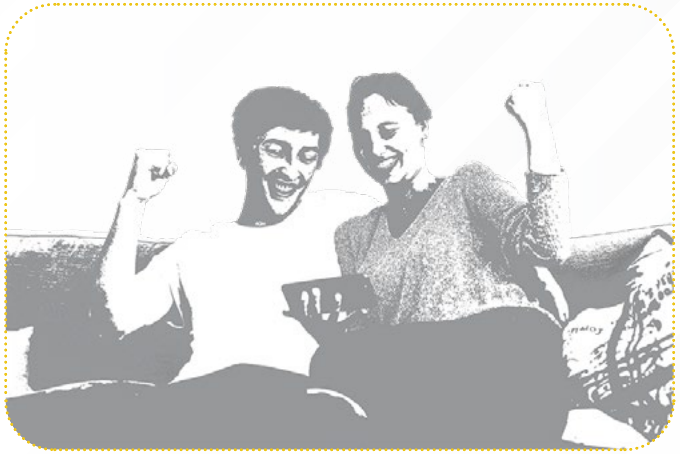
This approach is good for business. Our sustainability commitment aligns to our strategic aim of retaining tenants by actively fostering tenant loyalty; it helps us attract and retain investors who want to invest in long-term resilient assets and support a positive contribution to society; it supports our ambition to attract and retain talented staff who share our enthusiasm for customer care; it enables us to reduce risks relating to safety, environmental and social factors; and it reduces costs associated with resource consumption.

Across all stages of our Sustainable Business Strategy, we recognise the importance of our employees in determining company performance. We support staff to develop specialist skills and aim to provide a work environment that reinforces diversity, high levels of motivation and promotes their health and wellbeing.

The GCP loyalty program is a digital lighthouse project in the real estate world.

CEO, Refael Zamir

We already have a very high customer satisfaction rate of 97%. We want to maintain this, and at the same time continue to set the highest standards in terms of tenant service, especially in the digital area. Because we know that satisfied tenants are long-term tenants. The GCP loyalty program is a digital lighthouse project in the real estate world and at the same time a tool for us to contribute to the company's goals. That is why we have integrated the loyalty program into the service app and thus seamlessly into the digital customer journey, which already begins in the service app for prospective tenants. The idea is to give something back to tenants for their loyalty. At the same time, the loyalty program creates positive spillover effects and synergies for operational processes and also strengthens the issue of sustainability, for example. This is because the loyalty program rewards and promotes, among other things, the resource-conserving use of energy and careful handling of living space.



The well-being and health of our tenants is close to our hearts - as is that of our employees, partners and service providers.

COO, Sebastian Remmert-Faltin

For us as a company, it continues to be a matter of acting responsibly and with the right measures. And that is exactly what we are doing so that our tenants can continue to rely on our excellent tenant service. We continuously monitor all current developments, as well as official recommendations and local regulations and respond quickly, reliably and flexibly to changing circumstances, for example with online tenant consultation hours, protective equipment in our service offices, strict compliance with all rules and very good technical equipment with the highest security standards.

97% tenant satisfaction rate we reach by doing more than just answering calls – we engage with our tenants also on a personal level.

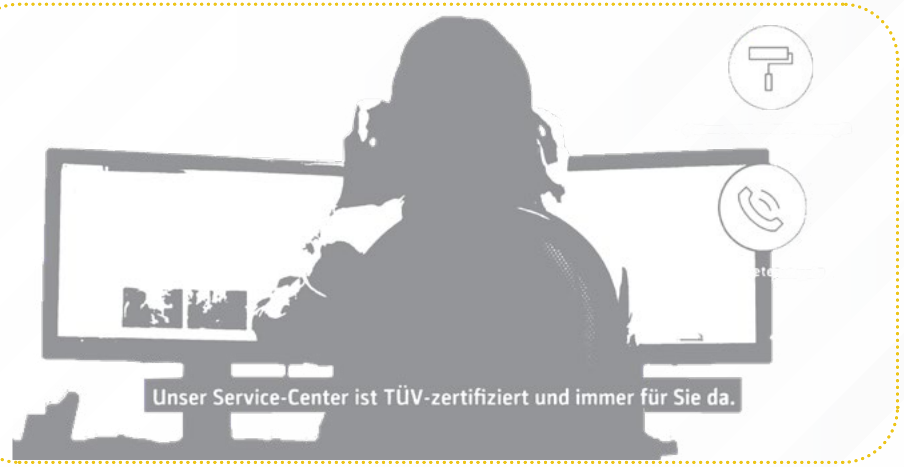
Head of Customer Care and Service Quality, Mandy Kübscholl

Highest standards across the board, far-sighted processes and our reliable personal and omni channel tenant service, which has been TÜV certified for ISO 9001:2015 and Service Quality in consecutive years. For the well-being and satisfaction of our tenants, we grow a little bit more every day, hunting the 100%. We keep up with the needs of our tenants aspiring as well to grow the digital service sector.

Faster and easier contract signing through enhanced digitalization.

Stefanie Schiemann,
Head of Rent Control

Virtual flat viewings, mobile and tablet app with flat search, digital tenant services and loyalty program for tenants: At GCP, we set the highest standards in innovative tenant services, also digitally. The new option for our customers to digitally sign rental contracts is another milestone. The integration of digital signing fits harmoniously into our comprehensive digital customer journey and is well received by our customers: Already in the first month after the go-live, 70% of our new tenants signed their lease contract via digital signature. In November, the rate was already almost 95%. The digital tenancy agreement signature therefore meets both the needs and wishes of our new tenants and at the same time contributes to sustainability and efficiency, because everyone involved saves paper, time and effort at the same time. Our internal processes also become faster and easier. Digital signing is simple, fast and efficient to use, both for us and for our customers.



THE COMPANY

Grand City Properties S.A. and its investees (the “Company”, “GCP” or the “Group”) Board of Directors (the “Board”) hereby submits the annual report as of December 31, 2021.

The figures presented in this Board of Director’s Report are based on the consolidated financial statements as of December 31, 2021, unless stated otherwise.

GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany as well as London. The Group’s portfolio, excluding assets held for sale and properties under development, as of December 2021 consists of 65k units (hereinafter “GCP portfolio” or “the Portfolio”) located in densely populated areas with a focus on North Rhine-Westphalia, Germany’s most populous federal state, Berlin, Germany’s capital, the metropolitan regions of Dresden, Leipzig and Halle and other densely populated areas as well as London.

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

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

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


Berlin

Dresden

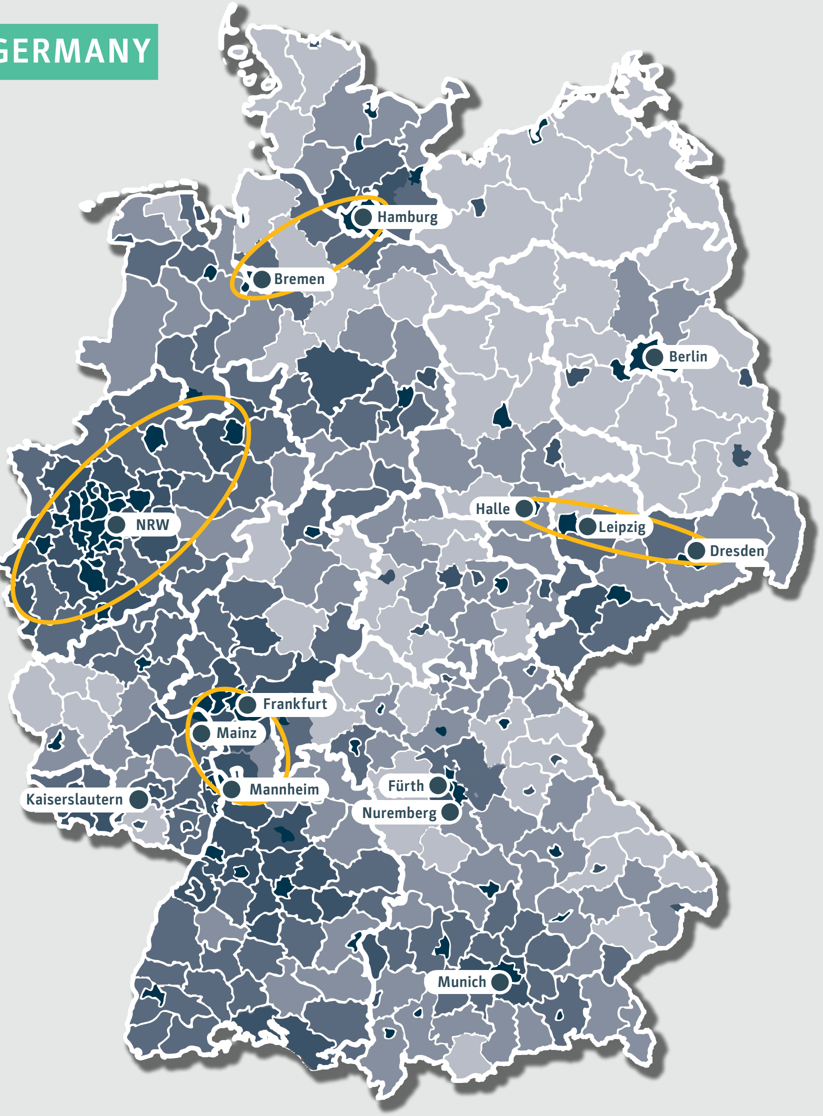
Dortmund

POPULATION DENSITY IN GERMANY

inhabitants per sqkm (2020)*

- 1000 - 4.790
- 300 - 1.000
- 150 - 300
- 100 - 150
- 36 - 100

* Based on data from Statistiches Bundesamt



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

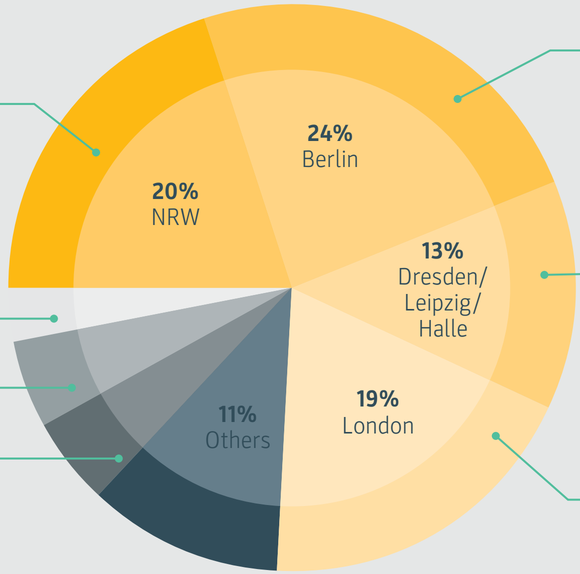
GCP's well-balanced and diversified portfolio is composed of properties in attractive micro-locations with identified value creation potential primarily located in major German cities and urban centers as well as in London.

The Group's well-allocated portfolio provides for strong geographic and tenant diversification and benefits from economies of scale, supporting the risk-averse portfolio approach. GCP's focus on densely populated areas is mirrored by 24% of the Portfolio being located in Berlin, 20% in NRW, 13% in the metropolitan region of Dresden, Leipzig and Halle, and 19% in London, four clusters with their own distinct economic drivers. The portfolio also includes additional holdings in other major urban centers with strong fundamentals such as, Nuremberg, Munich, Mannheim, Frankfurt, Hamburg and Bremen.

DIVERSIFIED PORTFOLIO WITH DISTINCT ECONOMIC DRIVERS

PORTFOLIO OVERVIEW

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



DECEMBER 2021	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,887	1,228	5.6%	88	6.1	17,941	1,537	4.7%
Berlin	2,049	578	4.2%	60	8.7	8,025	3,545	2.9%
Dresden/Leipzig/Halle	1,156	815	4.8%	52	5.5	13,997	1,418	4.5%
Mannheim/KL/Frankfurt/Mainz	467	194	3.6%	20	8.5	3,292	2,410	4.2%
Nuremberg/Fürth/Munich	278	80	7.0%	9	9.4	1,430	3,494	3.1%
Hamburg/Bremen	426	269	5.7%	20	6.6	4,051	1,584	4.7%
London	1,749	209	5.8%	78	33.5	3,901	8,355	4.4%
Others	1,021	723	4.6%	56	6.9	12,300	1,411	5.5%
Development rights and new buildings *	306							
Total	**9,339**	**4,096**	**5.1%**	**383**	**8.1**	**64,937**	**2,205**	**4.2%**

*of which pre marketed buildings in London amount to €55m

PORTFOLIO

24%
of GCP's portfolio

BERLIN - BEST IN CLASS

QUALITY LOCATIONS IN TOP TIER BERLIN NEIGHBORHOODS

70%

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

30%

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

KEY DRIVERS

Largest city by population in Germany.

Berlin is the leading start-up location in Germany, attracting high quality, global talent.

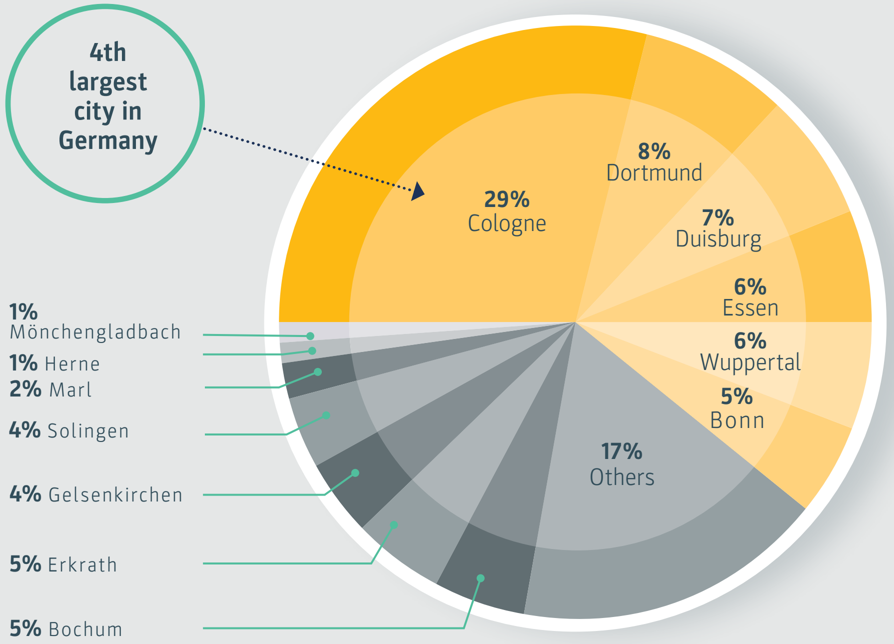
Berlin continues to have the lowest home ownership rate in Germany.

Over the last decade the number of apartments per 1,000 inhabitants reduced from 563 in 2011 to 541 in 2020.

December 2021	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annual-ised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Berlin	2,049	578	4.2%	60	8.7	8,025	3,545	2.9%

NORTH RHINE-WESTPHALIA (NRW)

WELL POSITIONED IN THE LARGEST METROPOLITAN AREA IN GERMANY



KEY DRIVERS

Both the most populous and densely populated state in Germany

Number 1 in the environmental economy across Germany.

Home to many of Germany's leading companies including around 10 DAX companies

Industrial center of Germany contributing 21% to the national GDP.

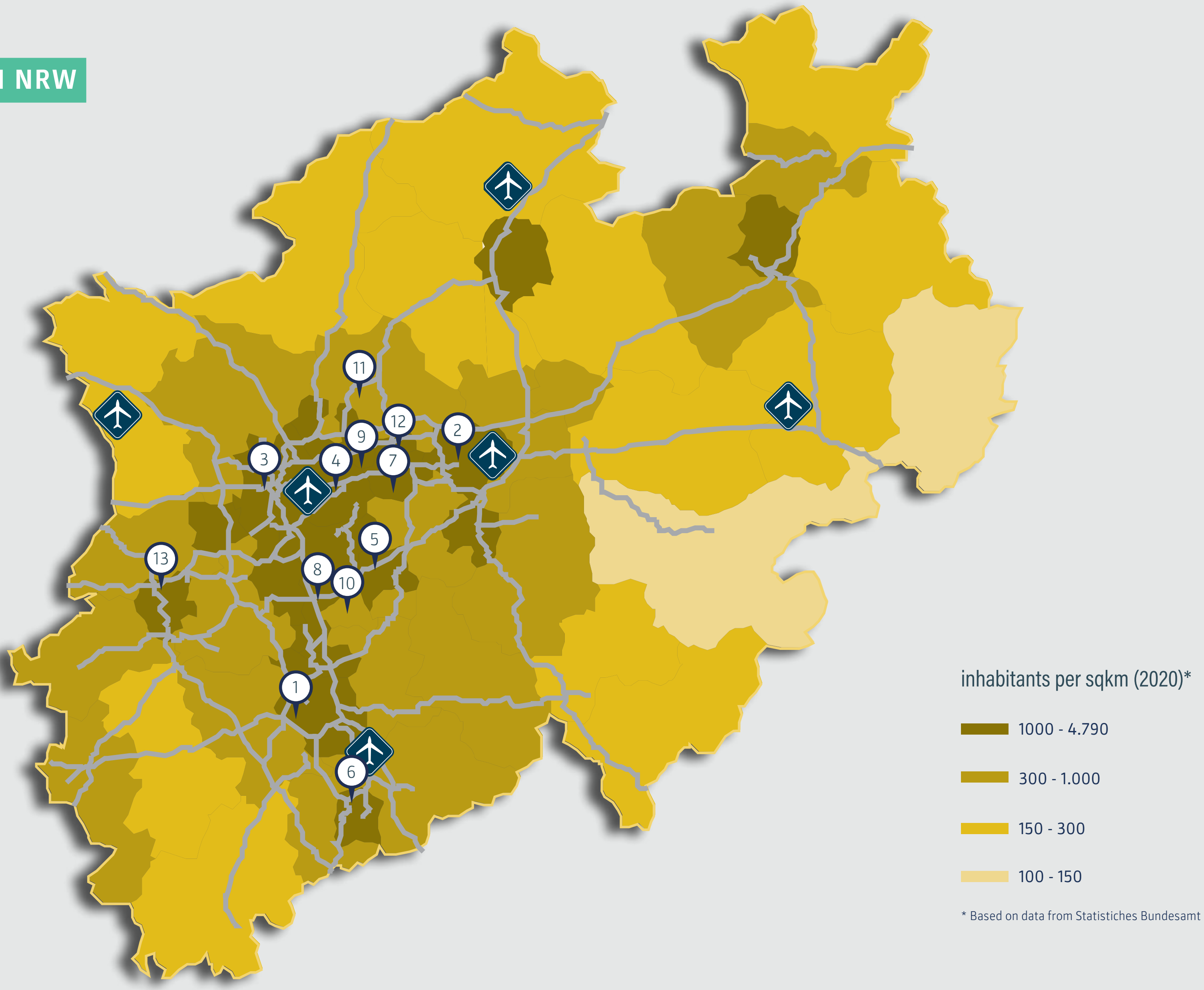
The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 29% of the NRW portfolio is located in Cologne, the largest city in NRW, 8% in Dortmund, 7% in Duisburg, 6% in Essen, 6% in Wuppertal, and 5% in Bonn.

December 2021	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	1,887	1,228	5.6%	88	6.1	17,941	1,537	4.7%

PORTFOLIO

POPULATION DENSITY IN NRW

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



19%
of GCP's portfolio

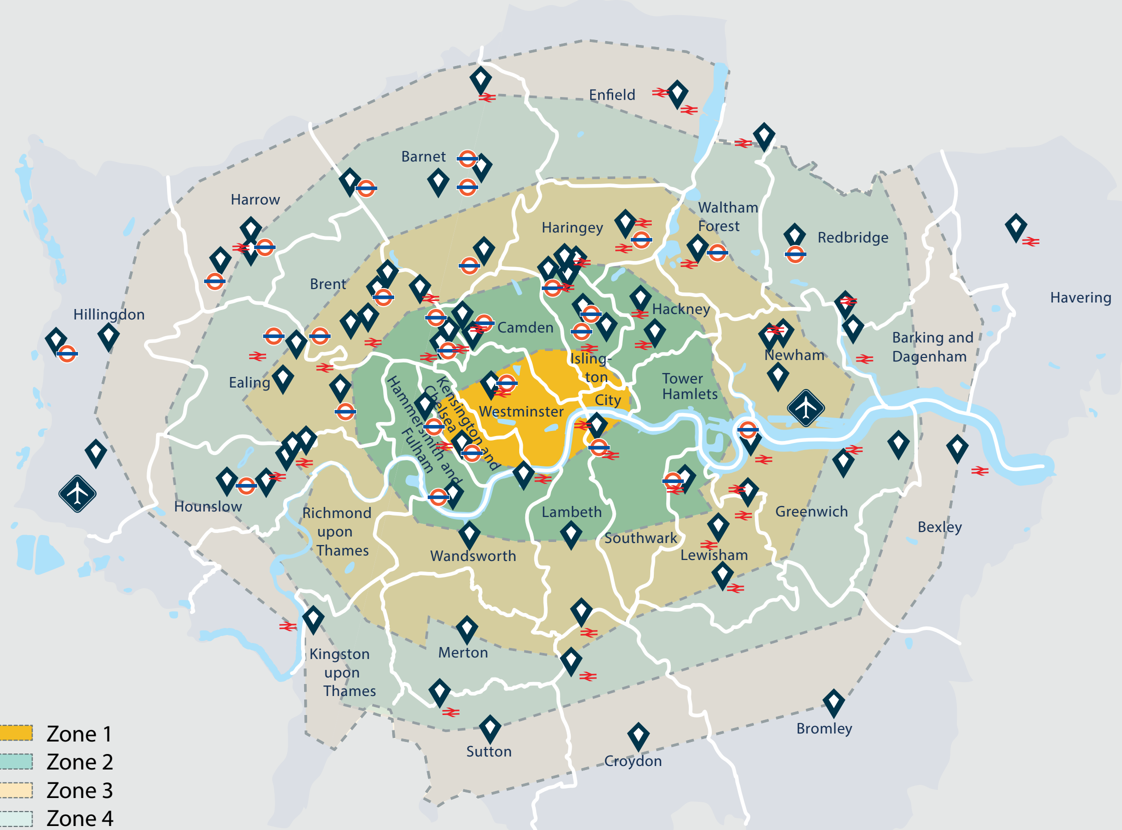
LONDON PORTOLIO

LOCATED IN STRONG MIDDLE CLASS NEIGHBORHOODS

The total London portfolio, including high quality assets, social housing as well as pre-marketed units, amounts to over 4,000 units and approx. € €1.8 billion in value.

Over 80% of the portfolio is situated within a short walking distance to an underground/overground station.

The map represents approx. 90% of the London Portfolio.



- asset location
- underground station
- overground/train station
- airport

- Zone 1
- Zone 2
- Zone 3
- Zone 4
- Zone 5
- Zone 6

December 2021	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
London*	1,749	209	5.8%	78	33.5	3,901	8,355	4.4%

*excluding pre marketed buildings in the amount of €55m

KEY DRIVERS DRIVING INCREASED LETTING DEMAND

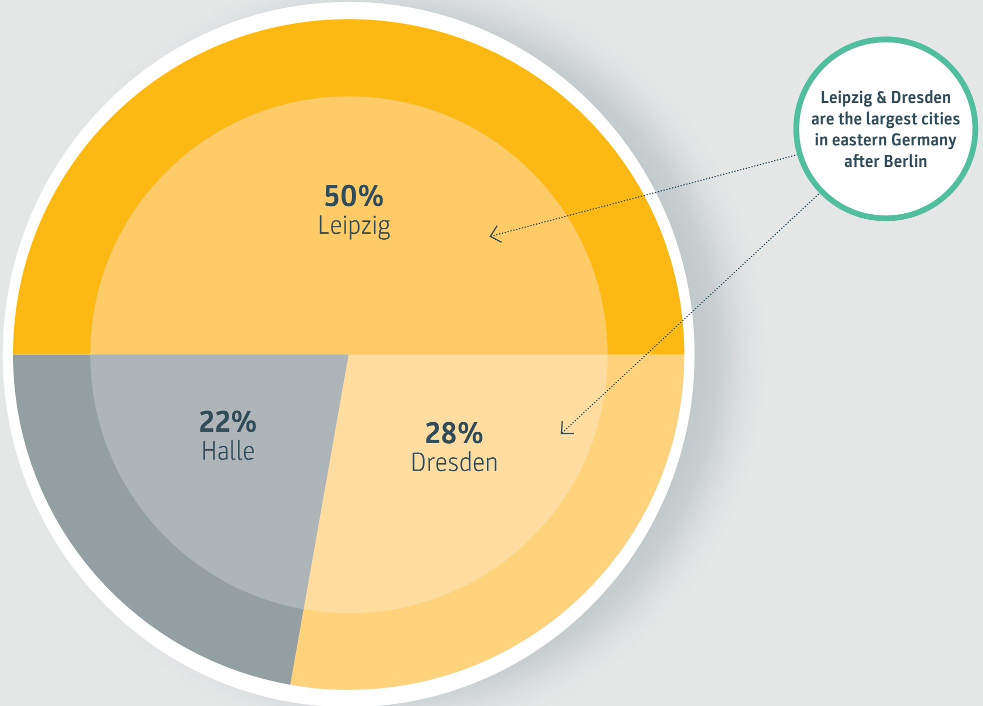
Large number of higher education universities including some of the oldest and world-famous colleges resulting in access to high quality talent.

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

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

QUALITY EAST PORTFOLIO

LOCATED IN THE GROWING AND DYNAMIC CITIES OF DRESDEN, LEIPZIG AND HALLE



December 2021	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annual-ised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Dresden/Leipzig/ Halle	1,156	815	4.8%	52	5.5	13,997	1,418	4.5%

KEY DRIVERS

Dresden is a leading hub for the technology industry in Europe, with a strong presence in semiconductors, communication technology and software development.

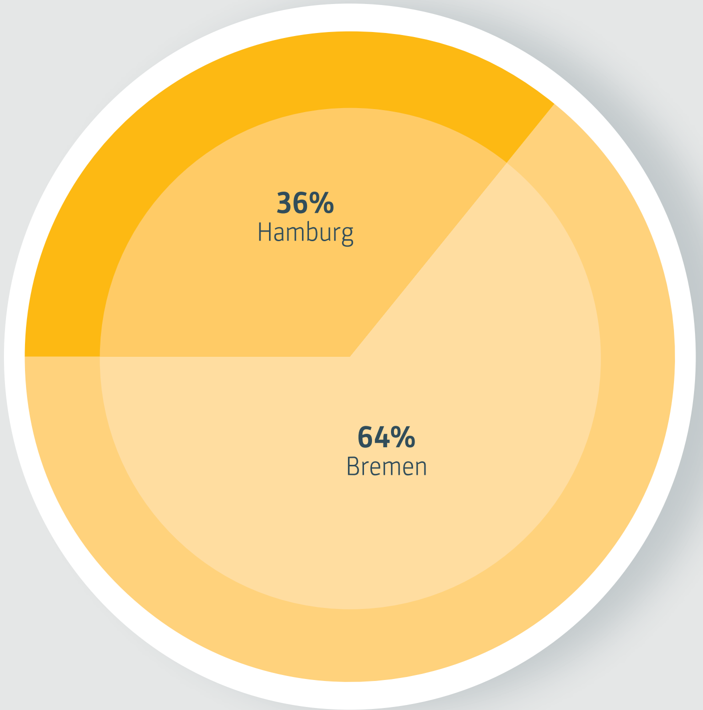
University cities with a wide appeal attracting students from around the world. Leipzig's university, founded in 1409, is one of Europe's oldest.

Strong demographic fundamentals, with increasing urbanization over last decade and young population compared to surrounding regions, with Leipzig expected to be among the cities leading population growth in Germany through 2030.

5%
of GCP's
portfolio

QUALITY NORTH PORTFOLIO

THE NORTH PORTFOLIO IS FOCUSED ON THE MAJOR URBAN CENTERS OF HAMBURG AND BREMEN – THE LARGEST CITIES IN THE NORTH OF GERMANY.



KEY DRIVERS

Hamburg port is a leading driver of the regional economy.

Bremen's ports are important logistical hubs in Germany and much of Germany's trade is executed through the city's ports.

Hamburg is Germany's 2nd largest city by population.

Bremen is an industrial hub with a strong connection to well known local research institutes.

December 2021	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Hamburg/ Bremen	426	269	5.7%	20	6.6	4,051	1,584	4.7%

STRONG FINANCIAL POSITION

CONSERVATIVE FINANCIAL POLICY

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

- Strive to achieve A- global rating in the long term
- LTV limit at 45%
- Debt to debt plus equity ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios with a strong ICR
- Unencumbered assets above 50% of total assets
- Long debt maturity profile
- Good mix of long-term unsecured bonds and non-recourse bank loans
- Maintaining credit lines from several banks which are not subject to Material Adverse Effect clauses
- Dividend distribution of 75% of FFO I per share

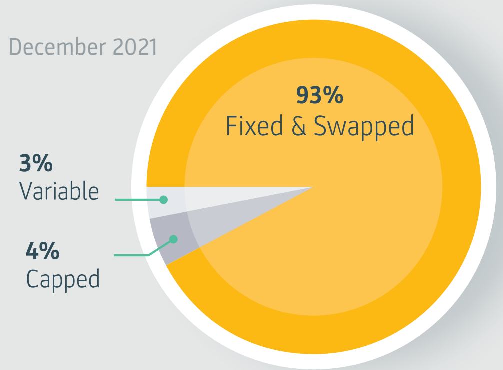
Conservative financial approach adopted by the Company, maintaining a strong liquidity position providing for valuable financial flexibility. The strong liquidity position is reflected by €1.1 billion in cash and liquid assets at year-end 2021.

HEDGING STRUCTURE

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

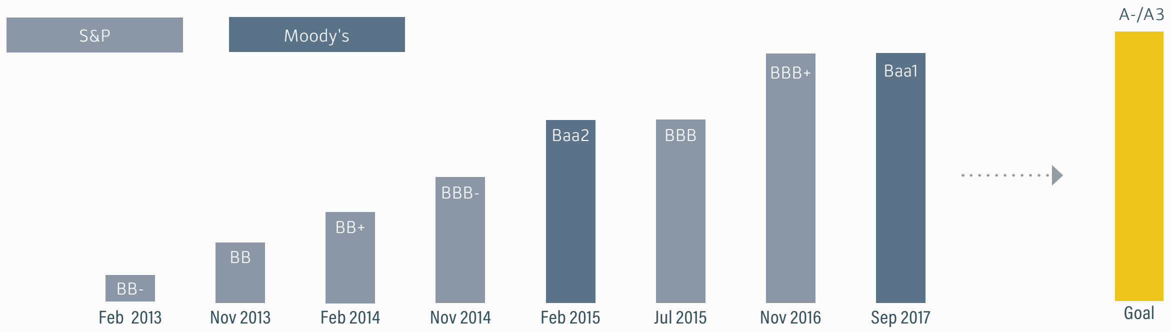
In accordance with the Company's conservative capital structure, 97% of its interest is hedged.

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



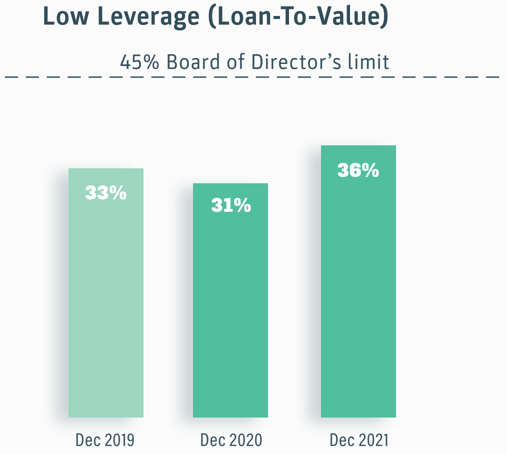
CREDIT RATING

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



LOAN-TO-VALUE

GCP strategically maintains its strong financial profile characterized by long debt maturities, hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of December 31, 2021 is at 36%, below the management limit of 45%



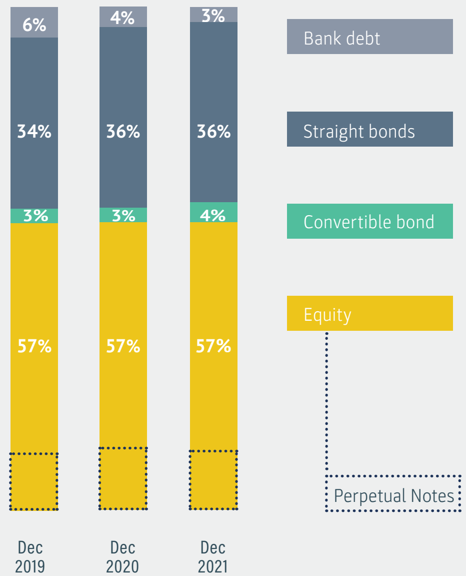
DEBT AND INTEREST COVER RATIOS

GCP's financial flexibility remains strong over time due to its high profitability, which is reflected in consistently high debt cover ratios. For the year of 2021, the Interest Cover Ratio was 6.4x and the Debt Service Cover Ratio was 5.9x

FINANCING SOURCES MIX

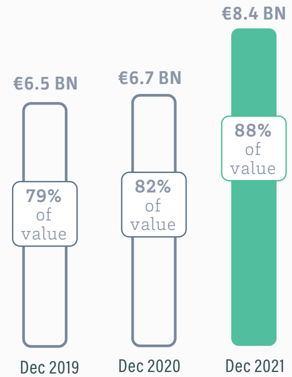
An important component of GCP's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital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

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

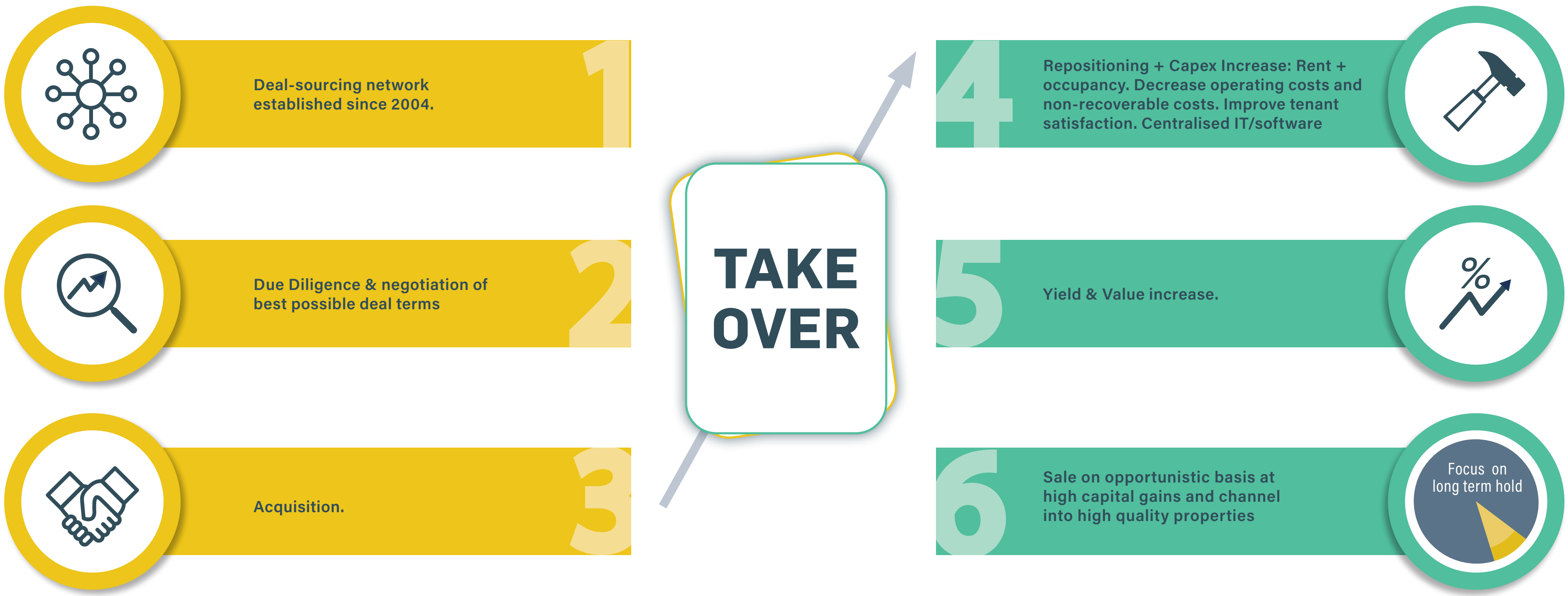


UNENCUMBERED ASSETS

The Company maintains as part of its conservative financial policy a high proportion of unencumbered assets to provide additional financial flexibility and contribute to a strong credit profile, with €8.4 billion in unencumbered assets as of December 2021, representing 88% of the total portfolio value.



COMPANY STRATEGY AND BUSINESS MODEL



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

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

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

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

CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME AND COST DISCIPLINE

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

MAXIMISE TENANT SATISFACTION

A key pillar of the overall success of GCP is tenant satisfaction. The GCP Service Center ensures prompt responses to queries with the longest time to a response being 24 hours. Urgent cases are taken care of within a time frame of under an hour. The quality of the Service Center offering has been validated independently on various occasions and in October 2021, Focus Money rated the GCP Service Center's customer service as "Very Good", TÜV Nord certifies GCP's service quality and GCP holds a ISO 9001 certification by TÜV Hessen for its Quality Management System which was re-certified in February 2022. Due to the corona pandemic the re-audit was done remotely, and the auditor commended GCP on its technical ability in this regard, which resulted in a fully frictionless re-audit process. A strong focus point of tenant satisfaction is digitalisation. Through the GCP App prospective as well as existing tenants can access tools such as apartment search as well as service and maintenance requests. The App allows tenants to view the status and receive updates on these requests, thus increasing the transparency of the process. The Company additionally established a tenant loyalty program which allows tenants to gather points through participation in activities and programs. The Company places strong emphasis on enhancing the living quality and environment of its tenants through various measures. GCP strives to develop a holistic sense of community amongst its tenants by installing playgrounds, improving accessibility at the properties, organizing family-friendly events, supporting local associations as well as through various other initiatives. Some of the Company's regularly organised tenant events include Santa Claus celebrations for Christmas, Easter egg-searching events as well as different summer events, such as the dozens of "GCP Summer Parties" that are organised annually. In 2021, although some events were again not possible to hold in-person, they continued online with a virtual Christmas celebration and an online advent calendar for all out tenants. The Company has also worked towards providing children with study areas, supporting local organisations that promote creativity, organizing youth programs, mother-baby groups, and senior citizen meeting points, among many others, to establish a pleasant environment within the community. In addition, GCP identifies opportunities to work with local authorities to improve the existing infrastructure in the community, contributing to increased demand for the neighborhood.

OPERATIONS SUPPORTED BY CENTRALISED IT/SOFTWARE

The Group's integrated centralised IT/software plays a significant role in enabling GCP to achieve its efficiency objectives. The key to this system is the detailed information that it provides not only on the portfolio but also on existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, spot opportunities for rent increases, and manage re-letting risks on a daily basis. Implementation of digital processes for letting activities allow for paperless signing of leases, improving the speed and efficiency of the letting process for GCP and tenants while integrated service request through GCP's tenancy app improve the efficiency and transparency of maintenance and service requests for tenants. GCP's IT/software provides management with the detailed information necessary to monitor everything from costs to staff performance.

CAPITAL MARKETS

INVESTOR RELATIONS ACTIVITIES SUPPORTING THE STRONG CAPITAL MARKETS POSITION

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

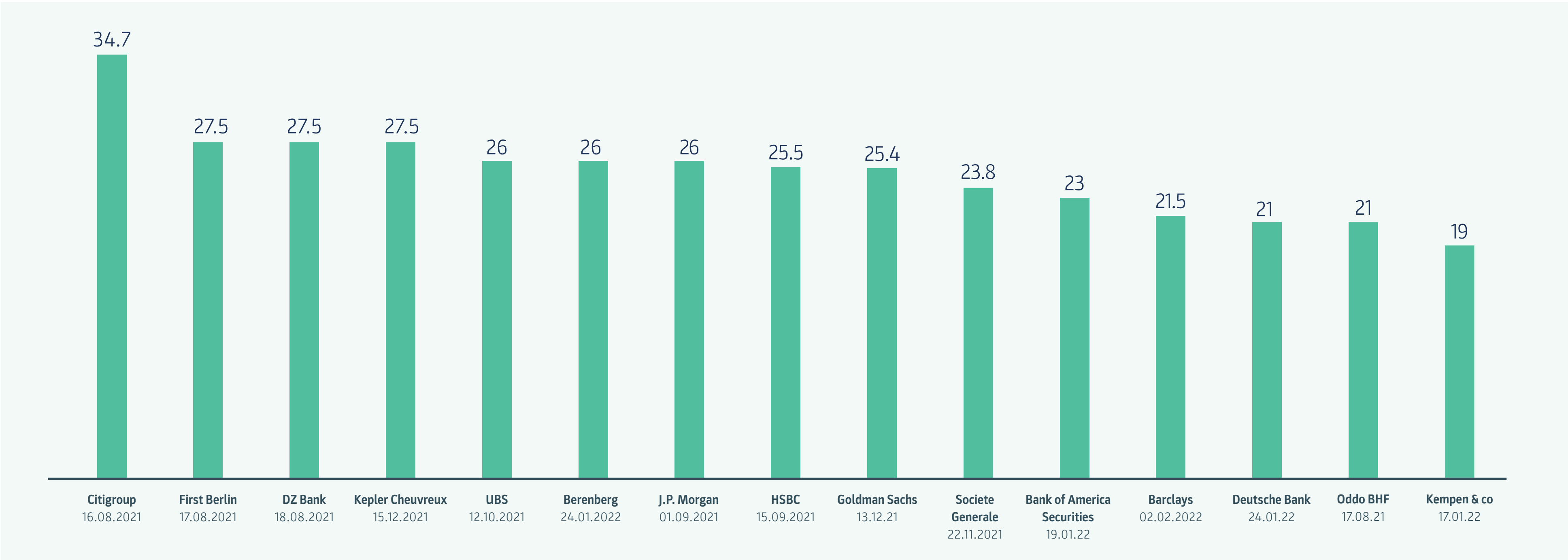
Placement	Frankfurt Stock Exchange
Market segment	Prime Standard
First listing	Q2 2012
Number of shares (as of 31 December 2021)	176,187,899 ordinary shares with a par value of EUR 0.10 per share
Number of shares, excluding suspended voting rights, base for KPI calculations (as of 31 December 2021)	164,962,058 ordinary shares with a par value of EUR 0.10 per share
Shareholder structure (as of December 2021)	Freefloat: 48% Edolaxia Group 46% Treasury Shares 6%
Nominal share capital (as of 31 December 2021)	17,618,789.90 EUR
Number of shares on a fully diluted basis, excluding suspended voting rights (as of 31 December 2021)	184,580,847
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Key index memberships	MDAX FTSE EPRA/NAREIT Index Series MSCI Index Series GPR 250 DIMAX
Market capitalisation (as of 14 March 2022)	3.6 bn EUR


Berlin

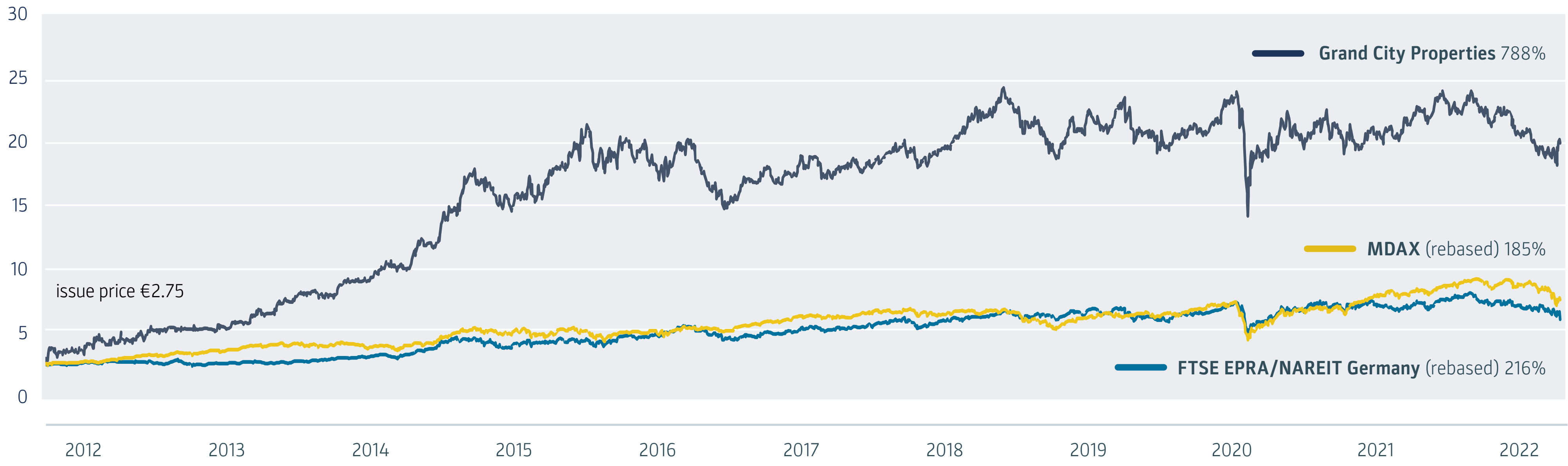
VAST AND PROVEN TRACK RECORD IN CAPITAL MARKETS

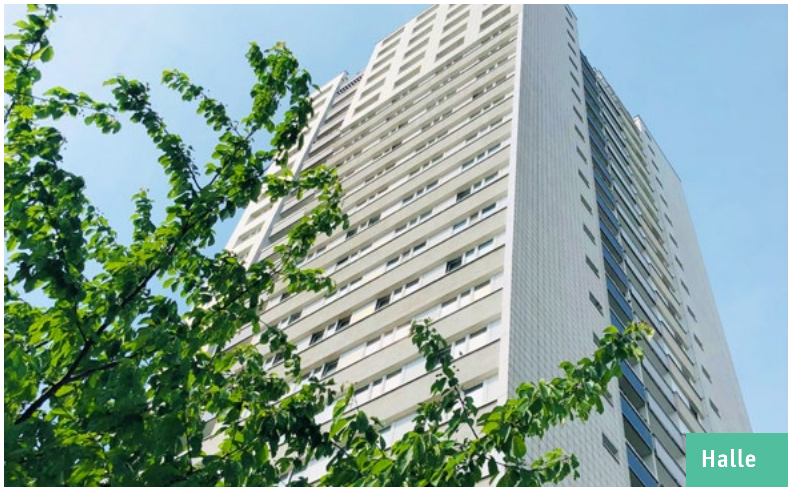
The Company has established over the years an impressive track record in capital markets, continuously accessing various markets through its strong relationships with leading investment banks in the market. Supported by two investment-grade credit ratings (BBB+ from S&P and Baa1 from Moody's), GCP is able to quickly and efficiently source funds at attractive interest rates, significantly contributing to its low average cost of debt (of currently 1%). Since 2012, GCP has issued approx. €9 billion through dozens of issuances of straight bonds, convertible bonds, equity and perpetual notes. The Company launched an EMTN programme, providing significant convenience and flexibility by enabling the issuance in a short of time of financial instruments of various kinds, sizes, currencies and maturities. During 2021 GCP was again active in capital markets, issuing in January €1 billion Series X straight bond, the Company's largest issue to date at a record low coupon of 0.125% and repaying bonds and perpetual notes through several transactions amounting to approx. €1 billion. Through its strong access to capital markets, GCP is able to proactively and effectively manage its debt structure, contributing to a long average debt maturity of 6 years.

ANALYST RECOMMENDATIONS



SHARE PRICE PERFORMANCE AND TOTAL RETURN COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)





ESG – ENVIRONMENT, SOCIAL AND GOVERNANCE

As a large organisation with a wide geographical reach from different operational activities, the Company considers it important to the not only maintain but also further improve the sustainable nature of its operations and properties and accordingly maintain a high standard of responsibility towards all of its stakeholders, including tenants, employees, shareholders, creditors, suppliers, the environment as well as the broader communities in which the Company operates. Building wholesome neighborhoods around GCP's assets is a key factor for the Company to achieve its goal of creating affordable communities where people wish to live and stay. Additionally, a favorable macroeconomic background as well as stable social and institutional conditions in the cities were GCP invests, along with unchanging climatic conditions, together support the company's long-term business interests.

Maintaining the five focus areas from GCP's previous materiality assessment, which are Tenants, Employees, Environment, Society and Governance, GCP updated its strategic framework of the Company's sustainability management. Specific topics were given greater importance within the framework, namely climate change mitigation, climate change adaptation, resource use and circular economy. The framework update is a reflection of GCP's work towards ensuring the minimisation of sustainability risks the company faces. In response to the risks posed to the Company and society by climate change, GCP has also launched a climate-related risk assessment, the insights from which will be integrated into the Company's risk management processes.

GCP considers ESG to be pivotal for the overall success of the organisation and this is incorporated into the various functions of the Company. The various efforts and initiatives undertaken in 2021, as well as the Company's future targets are displayed in the sustainability reporting that consists of an externally assured non-financial report as well as topic-specific sustainability documents on all material issues. These will be available for download later in 2022 under the sustainability section of the Company's website. GCP's maintains its reporting processes in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and has the published non-financial data also externally assured under the ISAE 3000 standard.

GCP's commitment to sustainability measures was recognised in January 2022 by Sustainalytics, a leading sustainability rating agency, which ranked GCP 33rd among 160 global real estate peers. Further, GCP was ranked in the 82nd percentile within the real estate peer group in the Corporate Sustainability Assessment (CSA) by S&P Global and was rated industry-best in the sub-category "Customer Relationship Management", reflecting the strong focus on tenant satisfaction.

Furthermore, for the fifth year in a row, in September 2021, GCP was awarded the **EPRA BPR Gold Award** as well as the **EPRA Sustainability Best Practices Recommendations (sBPR) Gold Award** for its EPRA sBPR reporting, underlining the Company's commitment to the highest standards of transparency and reporting.

SAM
Now a Part of S&P Global
82ND PERCENTILE WITHIN
THE REAL ESTATE PEER GROUP
(NOVEMBER 2021)

SUSTAINALYTICS
RANKED
33RD
out of 160
companies
Jan 2022

RECEIVED THE GOLD AWARD
IN BOTH CATEGORIES
FOR THE 5TH CONSECUTIVE YEAR
(SEPTEMBER 2021)

EPRA BPR GOLD

EPRA sBPR GOLD

ENVIRONMENTAL RESPONSIBILITY

GCP takes its responsibility to safeguard the environment and mitigate adverse impacts not only on its business but also on other stakeholders, very seriously. As a responsible corporate citizen, the Company invest into its portfolio and implements measures with the aim of achieving higher levels of efficiency, which allows GCP to take an active role in the transition to a low carbon economy.

Across Europe legislation is driving change across the economy. In Germany the Climate Change Act 2021 sets ambitious carbon reduction targets for all sectors, aiming towards a carbon neutral environment by 2045. GCP has set a goal of achieving a 40% reduction in CO_2 emissions by 2030 against a 2018 baseline. In line with more ambitious targets set by the German Government the Company is currently reviewing its own goals and targets.

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

GCP assigns considerable resources to ensure the proper oversight of various initiatives in connection with the safeguarding of the environment. Management reviews of the environmental policies are coupled with the ongoing monitoring of the environmental performance such as the use of energy, waste and water along with the reduction of carbon emissions and waste management. Through the year 2021, the Company continued to switch electricity obtained by the Company to renewables or climate-neutral energy sources, thereby reducing GCP's carbon-footprint, supporting the aforementioned goal to reduce CO_2 emissions by 40% until 2030. GCP has further continued its efforts towards moving to climate-neutral gas systems to reduce its environmental footprint. In addition, GCP further expanded the charging station infrastructure for electromobility and added to the electric vehicles in its fleet.

Looking ahead, GCP will continue to analyse its properties for potential implementation of renewable energy systems like CHP (Combined Heat and Power) that make more efficient use of the source of energy. The Company also continues to progressively switch the electricity supply of all common areas to PPA (Power Purchase Agreement) of certified renewable electricity generated from wind, hydroelectric, and solar PV sources. Additionally, the Company is also taking steps to improve standards of data analysis and these measures are expected to greatly benefit the data management while also allowing for even more precise analyses and gains in efficiency.

Although GCP does not control its tenants' energy consumption, the Company strives to provide its tenants with consistent and relevant information about their energy consumption through the progressive installation of sub-metering systems. This provides tenants a greater incentive to reduce energy use. GCP has developed a variety of promo-

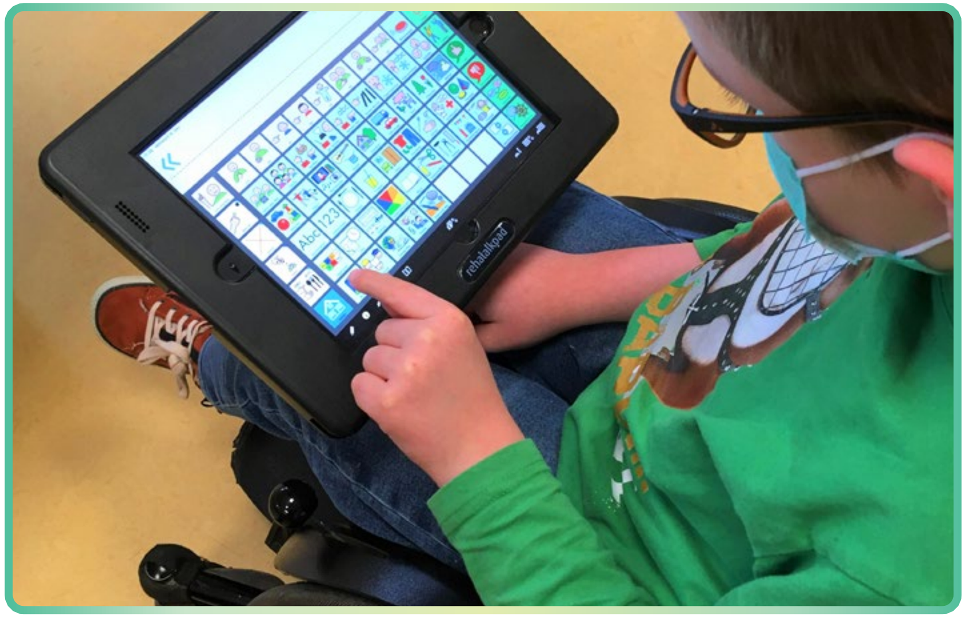
"Grand City Properties' Sustainable Business strategy affirms the positive contribution we can make to tackling global challenges such as climate emergency, while safeguarding the wellbeing of our tenants and supporting our wider communities."

Christian Windfuhr,
Chairman of the Board of Directors

tional materials related to energy saving behaviour for tenants, emphasizing the links between resource efficiency, costs savings and environmental benefits.

Another important environmental topic for GCP, apart from energy and climate, is biodiversity. The Company is committed to enhancing the biodiversity across the portfolio. While the Company's business model limits its exposure to large construction projects, and specifically green field developments, and therefore its impact on loss of biodiversity is rather small, many properties have substantial amounts of green space that can play an important role in protecting urban biodiversity, as well as contributing positively to tenants' well-being and satisfaction. GCP has therefore implemented a policy in 2021, outlining its commitment to biodiversity and has started implementing measures to foster biodiversity across the portfolio, like biodiversity-enhancing plantations, sourcing certified and/or recycled wood products and refrain from using pesticides and herbicides across the portfolio that could harm natural life and setting up insect hotels and bird houses. Where possible the Company aims to involve local stakeholders in these activities, such as cooperation with kindergartens and day care centers when installing bird houses and insect hotels, which further contributes to environmental awareness through education.

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



SOCIAL RESPONSIBILITY

TENANTS & THE SOCIETY

As an asset owner and a property manager, GCP has an impact on the quality of life in a community, which it can improve through several enhancements to the living conditions therein. The Company recognises this and positions several of its activities in order to create community-friendly living environments. Many community facilities such as indoor and outdoor playgrounds, fitness trails, BBQ areas, study rooms and tenant libraries allow for strong relationships within the community. In order to further promote the exchange and interaction with tenants and to strengthen the sense of community among each other, even in a time of lockdown and contact restrictions, GCP hosted its traditional santa visits and continued its interactive Christmas campaign online in 2021, similar to the previous year.

The GCP Foundation focuses the efforts of the organisation on charitable projects involving children, education, sports and the elderly, to mention a few. Benefiting a number of charities and community development efforts across all the Company's portfolio locations. Following the flooding disaster in Ahrtal, Germany, the GCP foundation donated funds going directly to a small local organisation in order to quickly provide support directly to the affected community in a non-bureaucratic manner. Additionally, employees in the region assisted as volunteers in local clean-up efforts through their participation in GCP's 2021 Social Day. Additionally, the GCP foundation supported other local virtual events in the Company's portfolio locations and also provided scholarships to students in Halle.

GCP places a high value on direct interaction and dialogue with its tenants and to that end boasts of a high-quality service center, available 24/7 across multiple modes of communication and in different languages. Despite of the challenges that resulted from restrictions in connection to the continued coronavirus pandemic, the service center was able to maintain a high level of customer service and ensured tenant satisfaction remained high while being available to tenants, with the quality of service provided awarded by Focus Money with the "Fairest Customer Hotline" designation in October 2021. For prospective tenants, the Company implemented virtual flat viewings and implemented digital business processes making the entire leasing process smoother for prospective tenants and reducing health risk. In 2021 GCP additionally launched a tenant loyalty program which awards tenants with points through participation in a range of programs and activities, such as programs related to sustainable energy consumption, timely payment of rent and participation in tenant events. In order to maintain the Company's commitment to tenant health & safety and tenant satisfaction across all departments, GCP has in place its Tenant Health & Safety Policy and the Tenant Satisfaction Policy which address these important topics.

GCP is the main sponsor of the FC Union Berlin Youth football team while it also sponsored on different levels, other local sports clubs such as the football teams FC Azadi Bochum, VfB Frohnhausen Essen, FSV Werdohl, SSV Buer Gelsenkirchen as and the volleyball team TV Hörde Dortmund, as well as others. Sports are able to impart to the next generation various useful disciplines that will hold them in good stead while also bringing the local community together.

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

EMPLOYEES & DIVERSITY

As a responsible employer, GCP provides its employees with various opportunities for personal development and internal advancement. The Company continues to provide training opportunities for employees, which include courses to improve technical skills, language courses, among others. GCP's ongoing Leadership Program and employee support are further examples of such opportunities and have been rather effective in building leaders of tomorrow. The Company cares for the well-being of its employees and to that end provides them with a fitness center at its operational headquarters in Berlin free of charge. The fitness center is managed by qualified trainers, who develop and supervise individual training programs for those who wish to take advantage of this service. GCP provides subsidies for lunch and public transport as additional benefits for employees. Further, working from home was made possible for the majority of staff due to the coronavirus pandemic and substantial health & safety measures were implemented in the Company's offices. To assist the employees with childcare, GCP cooperates with an external partner that offers holiday care and virtual childcare at discounted rates. As a commitment to high employee satisfaction and retention, GCP is pursuing a goal to decrease employee turnover rate to below 10%.

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

ESG STEERING COMMITTEE

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

CORPORATE GOVERNANCE

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

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

Furthermore, the Company ensures that its Board of Directors and its senior executives have vast experience and skills in the areas relevant to its business. The Company has quarterly reporting standards and updates its corporate presentation on a regular basis.

The Company has a very strict Code of Conduct which applies to all business partnerships as well as employees. The Code of Conduct addresses issues related to corruption, conflicts of interest, bribery, human rights abuses as well as discrimination based on a range of factors such as age, gender, ethnicity, race, culture, religion, ideology, sexual identity, physical disabilities among others. The Code also clearly lays down a reporting framework for any violations. Additionally, it also provides for investigations and disciplinary measures as may be required in case of violations. The Code has been recently updated with a focus on improved transparency in its reporting lines, which are now supported by the Compliance Department and the whistleblower system.

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. In particular, the Company is currently not required to adhere to the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange or to the German Corporate Governance Code, the latter which are only applicable to listed companies incorporated in Germany. Nevertheless, the Company intends to voluntarily comply with the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange in the future and is currently evaluating the necessary measures to implement the principles and recommendations of the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange and continues to take steps to implement environmental, social and corporate governance best practices throughout its business.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the shareholders of Grand City Properties S.A. for 2022 will take place on June 29, 2022 in Luxembourg. The meeting will resolve on, among others, the amount of the dividend for the 2021 fiscal year to be distributed to shareholders of the Company.

COMPLIANCE, CODE OF CONDUCT AND DATA PROTECTION

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

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

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

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

BOARD OF DIRECTORS

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

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

The members of the Board of Directors are elected by the shareholders at the AGM for a term not exceeding six years and are eligible for re-election after such term. The directors may be dismissed with or without any cause at any time and at the sole discretion of the shareholders at the AGM. The Board of Directors, a majority of whom are independent, resolves on matters on the basis of a simple majority, in accordance with the articles of association. The Board of Directors chooses amongst the directors a chairperson who shall have a casting vote. The renewal of the mandates of Ms. Simone Runge-Brandner and Mr. Daniel Malkin as independent directors has been approved at the AGM in 2021 until the AGM in 2023. Mr. Christian Windfuhr has been appointed and confirmed as executive director at the AGM in 2021 until the AGM in 2023.

MEMBERS OF THE BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

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

CEO

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

ADVISORY BOARD

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

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The Audit Committee shall consist exclusively of Non-Executive Directors, of which at least half shall be Independent Directors. The responsibilities of the Audit Committee relate to the integrity of the consolidated financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes, and monitoring the accounting processes.

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

RISK COMMITTEE AND RISK OFFICER

The Board of Directors established a Risk Committee to assist and provide expert advice to the Board of Directors in fulfilling its oversight responsibilities relating to the different types of risks the Company is exposed to, recommend a risk management structure including its organization and processes, as well as assess and monitor effectiveness of the overall risk management. The Risk Committee is supported by the Risk Officer. The Risk Officer's responsibilities are determined and monitored by the Risk Committee and are guided by the Risk Committee as part of its oversight role pursuant to the Rules of Procedure of the Risk Committee, with the objective of bringing a systematic and disciplined approach to evaluate and improve the culture, capabilities, and practices integrated with strategy-setting and execution. The Risk Committee provides advice on actions of compliance, in particular by reviewing the Company's procedures for detecting risk, the effectiveness of the Company's risk management and internal control systems and by assessing the scope and effectiveness of the systems established by the management to identify, assess and monitor risks.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

- **Risk assessment** – set by the Risk Committee, supported by the Risk Officer, and guided by an ongoing analysis of the organisational structure and by identifying potential weaknesses.

- **Control discipline** – based on the organisational structure and supported by employee and management commitments. The discipline is founded on the foundations of integrity and ethical values.

- **Control features** – the Company sets physical controls, compliance checks, and verifications such as cross departmental checks. Grand City Properties S.A. puts strong emphasis on separation of duties, as approval and payments are done by at least two separate parties. Payment verification is cross checked and confirmed with the budget and the contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.

- **Monitoring procedures** – the Company monitors and tests unusual entries, mainly through a detailed monthly actual vs. budget analysis and check. Strong and sustainable control and organisational systems reduce the probability of errors and mistakes significantly. The management places significant value in constantly improving all measures, adjusting to market changes and organisational dynamics.

- **ESG risk-related expenditures** – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organisational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget.

EXTERNAL RISK MITIGATION

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

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

For information regarding Brexit, Coronavirus, Inflation and Interest rates, Berlin elections and Expropriation referendum, and the Geopolitical situation around Russia – Ukraine, please see pages 131, 132 and 133 (Note 26.3.5)

SHAREHOLDERS' RIGHTS

The Company respects the rights of all shareholders and ensures that they receive equal treatment. All shareholders have equal voting rights and all corporate publications are transmitted through general publication channels and are also available in a specific section on the Company's website. The Company discloses its share ownership and additionally discloses any shareholder position above 5% when it is informed by the respective shareholder. Share held and/or acquired by the Company, either directly or through subsidiaries, pursuant to its buy-back program, are suspended from their voting rights.

The shareholders of Grand City Properties S.A. exercise their voting rights at each General Meeting of the shareholders, whereby each share is granted one vote. The AGM of the shareholders takes place on the last Wednesday of the month of June 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 AGM of the shareholders shall be held on the following business day. At the AGM 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 AGM resolves, among others, on the statutory and consolidated financial statements of Grand City Properties S.A., the allocation of the statutory financial results, the appointment of the approved independent auditor, and the discharge to the (re-)election of the members of the Board of Directors. The convening notice for the AGM of the shareholders contains the agenda and is publicly announced in the *Recueil électronique des sociétés et associations* in Luxembourg (RESA), in a Luxembourg newspaper and on the Company's website at least thirty days before the AGM and in accordance with applicable Luxembourg law.

COMPLIANCE TO THE TRANSPARENCY LAW

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

INFORMATION ACCORDING TO ARTICLE 11(2) OF THE LUXEMBOURG TAKEOVER LAW

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

a. With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on pages 28, 42, and note 18 on pages 119, 120 of this annual report. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available on page 28 of this annual report and on the Company's website, where the shareholding structure is updated monthly.

b. With regard to article 11 (1) (b) of the Takeover Law, the ordinary shares issued by the Company are admitted to trading on the regulated market of the Frankfurt Stock Exchange (Prime Standard) and are freely transferable according to the Company's articles of association (the **"Articles of Association"**).

c. In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company, as of 31 December 2021:

Shareholder name	Amount of Shares [1]	Percentage of voting rights
Edolaxia Group Ltd	80,502,297	46%
Grandcity Holdings Ltd	11,225,841	6% [2]

1. Total number of Grand City Properties S.A. shares as of 31 December 2021: 176,187,899
2. Treasury shares, voting right suspended

d. With regard to article 11 (1) (d) of the Takeover Law, each ordinary share of the Company gives right to one vote according to article 8 of the Articles of Association. There are no special control rights attaching to the shares. The voting rights attached to shares acquired by the Company, either directly or indirectly through subsidiaries, pursuant to the buy-back-program are suspended.

e. With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described on page 121, note 19 of this annual report.

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

g. With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2021, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

h. With regard to article 11 (1) (h) of the Takeover Law, according to article 9 of the Articles of Association, the members of the board of directors of the Company (the "Board") shall be elected by the shareholders at their AGM by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election after such term. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in page 39 of this annual report.

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

i. With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee and a Nomination Committee. Further details on the powers of the Board are described on page 40 of this annual report.

According to article 5.1 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting held on 24 June 2020 authorised the Board, with the option to delegate, to buy-back, either directly or through a subsidiary of the Company, shares of the Company for a period of five (5) years not exceeding 20% of the aggregate nominal amount of the Company's issued share capital. Further details on the Company's share buy-back program are described on page 119 of this annual report.


Hannover

j. With regard to article 11 (1) (j) of the Takeover Law, the Company's (listed on pages 120 to 125 and notes 18.8 and 20.2) convertible bonds, hybrid bonds and security issuances under the EMTN programme contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.

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

CONSOLIDATED INCOME STATEMENT DATA

For the year ended 31 December	2021	2020
	€'000	
Revenue	**524,629**	**535,424**
Net rental income	374,550	372,462
Operating and other income	150,079	162,962
Property revaluations and capital gains	694,844	343,409
Share in profit from investments in equity-accounted investees	3,952	3,569
Property operating expenses	(218,064)	(226,486)
Administrative and other expenses	(11,138)	(10,719)
Depreciation and amortisation	(8,235)	(5,042)
Operating profit	985,988	640,155
Adjusted EBITDA	**298,589**	**299,780**
Finance expenses	(46,450)	(52,760)
Other financial results	(148,640)	(45,670)
Current tax expenses	(39,227)	(31,387)
Deferred tax expenses	(134,582)	(61,267)
Profit for the year	**617,089**	**449,071**
FFO I	**186,326**	**182,206**
FFO II	**287,549**	**484,034**

REVENUE

For the year ended 31 December	2021	2020
	€'000	
Net rental income	**374,550**	**372,462**
Operating and other income	150,079	162,962
Revenue	**524,629**	**535,424**

GCP recorded revenues amounting to €525 million for the year 2021, as compared to €535 million in 2020. Total revenue comprises net rental income and operating and other income.

Net rental income amounted to €375 million for the year 2021, increasing slightly compared to the €372 million recorded in 2020. The increase in net rental income was primarily driven by a combined result of organic growth and acquisitions amounting to over €700 million during the year, offset by disposals amounting to approx. €360 million during the reporting period and the full impact of properties disposed during 2020, which still had a partial contribution to last year's rental income.

Organic rental growth was driven by the strong operational performance of the portfolio, reflected in like-for-like rental growth of 2.8%, which comprised of 2.2% from in-place rent growth and of 0.6% from occupancy increases. The portfolio's in-place rent increased further to €8.1/sqm as of December 2021, compared to €7.4/sqm as of December 2020, which is the combined result of asset rotation into higher quality assets and from organic growth. At the same time the portfolio vacancy was reduced significantly to 5.1% as of December 2021 from 6.2% at December 2020, reaching the lowest level to date. The Company saw strong performance across its portfolio, specifically in NRW, Berlin, Leipzig, Dresden, and London, underlining the benefits of the portfolio's geographical diversification. In London the vacancy decreased from 8.6% as of December 2020 to 5.8% as of December 2021 as a result of the strong rebound of letting activity following the easing of restrictions related to the coronavirus pandemic.

The increase in net rental income was further impacted by the growth of the portfolio resulting from accretive acquisitions during the period, as well as the positive full period impact of acquisitions in the previous year on the net rental income. In 2021 GCP acquired over €700 million of properties, primarily in NRW, London, Berlin, Dresden and Munich. The acquisitions included increasing to a majority stake of a former minority holding and as a result the Company consolidated a portfolio of approx. €280 million. As the majority of acquisitions were completed during the year, these had a partial impact on the 2021 income statement and will have a full impact in the coming periods. On the other hand, disposals of non-core and mature properties amounting to approx. €360 million had a significant offsetting impact on the net rental income. The disposed properties were mostly situated in eastern German cities and in secondary cities in NRW and additionally included building rights. Acquisitions of high-quality properties in strong locations, while disposing non-core properties, increases the overall quality of the portfolio and strengthens the ability to create internal growth. Net rental income on an annualised run rate, excluding assets held for sale, stood at €383 million as of December 2021.

Operating and other income relates primarily to income connected to expenses recoverable from tenants. The item amounted to €150 million in 2021, compared to €163 million in 2020. The decrease is in line with the decrease in property operating expenses over the same period and is mostly the result of changes in the portfolio between the two periods. As a result of the capital recycling in recent periods GCP acquired properties with leaner cost structures while disposing properties which had relatively higher operational expenses.

Berlin

PROPERTY REVALUATIONS AND CAPITAL GAINS

For the year ended 31 December	2021	2020
	€'000	
Property revaluations	631,152	289,727
Capital gains	63,692	53,682
Property revaluations and capital gains	**694,844**	**343,409**

The Company recorded property revaluations and capital gains in the amount of €695 million in 2021, compared to €343 million in 2020. The main component of this item is property revaluations, which amounted to €631 million in 2021 as compared to €290 million in 2020. Property revaluations are the result of operational improvements to the portfolio and are supported by the strong and sustainable fundamentals of GCP's portfolio locations. On a like-for-like basis, excluding capex, the portfolio value increased by 8% as of December 2021. The Company recorded solid revaluation gains across the portfolio, but the strongest momentum was recorded in NRW, Hamburg, Bremen and Dresden/Leipzig/Halle. Strong transaction activity in the second half of 2021 further supported the valuation of GCP's portfolio. The strong revaluation gains follow the strong operational performance of the portfolio and high demand for GCP's properties from tenants, reflected by the Company's lowest vacancy on record of 5.1% as of December 2021. Furthermore, the revaluation gains underline the quality of the portfolio and the embedded potential, which the Company continuously extracts through the successful implementation of value enhancing measures. The properties in the portfolio are externally appraised at least once per year by independent, professional, and certified valuators. The prime valuator, responsible for the majority of properties in the portfolio, is JLL and the valuations are predominantly based on the discounted cashflow method. As of December 2021, the portfolio had an average rental yield of 4.2% and an average value per sqm of €2,205, as compared to 4.5% and €1,858 as of December 2020, respectively. The compression in rental yield and increased value per square meter result from the strong performance of the portfolio as well as from the impact of accretive capital recycling activities in the year.

Property revaluation and capital gains additionally include capital gains, which amounted to €64 million in 2021 as compared to €54 million in 2020. Capital gains reflect the profit generated through disposals above book value. While property valuations increase, the actual transaction prices increased further, and as a result, disposals are carried above book value. Disposals above book value underline the conservative nature of the valuation of GCP's portfolio. In 2021 GCP disposed approx. €360 million of properties at an average multiple of 17x, generating a 22% premium over book value. The realised disposal gains, which reflect the disposal price over total cost including transaction costs and capex spent, amounted to €101 million and reflect a 39% profit margin.

DISPOSAL ANALYSIS

GCP continuously analyses its portfolio to identify properties that are considered non-core, as well as matured assets where a material part of the upside potential has already been realised. Additionally, through its deal sourcing network, GCP regularly receives offers for its properties at attractive terms. The Company adopts an opportunistic approach towards such offers, disposing properties and crystalising the value that has been generated since acquisition. The proceeds of such disposals are directed towards further acquisitions of high-quality properties with upside potential as well as to other value enhancing measures with the aim to drive further shareholder value creation. As mentioned above, in 2021 the Company disposed properties in the amount of €358 million, realising a profit over total costs, including capex, of €101 million, which reflects a 39% profit margin. Furthermore, disposals were executed at a premium over their last appraised book value of 22%, generating IFRS capital gains of €64 million for the year, further supporting the conservative nature of the Company's portfolio valuations. The disposals comprised primarily non-core assets located in eastern German cities and secondary cities in NRW, and additionally included building rights.

For the year ended 31 December	2021	2020
	€'000	
Acquisition cost including capex of disposed properties	256,691	671,867
Total revaluation gains on disposed properties since acquisition	37,531	248,146
Book Value (IFRS)	294,222	920,013
Disposal value net of transaction costs	357,914	973,695
Capital gain	**63,692**	**53,682**
Premium over net book value	**22%**	**6%**
Disposal value net of transaction costs	357,914	973,695
Acquisition cost including capex of disposed properties	(256,691)	(671,867)
Realised profit from disposal	**101,223**	**301,828**
Disposal profit margin on investment property	**39%**	**45%**

PROPERTY OPERATING EXPENSES

For the year ended 31 December	2021	2020
	€'000	
Purchased services	(159,592)	(161,729)
Maintenance and refurbishment	(22,449)	(27,280)
Personnel expenses	(22,059)	(24,119)
Other operating costs	(13,964)	(13,358)
Property operating expenses	**(218,064)**	**(226,486)**

GCP recorded €218 million in property operating expenses for the year 2021 which was 4% lower as compared to the €226 million recorded in 2020.

The majority of property operating expenses can be attributed to purchased services relating to various ancillary services provided to tenants. These are predominantly composed of expenses related to such services as water, heating, waste management, gardening, and winter services, which are mostly recoverable. For the year 2021, purchased services decreased by 1% over comparable costs incurred in 2020. The lower amount is the result of the disposal of assets with comparatively higher operating costs while acquiring high-quality assets with relatively lower operating costs, as well as from cost cutting initiatives, such as from projects aimed at reducing tenant waste, water usage and heating, offset by cost inflation.

In 2021, GCP has continued to fulfil its commitment to ensure high levels of tenant satisfaction by maintaining its high service quality. The company has created a fully digital process for tenants, from signing leases to service requests, which both serve to improve the efficiency of the Company while at the same time increasing tenant satisfaction and safeguarding the health of tenants and employees by reducing physical contacts in times of the coronavirus pandemic. Furthermore, the Company's TÜV certified Service Center, which is available 24/7, was recognised as "Fairest Customer Hotline" by Focus Money magazine in October of 2021. GCP has continued to build on practices that were developed during the onset of the coronavirus pandemic which have allowed the company to be resilient in the face of further pandemic restrictions in 2021.

Personnel expenses decreased to €22 million in 2021, as compared to €24 million for the previous year. Personnel expenses decreased due to efficiencies and reduction of the head count in line with disposals activities, but was offset to some extent by cost inflation. Other operating costs for 2021 increased slightly to €14 million. Other operating costs typically consists of expenses that are incurred in the letting process and include, among others, promotional activities, transportation, and communication expenses.

Mönchengladbach

MAINTENANCE AND CAPEX

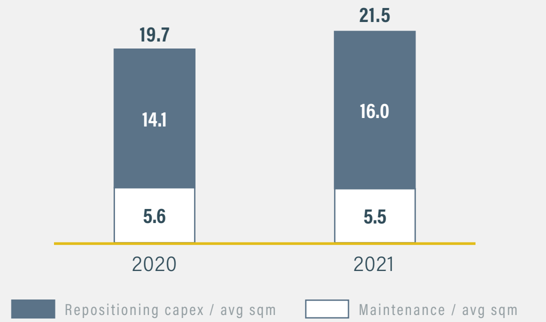
GCP takes a proactive role in assessing asset quality by regularly evaluating the portfolio and making the required maintenance and refurbishment investments to uphold the quality and value proposition of the portfolio. The Company additionally invests in specific measures targeted at improving the quality of the portfolio and enhancing the offering to its tenants. Such investments result in increased tenant satisfaction, higher rents, and lower vacancies.

In 2021, maintenance and refurbishment expenses were reported at €22 million and €5.5 per average sqm, as compared to €27 million and €5.6 per average sqm in 2020. Maintenance and refurbishment expenses represent the investments made to sustain asset quality and thus sustain the tenant's living conditions. Tenants can place service request through several channels and in several languages, for example through the Company's service center or through the tenant app. Through the tenant app tenants can monitor the status of their maintenance and service requests and provide supporting documentation, increasing the efficiency of the process.

Repositioning capex is comprised of expenditures which are targeted to increase the quality of the asset which in turn improves the quality offering provided to tenants. Repositioning capex measures include apartment renovations, improvements to staircases, corridors, common spaces, façade refits, and other similar projects. In addition, improvements and renovations of areas surrounding the assets also serve to lift the value proposition of the assets while further enhancing the living conditions and sense of community for tenants. These sorts of investments include the additions of playgrounds, barbeque pits, study rooms and other common meeting areas. The investments help create better living spaces for tenants and impact vacancy and tenant turnover. In 2021, repositioning capex amounted to €63 million and €16 per average sqm as compared to €62 million and €14.1 per average sqm in 2020. Modernisation measures are aimed at further lifting the value of the portfolio, which were carried on a small scale during the year. Such measures include energetic modernisation through the replacement of windows, heating systems and insulating roofs and façades as well as other modernisation investments, such as addition of balconies and installing elevators. Such investments are undertaken towards targeted rent increases. For 2021, these investments amounted to approximately €3 million and have been included in the repositioning capex. The Company expects to increase such investments in the coming periods in order to improve the quality of the buildings in particular and the living environment in the entire area in general and thereby improve the quality of life of the tenant, reduce tenant fluctuation while getting a return on investment. The increase in the cost per sqm also relate to cost inflation in materials and manpower in 2021.

GCP invested €42 million into various pre-letting modifications and other development related capex mostly in London during the year 2021, as compared to €21 million for 2020. These investments are primarily related to the completion of properties which were acquired in the final stages of completion and for which the required investments were included in GCP's initial cost analysis at acquisition. In 2021, GCP continued to acquire properties in the pre-letting stage and also invested in properties acquired in the pre-letting stage in previous periods. Due to lack of construction material and sub-constructors some of the units suffered delays in the completion date. These units are expected to be completed and leased in the following periods, which will support the growth of rental income and operational profitability.

MAINTENANCE & CAPEX DEVELOPMENT (€/SQM)



ADMINISTRATIVE AND OTHER EXPENSES

For the year ended 31 December	2021	2020
	€'000	
Personnel expenses	(4,587)	(4,494)
Audit and accounting costs	(2,693)	(2,514)
Legal and professional consultancy fees	(1,913)	(1,924)
Marketing and other expenses	(1,945)	(1,787)
Administrative and other expenses	**(11,138)**	**(10,719)**

Administrative and other expenses for 2021 amounted to €11 million, similar as compared to 2020. Administrative and other expenses comprise mostly of administrative personnel expenses and expenses related to audit and accounting costs, legal and professional consultancy fees as well as marketing and other expenses. Expenses increased due to cost inflation and the Company was able to mitigate this inflation to some extent through increased efficiencies.

FINANCE EXPENSES

For the year ended 31 December	2021	2020
	€'000	
Finance expenses	**(46,450)**	**(52,760)**

GCP recorded finances expenses amounting to €46 million in 2021, decreasing 12% as compared to €53 million in 2020. The decrease is the result of further debt optimisation during 2021 and was achieved despite a higher debt balance throughout the year as compared to 2020. In 2021 the Company undertook several debt optimisation activities as part of its proactive approach to manage its debt profile. In January of 2021 the Company issued its largest bond to date through its Series X, €1 billion bond maturing in 2028 and carrying a coupon of 0.125% and selling approx. €170 million of its convertible bond Series F carrying a coupon of 0.25%, which were held in treasury, in September of 2021. At the same time the Company repaid over €1.1 billion of higher-interest bank loans and bonds through several transactions. As a result of these measures the Company decreased its average cost of debt from 1.3% as of December 2020 to 1% as of December 2021, while maintaining a long average maturity of 6 years as of December 2021. GCP continues to maintain solid coverage ratios due to its strong operational profitability, with an ICR of 6.4x and DSCR of 5.9x in 2021. The Company's investment-grade credit ratings from S&P (BBB+/Stable) and Moody's (Baa1/Stable, unsolicited) continue to provide GCP with strong access to capital markets.

OTHER FINANCIAL RESULTS

For the year ended 31 December	2021	2020
	€'000	
Change in fair value of financial assets and liabilities, net	(122,553)	(19,876)
Finance-related costs	(26,087)	(25,794)
Other financial results	**(148,640)**	**(45,670)**

Other financial results present a negative amount of €149 million in 2021, as compared to a negative result of €46 million in 2020. Other financial results include the net change in fair value of financial assets and liabilities. These changes are mostly one-off and change from period to period, depending mostly on the volatility in financial market as well as by fluctuations in foreign exchange rates. These changes are primarily non-cash in nature. Other financial results further consist of finance related costs connected to bond issuances and pre-payments, bank financing, hedging fees as well as other costs connected to the optimisation and maintenance of GCP's financial platform. In 2021 the Company pro-actively managed its debt maturity schedule and issued €1 billion of Series X bonds while repaying over €1.1 billion of debt across several transactions. As the activity was higher than in the previous year related costs were also greater.

TAXATION

For the year ended 31 December	2021	2020
	€'000	
Current tax expenses	(39,227)	(31,387)
Deferred tax expenses	(134,582)	(61,267)
Total tax expenses	**(173,809)**	**(92,654)**

In 2021 the Company recorded total tax expenses amounting to €174 million, as compared to €93 million in 2020. Total tax expenses consist of current tax expenses as well as deferred tax expenses.

Current tax expenses for 2021 amounted to €39 million, compared to €31 million in 2020. Current tax expenses comprise primarily of corporate and property taxes and trend in-line with GCP's underlying business, with corporate taxes increasing in-line with the Company's operating profits and property taxes changing based on the size and composition of the property portfolio. The relatively higher share of the portfolio in London, where the tax level is higher compared to Germany, further impacted the level of current tax expenses.

Deferred tax expenses for 2021 amounted to €135 million, as compared to €61 million in 2020 and comprise non-cash tax expenses which primarily result from the revaluation gains of the portfolio and are based on the theoretical sale of investment properties through asset deals, with the tax rate varying based on the tax regime in the property's location. The higher expenses in 2021 compared to 2020 are the combined effect of stronger revaluation gains in the current reporting period as well as expected changes in the tax regime in the UK, with corporate income tax expected to increase to 25% from 19% April 2023.

NOTES ON BUSINESS PERFORMANCE

PROFIT FOR THE YEAR

For the year ended 31 December	2021	2020
	€'000	
Profit for the year	**617,089**	**449,071**
Profit attributable to the owners of the Company	523,522	362,218
Profit attributable to the perpetual notes investors	25,042	32,848
Profit attributable to non-controlling interests	68,525	54,005

GCP recorded a profit of €617 million for the year 2021, as compared to €449 million in 2020. The increase is the combined result of strong growth in operational profits generated by the Company, reflected by increase in FFO I in 2021 compared to 2020, as well as from the strong revaluation gains, which were significantly higher than the previous year's amount, and reflect the strong underlying performance of the portfolio as well as the positive dynamics in GCP's markets. These strong results were partially offset by negative impacts resulting from other financial results.

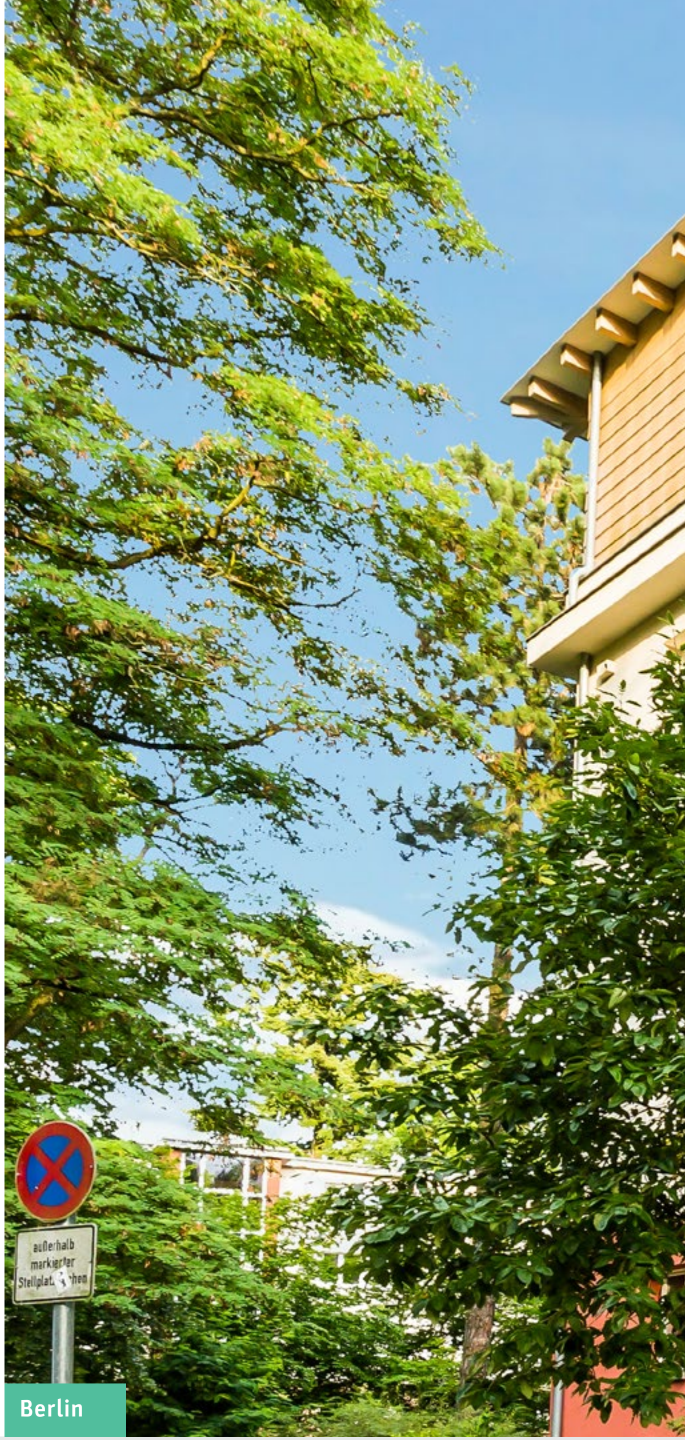
Profit attributable to perpetual notes investors amounted to €25 million, as compared to €33 million in 2020, reflecting a decrease of 24%. The decrease reflects the refinancing of GCP's inaugural perpetual notes, which were fully redeemed in February of 2021 and carried a coupon of 3.75%, through the issuance of 1.5% perpetual notes in December 2020. The strong decrease in the coupon between the two perpetual issuances reflects the strong improvement of the Company in recent years.

EARNINGS PER SHARE

For the year ended 31 December	2021	2020
Basic earnings per share (in €)	3.12	2.13
Diluted earnings per share (in €)	2.90	2.01
Weighted average number of ordinary shares (basic) in thousands	167,551	169,803
Weighted average number of ordinary shares (diluted) in thousands	181,588	181,509

Basic earnings per share for the year amounted to €3.12, while diluted earnings per share amounted to €2.90, as compared to €2.13 and €2.01 respectively for the year 2020. The relative stronger increase in the earnings per share as compared to the profit attributable to owners of the Company is primarily due to the shares bought back during the year. In 2021 the Company bought back 7% of its shares through the public share purchase offer and share buy-back programme. The impact was partially offset as a result of the issuance of scrip dividends in both periods.

The diluted earnings per share reflects various dilutive effects. The main dilutive effect relates to the theoretical future conversion of the Series F convertible bonds, which matured after the reporting date and were fully redeemed in cash in March 2022.



Berlin


außerha
markier
Stellplatzfl
P
Nur f

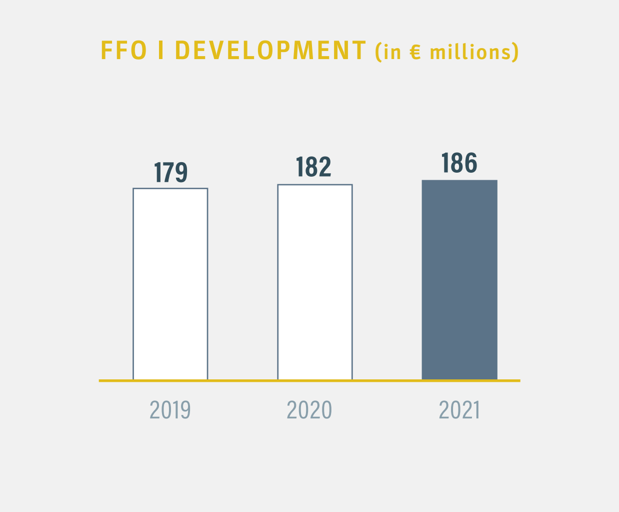
ADJUSTED EBITDA AND FUNDS FROM OPERATIONS (FFO I, FFO II)

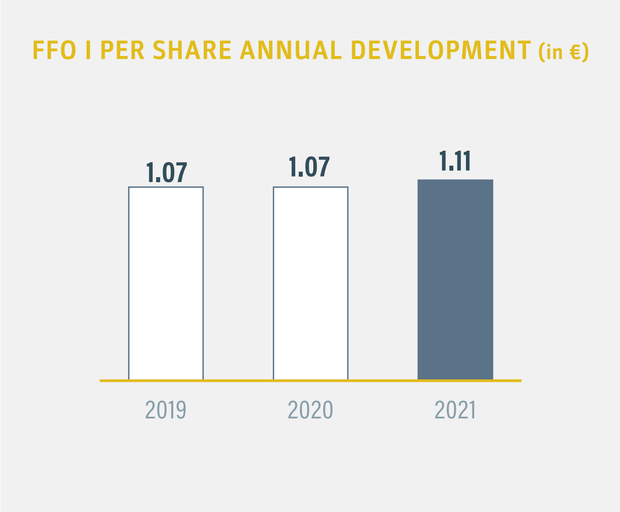
For the year ended 31 December	2021	2020
	€'000	
Operating profit	985,988	640,155
Depreciation and amortisation	8,235	5,042
EBITDA	**994,223**	**645,197**
Property revaluations and capital gains	(694,844)	(343,409)
Share of profit from investments in equity-accounted investees	(3,952)	(3,569)
Equity settled share-based payments and other adjustments	3,162	1,561
Adjusted EBITDA	**298,589**	**299,780**
Finance expenses	(46,450)	(52,760)
Current tax expenses	(39,227)	(31,387)
Contribution from / (to) joint ventures and minorities, Net	(1,544)	(579)
Adjustment for Perpetual notes attribution	(25,042)	(32,848)
FFO I	**186,326**	**182,206**
Weighted average number of ordinary shares (basic) in thousands (1)	167,551	169,803
FFO I per share (in €)	**1.11**	**1.07**
Result from disposal of properties	101,223	301,828
FFO II	**287,549**	**484,034**

(1) not considering the dilution effect of the management share plan as it is immaterial

The adjusted EBITDA is an industry standard figure displaying the Company's recurring operational profits before interest, tax expenses and depreciation, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as share of non-recurring profit/loss from investment in equity-accounted investees and other adjustments. In 2021, GCP's adjusted EBITDA was €299 million, stable as compared to 2020. The Company's focus on improving the portfolio asset quality has continued to result in operational growth which can be seen through solid organic LFL rental growth of 2.8%, with in-place rent increases contributing 2.2% and occupancy increases contributing 0.6%. These operational improvements have continued to impact GCP's vacancy rate which now stands at a historic low of 5.1%. This growth was offset by the impact of disposals as well as from cost inflation.

Funds From Operations I (FFO I) is an industry-wide standard measure of the recurring operational cash flow of a real estate company, often utilised as a key bottom line industry performance indicator. FFO I is calculated by deducting from the Adjusted EBITDA finance expenses, current tax expenses, the contribution to minorities, and the share of profit attributable to the Company's perpetual notes investors, while adding the FFO contribution from joint ventures. During the year 2021, GCP generated an FFO I of €186 million which was 2% higher than the €182 million generated in 2020. The increase in FFO I was primarily driven by optimisation of the financial structure of the Company. During the year GCP refinanced higher-interest rate bank loans and bonds, which, combined with the full year impact of debt optimisation activities in 2020, resulted in a significant decrease in finance expenses. Furthermore, in December 2020 and February 2021 the Company refinanced its 3.75% perpetual notes with new perpetual notes carrying a coupon of 1.5%, reducing the adjustment for perpetual notes attribution. These positive impacts were offset by higher current tax expenses between the two periods.





FFO I PER SHARE

For the year 2021, GCP reported an FFO I per share of €1.11, increasing 4% from 1.07 per share reported in 2020. The growth is attributed to the robust FFO I increase throughout the reporting period, driven primarily by further optimisation of the Company's financing structure, and was further boosted by the accretive effects of the share buyback program and the tender offer completed in 2021, offset slightly by the partial impact from shares issued in relation to the scrip dividend.

FFO II

FFO II is a supplementary performance measure that includes the effect of disposals on top of FFO I. The result from disposal of properties refers to the excess amount of the sale price to cost price plus capex of disposed properties. Throughout 2021, GCP continued to dispose of non-core assets which amounted to approx. €360 million, at a profit margin over total costs of 39%, realising gains of €101 million earned since the acquisition of these assets. These strong levels of profit above costs demonstrate the effectiveness of GCP's business model and proven ability to deliver value creation gains to shareholders. GCP generated an FFO II of €288 million in 2021, as compared to €484 million reported in 2020. The higher number in the previous year is due primarily to the significantly higher disposal activity in 2020 as compared to 2021.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

For the year ended 31 December	2021	2020
	€'000	
FFO I	**186,326**	**182,206**
Repositioning capex	(63,084)	(62,406)
AFFO	**123,242**	**119,800**

Adjusted Funds from Operations (AFFO) is another indicator for the Company's recurring operational cash flow and is derived by subtracting the repositioning capex from the Company's FFO I. GCP includes in the AFFO calculation repositioning capex which is targeted at value creation and improving the asset quality of the portfolio, which GCP deems as being relevant for its AFFO calculation. In 2021, GCP generated an AFFO amounting to €123 million, as compared to an amount of €120 million reported in 2020. The increase in the AFFO in 2021 can be attributed to the strong performance in FFO I between the two periods, and the relatively smaller increase in repositioning capex.

CASH FLOW

For the year ended 31 December	2021	2020
	€'000	
Net cash provided by operating activities	217,060	242,152
Net cash used in investing activities	(198,455)	(391,670)
Net cash (used in)/provided by financing activities	(537,187)	650,620
Net (decrease)/increase in cash and cash equivalents	**(518,582)**	**501,102**
Other changes*	1,869	(2,957)
Cash and cash equivalents as on January 1,	1,412,199	914,054
Cash and cash equivalents as on December 31,	**895,486**	**1,412,199**

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


London

GCP generated €217 million of net cash provided by operating activities, as compared to €242 million in 2020. The decrease is mainly impacted by the capital recycling in 2021 and 2020, resulting in timing effects from operating cash flows related to acquired and sold properties between the two periods, with stronger cash flows from acquired properties only having a partial impact in 2021 while disposals in 2020 still contributed materially to the operational cash flows for that year. Furthermore, cash taxes paid in 2021 were higher as compared to 2020, resulting in lower operating cash flow. These impacts were partially offset by the Company's strong operational profitability, with FFO I amounting to €186 million in 2021, increasing 2% compared to 2020. This growth was supported by robust organic rental growth, with a like-for-like net rent increase of 2.8%.

The Company continued its active deployment of cash into value enhancing activities in 2021, resulting in net cash used in investing activities of €198 million, compared to €392 million in 2020. In 2021 GCP deployed cash primarily in accretive acquisitions, as well as value enhancing capex projects. This was partially offset by disposals above book value. The disposals were carried through several transactions and the proceeds were received in full.

In 2021 GCP recorded net cash used in financing activities amounting to €537 million, as compared to net cash provided by financing activities in 2020 amounting to €651 million. GCP continued the active optimisation of its financial profile through refinancing debt and perpetual notes. In the year GCP repaid over €1.1 billion of higher interest bank loans and bonds as well as approx. €85 million notional value of perpetual notes. Furthermore, the Company returned value to shareholders through the execution of its accretive share buyback in 2021, with a total volume of over €270 million, as well as through the dividend payment in July. These uses were offset primarily by the issuance of €1 billion Series X straight bonds, the Company's largest issuance to date, at a low coupon of 0.125% as well as the selling of €170m of its Series F convertible bonds. Through its debt optimisation activities, the Company was able to reduce its cost of debt to 1% as of December 2021, compared to 1.3% as of December 2020.

The Company recorded a net decrease in cash and cash equivalents amounting to €519 million in 2021, as a result of the above-mentioned investment activities as well as the optimisation of its financial platform. Despite these value enhancing activities GCP maintained a strong liquidity position as of year-end 2021, with a total cash balance of €895 million. Furthermore, the Company continues to maintain a strong portfolio of unencumbered assets, amounting to €8.4 billion and representing 88% of the total portfolio, which can serve as an additional source of liquidity to the Company.

Berlin

ASSETS

	Dec 2021	Dec 2020
	€'000	
Non-current assets	**9,882,834**	**8,601,687**
Investment property	9,339,489	8,022,351(1)
Current assets	**1,679,158**	**2,264,093**
Cash and liquid assets(2)	1,108,004	1,692,331
Total Assets	**11,561,992**	**10,865,780**

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

The Company's balance of total assets amounted to €11.6 billion as of December 2021, increasing 6% as compared to €10.9 billion as of December 2020. The increase in total assets is the result of a higher non-current asset balance, offset by a lower balance of current assets, driven mainly by a lower balance of cash and liquid assets compared to the previous period.

As of year-end 2021 the Company recorded non-current assets amounting to €9.9 billion, as compared to €8.6 billion as of year-end 2020. Non-current assets consist primarily of investment property, amounting to €9.3 billion, which increased 16% compared to the €8 billion at December 2020. The increase in investment property is mostly the result of strong revaluation gains in the year, acquisitions and capex, net of disposals, as well as positive impacts from foreign exchange rates. In 2021 the Company recorded revaluation gains amounting to €631 million, which is reflected by like-for-like revaluation gains of 8%, net of capex and excluding the impact of foreign exchange changes, acquisitions and disposals.

In 2021 the Company acquired and consolidated properties in a total amount of over €700 million, reflecting over 6,700 units. These were executed across several transactions and at an average multiple of 18x. The acquisitions included over €400 million across approx. 2,000 units (including pre-letting units) mainly located in London, Berlin, Dresden, and Munich. Units in the pre-letting stage are expected to start generating rent in the upcoming periods. Additionally, GCP acquired control in a former JV portfolio amounting to €280 million comprising more than 4,700 units in NRW which was previously recorded as an investment in equity accounted investees. As a result of this transaction the value was no longer reflected as investment in equity accounted investees at year-end 2021. These acquisitions were offset by disposals amounting to approx. €360 million in 2021. The Company disposed mainly non-core assets and assets held-for-sale across Germany, mainly in eastern German cities such as Halle, Gera, Plauen, Stendal, Görlitz and in secondary cities in NRW. The disposals also included development rights in Hamburg. The disposals were executed at a multiple of 17x and reflect a premium over net book value of 22%, generating a margin over total cost, including capex, of 39%.

The asset balance additionally includes tenant deposits, long-term financial investments, including some investments in which the Company holds a minority position, investments in loans-to-own as well as other long-term financial assets. The main component comprises loans-to-own assets, which are asset-backed interest bearing loans which, under specific circumstances, have the embedded option to acquire the underlying asset at a significant discount. These investments provide the Company alternative means for accretive acquisitions which complement GCP's existing deal sourcing network and are subject to a detailed due-diligence process as any acquisition. As of year-end 2021 the balance of loans-to-own assets included in the balance sheet amounted to approx. €300 million. The loans-to-own portfolio comprises over a dozen loans to a diverse variety of property owners, primarily in the UK, secured by first mortgage on the underlying asset, with an average balance of approx. €25 million and with interest rates ranging from 7% to 10%. The loans have maturities from 2022 to 2024 and are subject to an average LTV of around 65%. As of December 2021, long-term financial investments amount to over €50 million and are held for an expected long-term yield and co-investments in attractive deals, additionally, minority positions in real estate portfolios amount to around €30 million. Tenant deposits amount to €41 million and are used as a security for rent payments.

Current assets as of year-end 2021 amounted to €1.7 billion, lower compared to the €2.3 billion as of year-end 2020. The main contributor to the reduced balance of current assets is the lower balance of cash and liquid assets as of December 2021 compared to the previous year, with the decrease being driven mainly by cash deployed in accretive acquisitions, share buybacks, the redemption of the Company's 3.75% perpetual notes and the cash dividend payment in July. This has partially been offset by disposals in the period as well as from operational cashflows.

Current assets are further comprising primarily of trade and other receivables as well as assets held for sale. Trade and other receivables amounted to €453 million as of December 2021, of which €222 million comprises operational receivables such as rent, operating costs and other receivables. Operating cost receivables relate primarily to the ancillary services and other tenant charges, including mainly heating, cleaning, insurance winter services, waste, sewage, and electricity. This balance is corelated to the pre-payments for ancillary services received from tenants, which is presented in the short-term liabilities. Once per year operating costs receivables are settled against the advances received from tenants. Assets held for sale amounted to €114 million as of December 2021 and relate to properties which the company intends to dispose over the next 12 months.

AVERAGE VALUATION PARAMETERS

Average Valuation Parameters	2021	2020
Rent multiple	23.6	22.2
Value per sqm	€2,205	€1,858
Market rental growth p.a.	1.7%	1.4%
Management cost per unit p.a.	€269	€260
Ongoing maintenance cost per sqm	€9.2	€8.7
Average discount rate	4.8%	5.1%
Average cap rate	3.9%	4.1%


Munich

LIABILITIES

	Dec 2021	Dec 2020
	€'000	
Loans and borrowings (1)	358,249	437,137
Straight & Convertible Bonds	4,091,880	3,776,092
Deferred tax liabilities (2)	766,142	642,513
Other long-term liabilities and derivative financial instruments (3)	261,221	183,681
Current liabilities (4)	281,914	271,429
Total Liabilities	**5,759,406**	**5,310,852**

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

Total liabilities amounted to €5.8 billion as of December 2021, an increase of 8% compared to the €5.3 billion as of December 2020. The increase was primarily driven by a higher balance in bonds, as well as from higher deferred tax liabilities and other long-term liabilities and derivative financial instruments, offset by a lower balance of loans and borrowings.

During the year the Company undertook several measures to further optimise its financial profile. In January GCP issued its largest bond to date, through its Series X straight bond, which carries a coupon of 0.125% and matures in 2028. In addition, the Company sold approx. €170 million of its Series F convertible bond which were held in treasury and carry a coupon of 0.25%. The funds were mainly directed at the repayment and redemption of higher-interest rate bank loans and bonds. GCP redeemed approx. €135 million of Series D, Series S and Series T straight bonds, which matured in 2021. Furthermore, the company repurchased approx. €345 million notional value of Series E notes (due 2025) with a coupon of 1.5% and €395 million notional value of Series W notes (due 2024) with a coupon of 1.7%. The Company additionally repaid higher-interest rate bank loans amounting to approx. €260 million, offset by the consolidation of around €165 million of bank loans. As a result of these measures the cost of debt reduced to 1% as of December 2021, compared to 1.3% as of December 2020. The Company has maintained its long average debt maturity, which stands at 6 years as of December 2021.

GCP recorded deferred tax liabilities amounting to €766 million as of December 2021, an increase of 19% compared to €643 million at December 2020. The increase in deferred tax liabilities is mainly attributable to the strong revaluation gains the Company recorded in 2021, as well as from the impact of the expected change in the corporate tax rate in the UK. Deferred tax liabilities take into account the theoretical disposal of investment properties in the form of asset deals at the tax rate based on the property location. At year-end 2021 the balance of deferred tax liabilities amounted to 13% of total liabilities.

EQUITY

Total equity amounted to €5.8 billion as of year-end 2021, an increase of 4% compared to €5.6 billion as of year-end 2020. The strong increase in equity is driven by the strong profit generated by the Company during the period, amounting to €617 million for the year. These strong profits were offset by value returned to shareholders by means of share buybacks and dividends in the year. The impact from the dividend payment was partially offset by the scrip dividend.

Equity attributable to perpetual notes investors amounted to €1.2 billion, as compared to €1.3 billion in 2020, reflecting a decrease of 6% resulting from the refinancing of GCP's perpetual notes, which were fully redeemed in February 2021, following a tender offer in December 2020 under which approx. €415 million notional values of the notes were repurchased. The perpetual notes, which carried a coupon of 3.75%, where refinanced through the issuance of 1.5% perpetual notes in December 2020. The strong decrease in the coupon between the two perpetual issuances reflects the strong improvement of the Company in recent years.

Non-controlling interests amounted to €615 million as of December 2021, compared to €535 million as of December 2020. The increase is primarily the result of profit generated in the period attributed to non-controlling interests.

The continued strong equity base of the Company, which comprises a key component of its capital structure, is further reflected in the strong equity ratio, which stands at 50% as of December 2021, compared to 51% as of December 2020.

	Dec 2021	Dec 2020
	€'000	
Total Equity	**5,802,586**	**5,554,928**
of which equity attributable to the owners of the Company	3,960,034	3,713,849
of which equity attributable to Perpetual notes investors	1,227,743	1,306,092
of which non-controlling interests	614,809	534,987

DEBT FINANCING KPIs

LOAN-TO-VALUE

	Dec 2021	Dec 2020
	€'000	
Investment property (1)	9,305,042	7,954,448
Investment properties of assets held-for-sale (2)	99,329	150,207
Equity-accounted investees	-	107,880
Total value	**9,404,371**	**8,212,535**
Total debt (3)	4,450,129	4,213,229
Cash and liquid assets (4)	1,108,004	1,692,331
Net debt	**3,342,125**	**2,520,898**
LTV	**36%**	**31%**

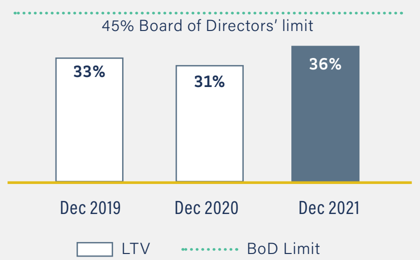
(1) including advanced payments and deposits, inventories - trading properties and excluding right-of-use assets
(2) excluding right-of-use assets
(3) including loans and borrowings held-for-sale
(4) including cash and cash equivalents held-for-sale

The Company maintains a conservative financial profile as an integral part of its business. This is reflected in its low LTV, which has a board-mandated limit of 45%, significantly below the limits imposed by the Company's bond covenants. GCP maintains significant headroom to its more conservative limit, with an LTV of 36% as of December 2021. This reflects an increase compared to the very low LTV reported in 2020 of 31%, increasing mainly due to the use of cash for accretive acquisitions, share buybacks, debt repayments and other value enhancing activities throughout 2021.

As part of its conservative financial profile the Company aims to maintain strong coverage ratios through continuously working on its operational profitability as well as optimising its financial structure, with the aim to minimise interest expenses. As a result of increasing operational profits while reducing interest expenses in 2021 compared to 2020, GCP managed to significantly increase its coverage ratios, with an ICR of 6.4x, compared to 5.7x in 2020, and a DSCR of 5.9x, compared to 4.6x in 2020. At the same time the Company maintains financial flexibility through its large balance of cash and liquid assets amounting to €1.1 billion and the high degree of unencumbered assets in its portfolio, which represented 88% of value as of December 2021, reflecting €8.4 billion in value.

This disciplined approach to the Company's financial platform provides GCP with strong access to capital through broad-based demand for its capital market issuances and is further reflected by strong investment grade credit ratings by both S&P (BBB+/Stable) and Moody's (Baa1/Stable, unsolicited).

LOW LEVERAGE WITH ROBUST PROFITABILITY



UNENCUMBERED ASSETS

	Dec 2021	Dec 2020
	€'000	
Unencumbered Assets	8,352,924	6,679,941
Total Investment properties *	9,442,026	8,172,558
Unencumbered Assets Ratio	**88%**	**82%**

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

INTEREST COVERAGE RATIO (ICR)

For the year ended 31 December	2021	2020
	€'000	
Adjusted EBITDA	298,589	299,780
Finance Expenses	46,450	52,760
Interest Coverage Ratio	**6.4x**	**5.7x**

DEBT SERVICE COVERAGE RATIO (DSCR)

For the year ended 31 December	2021	2020
	€'000	
Adjusted EBITDA	298,589	299,780
Finance Expenses	46,450	52,760
Amortisation of loans from financial institutions	4,328	11,907
Debt Service Coverage Ratio	**5.9x**	**4.6x**

EPRA PERFORMANCE MEASURES

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

	2021	2020
	€'000	
EPRA NRV	5,228,882	4,775,679
EPRA NRV per share (in €)	31.7	27.8
EPRA NTA	5,020,190	4,566,426
EPRA NTA per share (in €)	30.4	26.5
EPRA NDV	3,853,263	3,451,717
EPRA NDV per share (in €)	23.3	20.1
EPRA Earnings	173,884	182,657
EPRA Earnings per share (in €)	1.04	1.08
EPRA Net initial yield (NIY)	3.2%	3.5%
EPRA "topped-up" NIY	3.2%	3.5%
EPRA Vacancy	5.1%	6.2%
EPRA Cost Ratio (incl. direct vacancy costs)	21.4%	20.2%
EPRA Cost Ratio (excl. direct vacancy costs)	19.5%	17.9%

EPRA NET ASSET VALUE METRICS

The Net Asset Value is a key performance measure used in the real estate industry. Due to the evolving nature of ownership structures, balance sheet financing as well as the inclusion of non-operating activities leading to entities being relatively more actively managed, EPRA has provided three different metrics to reflect this nature of property companies. The EPRA Net Asset Value Metrics are defined by EPRA and include the Net Reinstatement Value (NRV), Net Tangible Assets (NTA) and Net Disposal Value (NDV).

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

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

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

in € '000 unless otherwise specified	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
		Dec 2021			Dec 2020	
Equity attributable to the owners of the Company	**3,960,034**	**3,960,034**	**3,960,034**	**3,713,849**	**3,713,849**	**3,713,849**
Deferred tax liabilities	754,069 (1)	636,405 (2)	-	632,348 (1)	507,744 (2)	-
Fair value measurements of derivative financial instruments (3)	(3,078)	(3,078)	-	(3,940)	(3,940)	-
Intangible assets and goodwill	-	(14,717)	-	-	(13,909)	-
Real estate transfer tax	517,857 (1)	441,546 (2)	-	433,422 (1)	362,682 (2)	-
Net fair value of debt	-	-	(106,771)	-	-	(262,132)
NAV	**5,228,882**	**5,020,190**	**3,853,263**	**4,775,679**	**4,566,426**	**3,451,717**
Basic number of shares including in-the-money dilution effects (in thousands)		165,133			172,000	
NAV per share (in €)	**31.7**	**30.4**	**23.3**	**27.8**	**26.5**	**20.1**

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

EPRA NRV

The Company recorded EPRA NRV amounting to €5.2 billion as of December 2021, or €31.7 per share, reflecting an increase of 9% and 14%, respectively, as compared to the €4.8 billion and €27.8 per share as of December 2020. As the NRV assumes that entities never sell assets and aims to represent the value required to rebuild the Company, the full amount of deferred tax and real estate transfer tax are added back. The increase in EPRA NRV is primarily driven by the strong profit generated by the Company in the year, offset by the payment of the dividend as well as by the share buyback, which had a negative impact on the total NRV but had a positive impact on the NRV per share due to buying back the shares at a discount.


Cologne

EPRA NTA

EPRA NTA amounted to €5 billion, or €30.4 per share as of December 2021, compared to €4.6 billion and €26.5 per share as of December 2020, increasing 10% and 15%, respectively. As with the EPRA NRV, the growth between the period was primarily driven by profit generated in 2021, offset by cash dividends and share buybacks. The main difference between the EPRA NTA and EPRA NRV is the assumption that entities actively buy and sell assets within their portfolio, and by doing so crystalising deferred tax expenses and triggering real estate transfer taxes. In line with this, GCP classified part of its portfolio in three categories of properties which it may not hold long-term, for which it conservatively excludes deferred tax liabilities and real estate transfer taxes from the EPRA NTA. These three categories are outlined below:

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

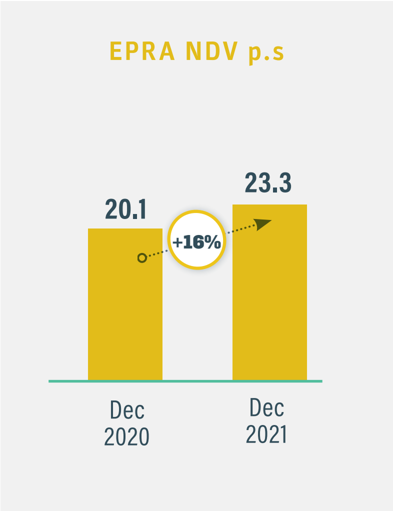
Particulars	Fair Value	as % of total portfolio	% of deferred tax and real estate transfer tax added back
	€'000		
Portfolio to be held long term*	8,067,520	85%	100%
Investment properties held-for-sale	102,537	1%	0%
Portfolio cities classified as "Others"	1,020,790	11%	0%
Development rights in Germany	251,179	3%	0%
Total (including assets classified as held-for-sale)	**9,442,026**	**100%**	

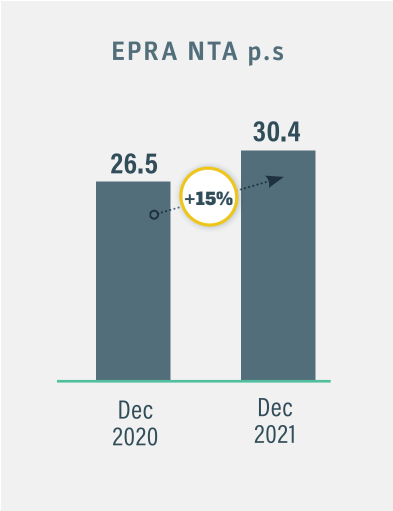
* All investment properties, excluding investment properties held-for-sale, investment properties in cities classified as "Others" and development rights in Germany

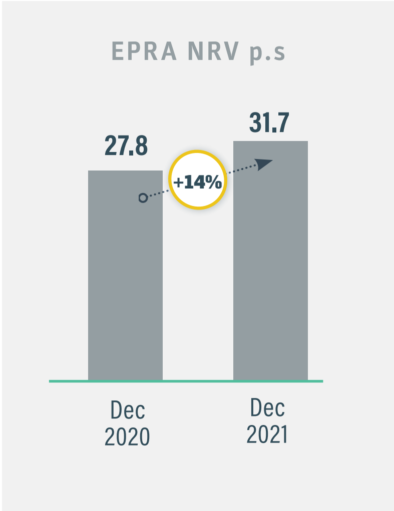
EPRA NDV

EPRA NDV as of December 2021 amounted to €3.9 billion, or €23.3 per share, as compared to €3.5 billion and €20.1 per share as of year-end 2020. The EPRA NDV represents the Company's NAV under a theoretical scenario where all assets would be disposed, and therefore does not add back any deferred tax liabilities or real estate transfer tax, as it is assumed that under such a scenario these would be triggered. In addition, the EPRA NDV adjusts for the net fair value of debt, as these would be expected to be settled at fair market value in such a scenario.

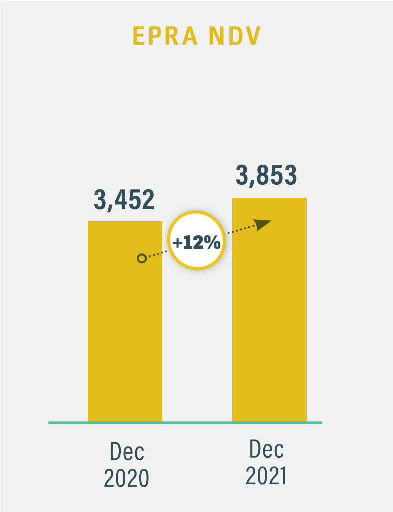
EPRA NAV METRICS DEVELOPMENT (IN €)

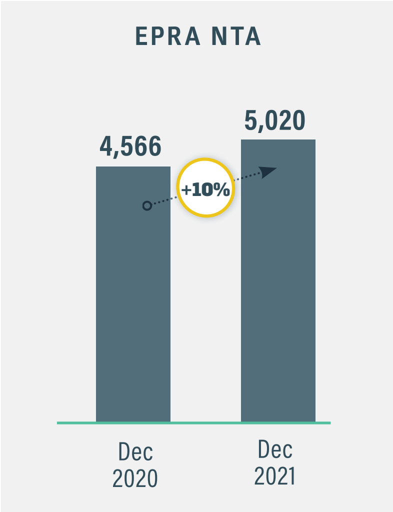


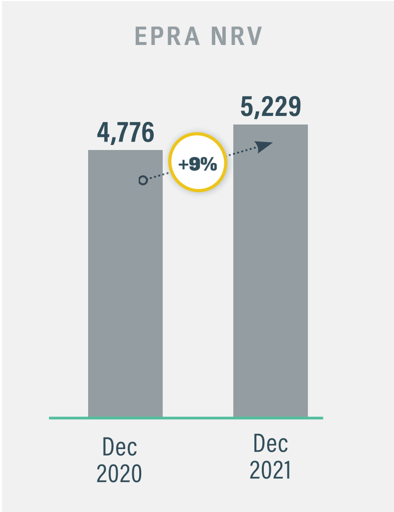




EPRA NAV METRICS DEVELOPMENT (IN € MILLIONS)







EPRA EARNINGS

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

The Company recorded EPRA Earnings amounting to €174 million for the year 2021, compared to €183 million in 2020. This reflects €1.04 on a per share basis compared to €1.08 in 2020. While the Company recorded solid internal growth, reflected by 2.8% like-for-like rental growth, as well as strong improvements in its financial platform with reduced finance expenses and increased coverage ratios, these improvements were offset by higher-finance related costs which are partially one-off costs and relate to the Company's debt optimization activities, as well as the impact from capital recycling between the periods. On a per share basis the EPRA Earnings were positively impacted by the accretive share buybacks executed in the year, which somewhat offset the decrease in absolute EPRA Earnings. The bridge to FFO I adjusts for such one-off expenses as well as non-cash charges, while taking off the adjustment for perpetual notes attribution, and reflects the strength of GCP's operational profit generation, with FFO I increasing 2% compared to 2020, and 4% on a per share basis.

For the year ended 31 December	2021	2020
	€'000	
Earnings per IFRS income statement	617,089	449,071
Property revaluations and capital gains	(694,844)	(343,409)
Change in fair value of financial assets and liabilities, net	122,553	19,876
Deferred tax expenses	134,582	61,267
Share of profit from investments in equity-accounted investees	(3,952)	(3,569)
Contribution from joint ventures	1,949	2,597
Contribution to minorities	(3,493)	(3,176)
EPRA Earnings	**173,884**	**182,657**
Weighted average number of ordinary shares (basic) in thousands*	167,551	169,803
EPRA Earnings per share (in €)	**1.04**	**1.08**
Bridge to FFO I		
Add back: Depreciation	8,235	5,042
Add back: Finance-related costs	26,087	25,794
Add back: Equity settled share-based payments and other adjustments	3,162	1,561
Less: Adjustment for perpetual notes attribution	(25,042)	(32,848)
FFO I	**186,326**	**182,206**
FFO I per share (in €)	**1.11**	**1.07**

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

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

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

	Dec 2021	Dec 2020
	€'000	
Investment property	9,339,489	8,005,893
Investment property - share of JV	-	169,511
Investment properties of assets held-for-sale	102,537	150,207
Inventories - trading properties	-	16,458
Less: Classified as development rights and new buildings	(306,272)	(453,368)
Complete property portfolio	**9,135,754**	**7,888,701**
Allowance for estimated purchaser's costs	674,073	584,898
Gross up complete property portfolio valuation	**9,809,827**	**8,473,599**
End of period annualised net rental income(1)	384,848	357,210
Operating costs(2)	(71,232)	(62,002)
Annualised net rent, after non-recoverable costs	**313,616**	**295,208**
Notional rent expiration of rent-free periods or other lease incentives	N/A	N/A
Topped-up net annualised rent	313,616	295,208
EPRA NIY	**3.2%**	**3.5%**
EPRA "topped-up" NIY	3.2%	3.5%

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

GCP's portfolio had an EPRA NIY of 3.2% as of December 2021, which compares to 3.5% as of December 2020. The decrease in EPRA NIY between the two periods was driven by strong valuation uplifts in the portfolio as well as by acquisitions of high-quality properties on the back of disposals of lower quality properties. In 2021 the Company recorded strong revaluation gains, reflected by a 8% like-for-like value uplift, excluding capex and impact from acquisitions and disposals. This increase is driven by the solid operational performance of the portfolio combined with the strong market dynamics in GCP's portfolio locations. In addition, GCP acquired over €700 million of high-quality properties in core markets such as London, Berlin, Dresden, Munich, and NRW, while disposing approx. €360 million of mainly non-core assets, located primarily in eastern German cities and secondary cities in NRW, resulting in enhanced quality of the overall portfolio which is reflected in the stronger EPRA NIY.

EPRA VACANCY

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

	Dec 2021	Dec 2020
	€'000	
Estimated rental value of vacant space (A)	20,650	22,647
December annualised net rent including vacancy rented at ERV (B)	403,683	362,663
EPRA Vacancy Rate (A/B)	**5.1%**	**6.2%**

GCP's portfolio had an EPRA Vacancy rate of 5.1% as of December 2021, lower as compared to 6.2% as of December 2020. GCP has consistently reduced its vacancy in recent years, on the back of strong operational performance and solid development of fundamentals in GCP's portfolio locations, reflected in the contribution of 0.6% from occupancy increase to the Companies total like-for-like rental growth of 2.8% for December 2021. Furthermore, the Company has increased its asset quality through its capital recycling activities, which have had a positive impact on the vacancy development.

EPRA COST RATIOS

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

For the year ended 31 December	2021	2020
	€'000	
Property operating expenses, net	45,536	36,244
Maintenance and refurbishment	22,449	27,280
Administrative expenses	11,138	10,719
Share of expenses from investments in equity accounted investees*	2,599	2,510
EPRA Costs (including direct vacancy costs)	**81,722**	**76,753**
Direct vacancy costs	(7,369)	(8,521)
EPRA Costs (excluding direct vacancy costs)	**74,353**	**68,232**
Revenue	524,629	535,424
Less: operating and other income	(150,079)	(162,962)
Add: Share of net rental income from equity-accounted investees	6,796	7,972
Rental income, net	**381,346**	**380,434**
EPRA Cost Ratio (including direct vacancy costs)	**21.4%**	**20.2%**
EPRA Cost Ratio (excluding direct vacancy costs)	**19.5%**	**17.9%**

* including share of operating expenses recoverable from tenants

GCP's EPRA Cost Ratio's, including and excluding direct vacancy costs, stood at 21.4% and 19.5%, respectively, as of year-end 2021, reflecting an increase compared to the 20.2% and 17.9% as of year-end 2020, respectively. The increase in the EPRA Cost Ratios is primarily the result of cost inflation affecting the Company's operating and administrative expenses. The increase in cost was offset by efficiencies gains and optimizing the cost structure through recycling of assets, due to disposed assets with relatively higher operational costs and acquiring properties with a leaner cost structure. As a result of the lower vacancy of the portfolio direct vacancy costs were also lower, partially offset due to cost inflation in this item.

London

EPRA CAPITAL EXPENDITURE

For the year ended 31 December	2021	2020
		€'000
Acquisitions	479,976*	616,830
Pre-letting modifications and others	42,339	21,261
Repositioning capex	63,084	62,406
EPRA property-related capex	**585,399**	**700,497**

* excluding the impact of acquiring a controlling stake in an existing investee and consolidating a portfolio of approx. €280 million, previously held as an equity accounted investee

During 2021 GCP recorded EPRA property-related capex amounting to €585 million, compared to €700 million in 2020. EPRA property-related capex comprises expenditures to acquisitions, repositioning capex, as well as pre-letting modifications and others. Acquisition cost represent the gross expenditure related to the acquisition of investment properties, including transaction costs, and comprised the majority of capital expenditures in 2021, amounting to €480 million. The acquisition expenditure does not include increasing majority stake in a joint-venture and consolidation of a property portfolio of approx. €280 million.

In addition, GCP spent €42 million in pre-letting modifications, which are expenditures related to snagging and the final preparation of new buildings, as well as the re-opening of converted and refurbished properties which are in the pre-let stage and are being prepared for leasing. The Company recorded €63 million of expenditure related to repositioning capex. Repositioning capex comprises targeted investment that GCP undertakes to improve the quality of its assets and in turn the value proposition of its portfolio to existing and prospective tenants. These activities include measures such as apartment renovations, improvements to staircases, corridors, and common areas, as well as façade refits and other similar projects. Furthermore, improvements to the surrounding areas, such as installation of playgrounds, barbeque pits or the renovation of common meeting areas are included under this item. In 2021 the Company additionally undertook modernisation measures in several targeted projects, including the addition of elevators and balconies, energetic modernisation through replacement of windows, façade and roof insulation and replacing heating systems. These activities have been included in the repositioning capex and amounted to approx. €3 million.

Frankfurt

ALTERNATIVE PERFORMANCE MEASURES

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

RECONCILIATION OF ADJUSTED EBITDA

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

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

RECONCILIATION OF FUNDS FROM OPERATIONS I (FFO I)

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

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

RECONCILIATION OF FUNDS FROM OPERATIONS II (FFO II)

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

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

RECONCILIATION OF ADJUSTED FUNDS FROM OPERATIONS (AFFO)

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

AFFO reconciliation
FFO I
(-) Repositioning capex
(=) AFFO

RECONCILIATION OF EQUITY RATIO

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

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

RECONCILIATION OF LOAN-TO-VALUE (LTV)

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

LOAN-TO-VALUE Reconciliation
(+) Investment property(1)
(+) Investment properties of assets held for sale(2)
(+) Investment in equity-accounted investees
(=) (A) Total value
(+) Total debt(3)
(-) Cash and liquid assets(4)
(=) (B) Net debt
(=) (B/A) LTV

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

RECONCILIATION OF UNENCUMBERED ASSETS RATIO

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

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

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

RECONCILIATION OF ICR AND DSCR

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

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

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

EPRA EARNINGS

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

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

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

Bridge to FFO I
Excluding:
(+) Depreciation
(+) Finance-related costs
(+/-) Other adjustments
(-) Adjustment for perpetual notes attribution
(=) FFO I

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

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

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

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

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

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

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

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

EPRA NTA Reconciliation
Equity attributable to the owners of the Company
(+) Deferred tax liabilities[1]
(+/-) Fair value measurements of derivative financial instruments, net[2]
(-) Intangible assets and goodwill
(+) Real Estate Transfer Tax[1]
(=) EPRA NTA

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

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

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

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

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

EPRA NET INITIAL YIELD (NIY) AND EPRA ‚TOPPED-UP‘ NIY

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

The fair value of the full property portfolio is the sum of *investment property, share of investment properties in equity accounted investees, investment properties from assets held for sale as well as the inventories - trading properties.* Properties classified as development rights and new buildings are subtracted, as these are non-income generating assets and therefore not relevant to the NIY calculation. In addition, this sum is grossed up with an *allowance for estimated purchaser's cost.* The *annualised net rental income* is arrived by subtracting *non-recoverable property operating costs* based on cost margins for comparability.

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

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

EPRA VACANCY RATE

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

EPRA Vacancy rate reconciliation
(A) ERV of vacant space, for a given month
(B) annualised rental value of the portfolio, including vacancy rented at ERV, for a given month
(=) (A/B) EPRA Vacancy rate

EPRA COST RATIOS

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

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

* including share of operating expenses recovered from tenants

EPRA CAPITAL EXPENDITURE

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

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

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

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

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

Berlin

RESPONSIBILITY STATEMENT

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

DISCLAIMER

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

Luxembourg, 16 March 2022

Christian Windfuhr
Chairman and member
of the Board of Directors

Simone Runge-Brandner
Member of the
Board of Directors

Daniel Malkin
Member of the
Board of Directors

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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Grand City Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of the "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Investment Properties

Refer to notes 16 and 25.2 to the consolidated financial statements for related disclosures. In notes 2.3, 3.12 and 3.14 to the consolidated financial statements you find the corresponding significant accounting judgements, estimates and assumptions, and the accounting policies, respectively.

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

As at 31 December 2021 the Group held a portfolio of investment properties with a fair value of TEUR 9,339,489 (31 December 2020: TEUR 8,005,893) and investment properties within assets classified as held for sale with a fair value of TEUR 102,537 (31 December 2020: TEUR 150,207).

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

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

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

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

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

b) How the matter was addressed during the audit

Our procedures over valuation of investment properties included but were not limited to the following:

- We tested the design and implementation of the key controls around the determination and monitoring of the fair value measurement of the investment properties;
- We assessed the competence, capabilities, qualifications, independence and integrity of the external valuers and read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;
- Through the involvement of our own property valuation specialists, on a sample basis, we assessed that the valuation approach applied by the external valuer was in accordance with relevant valuation and accounting standards and suitable for use in determining the carrying value in the consolidated statement of financial position;
- Through the involvement of our own property valuation specialists, on a sample basis, we tested the integrity, accuracy and completeness of inputs used by the external valuers, as well as appropriateness of valuation parameters used, such as discount and capitalisation rates, market rents per square meter and capital expenditure, vacancy rates, comparable price per square meter and development cost;
- Through the involvement of our own property valuation specialists, on a sample basis, we assessed the valuation process, significant assumptions and critical judgement areas by benchmarking these to external industry data and comparable property transactions, in particular the yields applied; and
- We considered the adequacy of the disclosures in the consolidated financial statements, and the Group's descriptions regarding the inherent degree of subjectivity and the key assumptions in estimates.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated financial statements

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

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the General Meeting of the Shareholders on 30 June 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is ten years.

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

The Corporate Governance Statement is included in the Board of Directors' Report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

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

In our opinion, the consolidated financial statements of Grand City Properties S.A. as at 31 December 2021, identified as ESEF_grandcityproperties20211231.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the consolidated financial statements of Grand City Properties S.A. as at 31 December 2021, identified as ESEF_grandcityproperties20211231.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 16 March 2022

KPMG Luxembourg
Société anonyme
Cabinet de révision agréé

Alessandro Raone
Partner

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 December	
		2021	2020
	Note	€'000	
Revenue	6	**524,629**	**535,424**
Property revaluations and capital gains	7	694,844	343,409
Share of profit from investments in equity-accounted investees	14	3,952	3,569
Property operating expenses	8	(218,064)	(226,486)
Administrative and other expenses	9	(11,138)	(10,719)
Depreciation and amortisation	15	(8,235)	(5,042)
Operating profit		**985,988**	**640,155**
Finance expenses	10.1	(46,450)	(52,760)
Other financial results	10.2	(148,640)	(45,670)
Profit before tax		**790,898**	**541,725**
Current tax expenses	11.2	(39,227)	(31,387)
Deferred tax expenses	11.3	(134,582)	(61,267)
Profit for the year		**617,089**	**449,071**
Profit attributable to:			
Owners of the Company		523,522	362,218
Perpetual notes investors		25,042	32,848
Non-controlling interests		68,525	54,005
		617,089	**449,071**
Net earnings per share attributable to the owners of the Company (in euro):			
Basic earnings per share	12.1	3.12	2.13
Diluted earnings per share	12.2	2.90	2.01

The notes on pages 88 to 137 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2021	2020
	€'000	
Profit for the year	**617,089**	**449,071**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods, net of tax:		
Foreign currency translation, net of investment hedges of foreign operations	(6,715)	(22,476)
Net change in cost of hedging	36,359	(15,383)
Total other comprehensive income (loss) for the year, net of tax	**29,644**	**(37,859)**
Total comprehensive income	**646,733**	**411,212**
Total comprehensive income attributable to:		
Owners of the Company	553,166	324,359
Perpetual notes investors	25,042	32,848
Non-controlling interests	68,525	54,005
	646,733	**411,212**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2021	2020
		For the year ended 31 December	
		€'000	
ASSETS			
Investment property	16	9,339,489	8,005,893
Property and equipment	15	55,626	(*)13,533
Intangible assets and goodwill	15	14,717	(*)13,909
Advance payment and deposits		24,255	36,866
Investment in equity-accounted investees	14	-	107,880
Derivative financial assets	27	37,504	57,057
Other non-current assets	13	359,831	315,884
Deferred tax assets	11.3	51,412	50,665
Non-current assets		**9,882,834**	**8,601,687**
Cash and cash equivalents		895,486	1,412,199
Financial assets at fair value through profit or loss		211,913	279,743
Inventories - trading property		-	16,458
Trade and other receivables	17	452,048	394,711
Derivative financial assets	27	6,129	5,967
Assets held-for-sale	25.2	113,582	155,015
Current assets		**1,679,158**	**2,264,093**
Total assets		**11,561,992**	**10,865,780**
EQUITY			
Share capital	18.1	17,619	17,186
Treasury shares	18.4	(248,009)	-
Share premium and other reserves	18.5/18.6	408,371	439,240
Retained earnings		3,782,053	3,257,423
Total equity attributable to the owners of the Company		**3,960,034**	**3,713,849**
Equity attributable to perpetual notes investors	18.8	1,227,743	1,306,092
Total equity attributable to the owners and perpetual notes investors		**5,187,777**	**5,019,941**
Non-controlling interests	18.9	614,809	534,987
Total equity		**5,802,586**	**5,554,928**

(*)reclassified

	Note	For the year ended 31 December 2021	2020
		€'000	
LIABILITIES			
Loans and borrowings	20.1	353,073	427,470
Convertible bond	20.2	-	277,614
Straight bonds	20.2	3,642,285	3,361,162
Derivative financial liabilities	27	76,200	40,545
Other non-current liabilities	22	154,330	142,432
Deferred tax liabilities	11.3	760,472	634,329
Non-current liabilities		**4,986,360**	**4,883,552**
Current portion of long-term loans	20.1	5,176	9,667
Bond redemption	20.2/33	449,595	137,316
Trade and other payables	21	215,757	209,065
Derivative financial liabilities	27	30,691	704
Tax payable		18,541	13,446
Provisions for other liabilities and charges	23	39,778	45,776
Liabilities held-for-sale	25.2	13,508	11,326
Current liabilities		**773,046**	**427,300**
Total liabilities		**5,759,406**	**5,310,852**
Total equity and liabilities		**11,561,992**	**10,865,780**

The Board of Directors of Grand City Properties S.A. authorised these consolidated financial statements to be issued on 16 March 2022.

Christian Windfuhr
Chairman and member of the Board of Directors

Simone Runge-Brandner
Member of the Board of Directors

Daniel Malkin
Member of the Board of Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company												
€'000	Share capital	Treasury shares	Share premium	Equity component of convertible bond	Cost of hedging reserve	Foreign exchange translation reserves, net	Other reserves	Retained Earnings	Total equity attributable to owners of the Company	Equity attributable to perpetual notes investors	Equity attributable to owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
Balance as at 31 December 2020	**17,186**	**-**	**497,187**	**12,657**	**(25,256)**	**(32,943)**	**(12,405)**	**3,257,423**	**3,713,849**	**1,306,092**	**5,019,941**	**534,987**	**5,554,928**
Profit for the year	-	-	-	-	-	-	-	523,522	523,522	25,042	548,564	68,525	617,089
Other comprehensive income (loss) for the year	-	-	-	-	36,359	(6,715)	-	-	29,644	-	29,644	-	29,644
Total Comprehensive Income (loss) for the period	**-**	**-**	**-**	**-**	**36,359**	**(6,715)**	**-**	**523,522**	**553,166**	**25,042**	**578,208**	**68,525**	**646,733**
Dividend distribution(1)	-	-	(136,433)	-	-	-	-	-	(136,433)	-	(136,433)	-	(136,433)
Scrip dividend(1)	433	-	82,280	-	-	-	-	-	82,713	-	82,713	-	82,713
Share buy-back(2)	-	(271,781)	-	-	-	-	-	-	(271,781)	-	(271,781)	-	(271,781)
Share-based payment	-	397	-	-	-	-	914	(365)	946	-	946	-	946
Capital increase	-	23,375	745	-	-	-	(7,017)	-	17,103	-	17,103	-	17,103
Initial consolidation, de-consolidation and transactions with non-controlling interests	-	-	-	-	-	-	-	1,473	1,473	-	1,473	11,297	12,770
Payment to perpetual notes investors	-	-	-	-	-	-	-	-	-	(19,485)	(19,485)	-	(19,485)
Repayment to perpetual notes investors(4)	-	-	-	-	-	-	(4,502)	-	(4,502)	(83,906)	(88,408)	-	(88,408)
Issuance of convertible bond (3)	-	-	-	3,500	-	-	-	-	3,500	-	3,500	-	3,500
Balance as at 31 December 2021	**17,619**	**(248,009)**	**443,779**	**16,157**	**11,103**	**(39,658)**	**(23,010)**	**3,782,053**	**3,960,034**	**1,227,743**	**5,187,777**	**614,809**	**5,802,586**

(1) for additional information see note 18.7
(2) for additional information see note 18.4
(3) for additional information see note 20.2(i)
(4) for additional information see note 18.8(c)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
		2021	2020
	Note	€'000	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		**617,089**	**449,071**
ADJUSTMENTS FOR THE PROFIT:			
Depreciation and amortisation	15	8,235	5,042
Property revaluations and capital gains	7	(694,844)	(343,409)
Share of profit from investments in equity-accounted investees	14	(3,952)	(3,569)
Net finance expenses	10	195,090	98,430
Tax and deferred tax expenses	11	173,809	92,654
Equity settled share-based payment	19	3,162	1,561
Change in working capital		(44,830)	(29,444)
		253,759	**270,336**
Tax paid		(36,699)	(28,184)
Net cash provided by operating activities		**217,060**	**242,152**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of equipment and intangible assets, net	15	(8,367)	(7,380)
Acquisitions of investment property, Capex and advances paid, net		(480,305)	(505,125)
Disposals of investment property, net		14,989	12,846
Acquisition of investees and loans, net of cash acquired		(9,388)	(117,555)
Disposal of investees, net of cash disposed		342,802	664,232
Investment in financial and other assets, net		(58,186)	(438,688)
Net cash used in investing activities		**(198,455)**	**(391,670)**

The notes on pages 88 to 137 form an integral part of these consolidated financial statements

		For the year ended 31 December	
		2021	2020
	Note	€'000	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Amortisation of loans from financial institutions	20.3	(4,328)	(11,907)
Proceeds (repayment) of loans from financial institutions, net	20.3	(288,320)	(9,525)
Proceeds from straight and convertible bonds, net	20.3	1,149,078	(*) 587,715
Proceeds (payments) from (to) Perpetual notes investors, net	18.8	(107,893)	206,925
Repayment and buyback of straight bonds	20.3	(927,119)	(*) (6,875)
Capital increase	18.6	17,103	-
Share buy-back	18.4	(271,781)	-
Transactions with non-controlling interests		(417)	6,637
Dividend distributed to the shareholders	18.7	(53,720)	(71,013)
Interest and other financial expenses, net	20.3	(49,790)	(51,337)
Net cash provided (used) by (in) financing activities		**(537,187)**	**650,620**
Net increase (decrease) in cash and cash equivalents		**(518,582)**	**501,102**
Change in cash and cash equivalents held-for-sale	25.2	(216)	171
Cash and cash equivalents at the beginning of the year		1,412,199	914,054
Effect of foreign exchange rate changes		2,085	(3,128)
Cash and cash equivalents at the end of the year		**895,486**	**1,412,199**

(*)reclassified

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

1.1. INCORPORATION AND PRINCIPAL ACTIVITIES

Grand City Properties S.A. (“the Company”) was incorporated in Grand Duchy of Luxembourg on December 16, 2011 as a Société Anonyme (public limited liability company). Its registered office is at 1, Avenue du Bois L-1251 Luxembourg.

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

These consolidated financial statements for the year ended 31 December 2021 comprise the Company and its investees (“the Group” or “GCP”).

1.2. LISTING ON THE FRANKFURT STOCK EXCHANGE

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

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

As at 31 December 2021, the issued share capital consists 176,187,899 shares with a par value of euro 0.10 per share, of which 11,225,841 shares with suspended voting rights are held in treasury. for additional information see note 18.4.

1.3. CAPITAL INCREASE, PERPETUAL NOTES AND BOND ISSUANCES

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

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

For more information see notes 18 and 20.2.

1.4. GROUP RATING

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

As at 31 December 2021, the Group’s credit rating was reaffirmed by rating agencies, as follows:

	S&P	Moody’s
Long-term corporate credit rating of the Company	BBB+	Baa1
Senior unsecured debt of the Company	BBB+	Baa1
Subordinated perpetual notes	BBB-	Baa3

1.5. DEFINITIONS

In these consolidated financial statements:

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

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

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

Certain consolidated statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows' items related to the year ended 31 December 2020 have been reclassified to enhance comparability with 2021 figures and are marked as "reclassified".

The consolidated financial statements were authorised for issue by the Company's Board of Directors on 16 March 2022.

2.2. BASIS OF MEASUREMENT

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

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

2.3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Judgements

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

» **Leases**

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

» **Revenue from contracts with customers**

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

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

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

» **Business combinations**

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

» **Interest rate benchmark reform**

- **Economically equivalent** - IBOR reform Phase 2 requires, as a practical expedient, for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform to be treated as a change to a floating rate of interest, provided the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform. For changes that are not required by IBOR reform, the Group applies judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Factors of changes that are economically equivalent include: changing the reference rate from an IBOR to a RFR; changing the reset days between coupons to align with the RFR; adding a fallback to automatically transition to an RFR when the IBOR ceases; and adding a fixed credit spread adjustment based on that calculated by the International Swaps and Derivatives Association (ISDA) or which is implicit in the market forward rates for the RFR.

- **Hedge accounting** - The Group applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an RFR. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Group judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships that are referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain LIBORs cease on 1 January 2022.

Estimates and assumptions

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

» **Valuation of investment property** - The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. The fair value measurement of investment property requires valuation experts and the Company's management to use certain assumptions regarding rates of return on the Group's assets, future rent, occupancy rates, contract renewal terms, the probability of leasing vacant areas, asset operating expenses, the tenants' financial stability and the implications of any investments made for future development purposes in order to assess the future expected cash flows from the assets. Any change in the assumptions used to measure the investment property could affect its fair value.

» **Valuation of financial assets and liabilities** - Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

» **Taxes** - Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

» **Impairment of financial assets measured at amortised cost** - When measuring expected credit loss (ECL) the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

» **Property leases - estimating the incremental borrowing rate** - The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available.

2.4. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

Transactions and balances

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

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

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

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

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

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

Group companies

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

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

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

	EUR/GBP	EUR/HKD	EUR/CHF	EUR/JPY
As of 31 December 2021	0.840	8.833	1.033	130.380
As of 31 December 2020	0.899	9.514	1.080	126.490
Change (%)	(6.5%)	(7.2%)	(4.4%)	3.1%
Average exchange rate during the year	0.860	9.193	1.081	129.877

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

There were several new and amendments to standards and interpretations which are applicable for the first time in 2021, but either not relevant or do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. See note 3.25.

These amendments did not have any significant impact on the consolidated financial statements of the Group. See note 26.3.1.

With effective date of 1 January 2021:

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments have not had a material impact on the consolidated financial statements. See note 26.3.1.

With effective date of 1 April 2021:

» **Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)**

In May 2020, the IASB published an amendment to IFRS 16 that provided lessees (but not lessors) with relief in the form of an optional practical expedient from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees could elect to account for rent concessions in the same way as if they were not lease modifications. The expedient initially only applied to reductions in lease payments due on or before 30 June 2021, but that date was subsequently extended to 30 June 2022 through further amendments made in March 2021.

These amendments had no impact on the consolidated financial statements of the Group.

3.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

» Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

» Exposure, or rights, to variable returns from its involvement with the investee

» The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

» The contractual arrangement(s) with the other vote holders of the investee

» Rights arising from other contractual arrangements

» The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity attributed to owners of the Company.

When the Group loses control over a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests and other components of equity, and is recognised in the consolidated statement of profit or loss under 'Property revaluation and capital gains'.

When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or IAS 28 Investments in Associates and Joint Ventures.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all entities in the Group. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

3.3. PROPERTY ACQUISITIONS AND BUSINESS COMBINATIONS

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

3.4. BUSINESS COMBINATIONS AND GOODWILL

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that, together, significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, at fair value or at the proportionate share of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU.

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

Acquisition-related costs are expensed as incurred and included in administrative expenses.

3.5. INVESTMENTS IN ASSOCIATES AND EQUITY - ACCOUNTED INVESTEES

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

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

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

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

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

3.6. REVENUE RECOGNITION

The Group's key sources of income include:

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

The accounting for each of these elements is discussed below:

Rental income

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

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

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

Revenue from services to tenants

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

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

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

Sale of property

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

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

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

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

» Contract costs incurred related to contracts with an amortization period of less than one year have been expensed as incurred.

» The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations for contracts in which the Group has a right to consideration from tenants in an amount that corresponds directly with the value to the tenant of the Group's performance completed to date.

» The Group does not adjust the transaction price for the effects of significant financing component since at contract inception it is expected that the period between when the entity transfers the services to tenants and when the tenants pay for these services will be one year or less.

3.7. FINANCE INCOME AND EXPENSES AND OTHER FINANCIAL RESULTS

Finance income comprises interest income on funds invested.

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

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

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

3.8. TAXES

Current tax

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

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

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

Deferred tax

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

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

» When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss

» In respect of taxable temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

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

» When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

» In respect of deductible temporary differences associated with investments in subsidiaries, branches and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

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

3.9. PROPERTY AND EQUIPMENT

Owner-occupied properties are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Equipment includes furniture, fixtures and office equipment and is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss using the straight line method over the useful lives of each part of an item of equipment.

The annual depreciation rates used for the current and comparative periods are as follows:

	%
Furniture, fixtures and office equipment	7-33
Property	3

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

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

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

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

3.10. INTANGIBLE ASSETS AND GOODWILL

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

	%
software	20-33

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

3.11. DEFERRED INCOME

Deferred income represents income which relates to future periods.

» **Prepayments**

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

» **Tenancy deposits**

Tenancy deposits are paid to ensure the tenant occupied real estate is returned in good condition. The tenancy deposits can also be used if a loss of rent occurs.

3.12. INVESTMENT PROPERTY

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

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

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

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

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

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

Refer to the note 3.14 “Non-current assets held for sale” on the accounting for investment property classified by held for sale.

3.13. TRADING PROPERTY (INVENTORIES)

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

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

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

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

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

3.14. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

3.15. FINANCIAL INSTRUMENTS

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

I. FINANCIAL ASSETS

i. Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. See note 3.6.

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

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

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

ii. Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other financial results in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

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

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

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

iii. De-recognition

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

» The rights to receive cash flows from the asset have expired, or

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

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

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

iv. Impairment of financial assets

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

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

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

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

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

II. FINANCIAL LIABILITIES

i. Initial recognition and measurement

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

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

ii. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

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

iii. De-recognition

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

III. OFFSETTING OF FINANCIAL INSTRUMENTS

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

IV. SHARE CAPITAL

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

V. TREASURY SHARES

When shares recognised as equity are repurchased, the amount of the consideration paid including acquisition direct costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares, presented in the treasury share reserve and are not revaluated after the acquisition. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented in the share premium.

VI. CONVERTIBLE BONDS

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

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

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

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

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

VII. PERPETUAL NOTES

Perpetual notes have no maturity date and may be redeemed by the Company, at its sole discretion, on certain dates. The Perpetual notes are recognised as equity attributable to its holders, which forms part of the total equity of the Group. The Company may, at its sole discretion, elect to defer the payment of interest on the notes (referred to as Arrears of Interest). Arrears of Interest must be paid by the Company upon the occurrence of certain events, including but not limited to, dividends, distributions or other payments made to instruments such as the Company's ordinary shares, which rank junior to the Perpetual notes. Upon occurrence of such an event, any Arrears of Interest would be re-classified as a liability in the Group's consolidated financial statements. The deferred amounts shall not bear interest.

3.16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

- Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss.

- On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

3.17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of financial position and in the consolidated statement of cash flow comprise cash at banks and on hand and short-term highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.18. PROPERTY OPERATING EXPENSES

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

3.19. OPERATING SEGMENTS

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

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

» Is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to intragroup transactions;

» whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

» For which separate financial information is available.

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

3.20. COMPARATIVES

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

3.21. EARNINGS PER SHARE

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

3.22. SHARE-BASED PAYMENT TRANSACTIONS

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

3.23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

3.24. LEASED ASSETS

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

Group as a lessee

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

I) Right-of-use assets

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

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

II) Lease liabilities

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

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

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

III) Short-term leases and leases of low-value assets

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

Group as a lessor

Refer to accounting policies on rental income in note 3.6.

3.25. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

The following amendments were adopted by the EU, but not yet effective in 2021:

With effective date of 1 January 2022:

» **Amendments to IFRS 3 Business Combinations**
Amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

» **Amendments to IAS 16 Property, Plant and Equipment**
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

» **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**
The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

» **Annual Improvements 2018-2020**
The following improvements were finalised in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2021 and 31 December 2020 on a recurring basis:

	As at 31 December 2021					As at 31 December 2020				
			Fair value measurement using					Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€'000									
FINANCIAL ASSETS										
Financial assets at fair value through profit or loss(*)	410,570	410,570	175,638	77,163	157,769	308,877	308,877	232,597	76,280	-
Derivative financial assets	43,633	43,633	-	43,633	-	63,024	63,024	-	63,024	-
Total financial assets	**454,203**	**454,203**	**175,638**	**120,796**	**157,769**	**371,901**	**371,901**	**232,597**	**139,304**	**-**
FINANCIAL LIABILITIES										
Derivative financial liabilities	106,891	106,891	-	106,891	-	41,249	41,249	-	41,249	-
Total financial liabilities	**106,891**	**106,891**	**-**	**106,891**	**-**	**41,249**	**41,249**	**-**	**41,249**	**-**

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

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments as at 31 December 2021 and 31 December 2020:

	As at 31 December 2021					As at 31 December 2020				
			Fair value measurement using					Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€'000									
FINANCIAL LIABILITIES										
Straight bonds(*)	3,642,285	3,779,314	3,599,216	180,098	-	3,498,478	3,834,864	3,643,580	191,284	-
Convertible bond(*)	449,595	451,283	451,283	-	-	277,614	286,183	286,183	-	-
Total financial liabilities	**4,091,880**	**4,230,597**	**4,050,499**	**180,098**	**-**	**3,776,092**	**4,121,047**	**3,929,763**	**191,284**	**-**

(*) including bond redemption

Fair value hierarchy

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

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

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

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

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

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

» The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted bonds is measured using the discounted cash flows method with observable inputs.

» There's an active market for the Group's listed equity investments and quoted debt instruments.

» For the fair value measurement of investments in unlisted funds, the net asset value is used as a valuation input and an adjustment is applied for lack of marketability and restrictions on redemptions as necessary. This adjustment is based on management judgment after considering the period of restrictions and the nature of the underlying investments.

» The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate and foreign exchange swap and forward, collar and cap contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.


Essen

5. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

» During the year, the Group obtained control over several portfolios through acquisitions of companies, including obtaining control over its equity-accounted investees. The transactions did not meet the definition of business combination. The purchases of these companies were treated as acquisition of a group of assets and liabilities, without recognition of goodwill.

The acquisition costs, net of the fair value of interests previously accounted for using the equity method and loans granted in previous periods, amounted to euro 27 million. The total acquisition costs were allocated between the assets acquired and the liabilities assumed based on their relative fair value at the purchase date. As part of the acquisition, the Group initially consolidated investment property of euro 356 million, loans and borrowings of euro 201 million and recognised euro 17 million non-controlling interests. See also note 14.

» During the year, the Group changed its holdings rates in several subsidiaries without losing control. The carrying amount of the Group's interest and non-controlling interests was adjusted to reflect the changes in their relative interest in the subsidiaries, in the amount of euro 2 million and is presented in the consolidated statement of changes in equity. The results of the transactions are recognised directly in equity attributed to the owners of the Company.

6. REVENUE

	Year ended 31 December	
	2021	2020
	€'000	
Net rental income	374,550	372,462
Operating and other income	150,079	162,962
	524,629	**535,424**

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

During the year, approximately 80% (2020: 85%) of the Group's net rental income derive from Germany and 20% (2020: 15%) derive from the United Kingdom and others.

7. PROPERTY REVALUATIONS AND CAPITAL GAINS

	Year ended 31 December	
	2021	2020
	€'000	
Property revaluations (see note 16.1)	631,152	289,727
Capital gains (see note 25.1)	63,692	53,682
	694,844	**343,409**


Mannheim

8. PROPERTY OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
	€'000	
Purchased services	(159,592)	(161,729)
Maintenance and refurbishment	(22,449)	(27,280)
Personnel expenses	(22,059)	(24,119)
Other operating costs	(13,964)	(13,358)
	(218,064)	**(226,486)**

As of 31 December 2021, the Group had 809 employees (2020: 882 employees). On an annual average, the Group had 849 (2020: 916) employees.

9. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December	
	2021	2020
	€'000	
Personnel expenses	(4,587)	(4,494)
Audit and accounting costs	(2,693)	(2,514)
Legal and professional consultancy fees	(1,913)	(1,924)
Marketing and other expenses	(1,945)	(1,787)
	(11,138)	**(10,719)**

During the year, the Group recorded euro 1.9 million (2020: euro 1.9 million) and euro 0.8 million (2020: euro 0.7 million) related to audit and audit-related fees provided by KPMG audit firms and other audit firms, respectively, and euro 0.2 million (2020: euro 0.2 million) and euro 0.1 million (2020: euro 0.1 million) related to tax and consultancy services provided by KPMG audit firms and other audit firms, respectively.

10. NET FINANCE EXPENSES

	Year ended 31 December	
	2021	2020
	€'000	
10.1. FINANCE EXPENSES		
Finance expenses from financial institutions and third parties, net	(3,273)	(3,770)
Finance expenses from straight and convertible bonds, net	(43,177)	(48,990)
	(46,450)	**(52,760)**

	2021	2020
10.2. OTHER FINANCIAL RESULTS		
Changes in fair value of financial assets and liabilities, net	(122,553)	(19,876)
Finance-related costs	(26,087)	(25,794)
	(148,640)	**(45,670)**


Bonn

11. TAXATION

11.1 TAX RATES APPLICABLE TO THE GROUP

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 24.94% (2020: 24.94%).

The German subsidiaries with property are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15% as of 31 December 2021 (2020: 15%), plus an annual solidarity surcharge of 5.5% on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

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

The Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5% (2020: 12.5%).

Under certain conditions interest income of the Cypriot companies may be subject to defense contribution at the rate of 30% (2020: 30%). In such cases this interest will be exempt from corporation tax.

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

The United Kingdom subsidiaries with property are subject to taxation under the laws of the United Kingdom. Income taxes are calculated using a federal corporate tax (that includes capital gains) of 19% for 31 December 2021 (2020: 19%).

On 24 May 2021, the report stage and third reading of the UK Finance Bill 2021 in the House of Commons took place and the final government amendments were passed. The amendments included an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023.

Subsidiaries in other jurisdictions are subject to corporate tax rate of up to 27.9%.

11.2. CURRENT TAX IN CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	Year ended 31 December	
	2021	2020
	€'000	
Corporate income tax	(25,011)	(15,919)
Property tax	(14,216)	(15,468)
Charge for the year	**(39,227)**	**(31,387)**

11.3. MOVEMENT IN DEFERRED TAX ASSETS (LIABILITIES) NET

	Fair value gains on investment property, net	Derivative financial instruments, net	Loss carried forward	Other	Total
			€'000		
BALANCE AS AT 1 JANUARY 2020	**(582,591)**	**1,111**	**41,234**	**(9,683)**	**(549,929)**
Credit (charge) to profit or loss for the year	(80,564)	1,466	18,313	(482)	(61,267)
Credit (charge) to other comprehensive income for the year	(9,693)	(8,660)	-	-	(18,353)
Deconsolidation	55,557	(109)	(8,825)	-	46,623
Change in liabilities/assets held for sale	(681)	-	(57)	-	(738)
BALANCE AS AT 31 DECEMBER 2020	**(617,972)**	**(6,192)**	**50,665**	**(10,165)**	**(583,664)**
Credit (charge) to profit or loss for the year	(140,220)	1,637	5,909	(1,908)	(134,582)
Credit (charge) to other comprehensive income for the year	(2,134)	267	-	-	(1,867)
Deconsolidation	18,728	-	(3,383)	-	15,345
Change in liabilities/assets held for sale	(2,513)	-	(1,779)	-	(4,292)
Balance as at 31 December 2021	**(744,111)**	**(4,288)**	**51,412**	**(12,073)**	**(709,060)**

As at 31 December 2021 the Group has unused tax losses for which no deferred tax assets have been recognised as it is not considered probable that there will be future taxable profits available. These deferred tax assets which have not been recognised amounted to approximate euro 29 million (2020: 21 million) of which euro 10 million (2020: euro 10 million) and euro 19 million (2020: euro 11 million) are related unused tax losses that can be carried forward indefinitely and for a maximum period of 17 years, respectively.

The Group has applied the initial recognition exemption on acquisitions of investment property which did not meet the definition of business combination. As at 31 December 2021, the deferred tax liabilities which have not been recognised in the consolidated financial statement of financial position amounted to euro 90 million (2020: 63 million).

11.4. RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended 31 December	
	2021	2020
	€'000	
Profit before tax	790,898	541,725
Statutory tax rate	24.94%	24.94%
Tax computed at the statutory tax rate	197,250	135,106
Decrease in taxes on income resulting from the following factors:		
Group's share of earnings from companies accounted for at equity	(986)	(890)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(89,579)	(55,069)
Effect of permanent differences	42,747	(*)13,658
Effect of change in tax rates	17,297	-
Others	7,080	(*)(151)
Tax and deferred tax expenses	**173,809**	**92,654**

(*) reclassified

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

12.1. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as of 31 December 2021 is based on the profit attributable to ordinary shareholders of euro 523,522 thousand (2020: euro 362,218 thousand), and a weighted average number of ordinary shares outstanding of 167,551 thousand (2020: 169,803 thousand), calculated as follows:

	Year ended 31 December	
	2021	2020
PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)	€'000	
Profit for the year, attributable to the owners of the Company	523,522	362,218

	Year ended 31 December	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)	2021	2020
	€'000	
Issued ordinary shares on January 1	171,864	167,896
Capital increase	2,483	1,907
Share buy-back	(6,796)	-
Weighted average number of ordinary shares as at 31 December	**167,551**	**169,803**
Basic earnings per share (euro)	**3.12**	**2.13**

12.2. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at 31 December 2021 is based on profit attributable to ordinary shareholders of euro 527,060 thousand (2020: euro 365,625 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 181,588 thousand (2020: 181,509 thousand), calculated as follows:

	Year ended 31 December	
PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)	2021	2020
	€'000	
Profit for the year, attributable to the owners of the Company (basic)	523,522	362,218
Expense on convertible bond "Series F"	3,538	3,407
Profit for the year, attributable to the owners of the Company (diluted)	**527,060**	**365,625**

	Year ended 31 December	
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	2021	2020
	€'000	
Issued ordinary shares on January 1	171,864	167,896
Capital increase	2,483	1,907
Share buy-back	(6,796)	-
Effect of exercise of convertible bond "Series F"	13,579	11,316
Effect of warrants	310	251
Effect of equity settle share-based payment	148	139
Weighted average number of ordinary shares as at 31 December	**181,588**	**181,509**
Diluted earnings per share (euro)	**2.90**	**2.01**

13. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2021	2020
	€'000	
Tenancy deposit[1]	40,789	35,334
Investment in other long-term assets[2]	114,950	244,059
Financial assets at fair value through profit and loss[3]	198,657	29,134
Others	5,435	7,357
	359,831	**315,884**

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

(2) Include non-current investments, long term deposit and Group loans to minority and as a seller.

(3) Investment in various equity and debt funds as well as investment as minority stakes without significant influence, all connected with the real estate sector.

14. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES

On 30 September 2021, the Group obtained control over its associates. As part of the transaction, the Group consolidated approximately euro 280 million of investment property and assumed a bank loan of approximately euro 166 million. The following table analyses, in aggregate, the carrying amount of the Group's interests in these associates (including loans related to these associates) and the share of profit for the year in these associates.

	2021	2020
	€'000	
Carrying amount of the interests in investees as at 31 December	-	107,880
Share of profit from investees for the year ended 31 Decemeber	3,952	3,569

15. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

	Property, Furniture, fixtures and office equipment	Goodwill, softwares and other intangible assets	Total
		€'000	
COST			
Balance as at 1 January 2020	21,919	18,461	40,380
Additions	4,183	3,184	7,367
Deconsolidation	(337)	(1,779)	(2,116)
Balance as at 31 December 2020	**25,765**	**19,866**	**45,631**
Additions, net	3,708	4,659	8,367
Transfer from investment property	42,973	-	42,973
Classified as held-for-sale	13	-	13
Initial consolidation	26	-	26
Deconsolidation	(243)	-	(243)
Balance as at 31 December 2021	**72,242**	**24,525**	**96,767**
DEPRECIATION/AMORTISATION			
Balance as at 1 January 2020	**9,373**	**3,774**	**13,147**
Depreciation/Amortisation for the year	2,859	2,183	5,042
Balance as at 31 December 2020	**12,232**	**5,957**	**18,189**
Depreciation/Amortisation for the year	4,384	3,851	8,235
Balance as at 31 December 2021	**16,616**	**9,808**	**26,424**
CARRYING AMOUNTS			
Balance as at 31 December 2021	**55,626**	**14,717**	**70,343**
Balance as at 31 December 2020	**13,533**	**13,909**	**27,442**

16. INVESTMENT PROPERTY

16.1. RECONCILIATION OF INVESTMENT PROPERTY

	2021	2020
	Level 3(*)	Level 3(*)
	€'000	
As at 1 January	**8,005,893**	**7,956,034**
Plus: investment property classified as held for sale	150,207	196,432
Total investment property	**8,156,100**	**8,152,466**
Acquisitions of investment property	757,738	616,830
Capital expenditure on investment property	105,424	83,667
Disposals of investment property	(294,222)	(920,013)
Fair value adjustment	631,152	289,727
Effect of foreign currency exchange differences	112,348	(66,577)
Transfers (from)/to investment property, net	(26,514)	-
Total investment property	**9,442,026**	**8,156,100**
Less: investment property classified as held for sale	(102,537)	(150,207)
As at 31 December	**9,339,489**	**8,005,893**

(*) classified in accordance with the fair value hierarchy (see note 4). Since one or more of the significant inputs is not based on observable market data, the fair value measurement is included in level 3.

As at 31 December 2021 and 2020, the fair values of the properties are based on valuations performed by accredited independent valuers.

16.2. GEOGRAPHICAL INFORMATION

	As at 31 December	
	2021	2020
	€'000	
Investment property		
Germany	7,487,101	6,515,525
United Kingdom	1,817,587	1,524,423
Others	137,338	116,152
	9,442,026	**8,156,100**

16.3. MEASUREMENT OF FAIR VALUE

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

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

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

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

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

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

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

» Comparable approach

Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter (sqm).

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

» Residual value approach

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

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

As of 31 December 2021, 92% (2020: 92%) of investment property have been valued using the discounted cash flows method, 4% (2020:3%) comparable approach and 4% (2020:5%) residual value approach.

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

Valuation Technique	Significant unobservableinputs	As of 31 December	
		2021	2020
		Range (weighted average)	
DCF method	Rent growth p.a. (%)	0.2 - 2.5 (1.7)	0.2 – 2.1 (1.4)
	Long-term vacancy rate (%)	0.0 - 6.0 (3.3)	0 – 8.6 (3.8)
	Discount rate (%)	2.3 - 8.0 (4.8)	1.9 – 10.9 (5.1)
	Capitalization rate (%)	1.7 - 7.4 (3.9)	1.8 – 8 (4.1)
Market comparable approach	Price per sqm (in euro)	3,600 - 17,700 (8,600)	3,700– 12,650 (8,500)
Residual value approach	Sale price per sqm (in euro)	3,300 - 17,700 (8,500)	5,000 - 15,100 (6,500)
	Rent price per sqm (in euro)	11.7 - 27.3 (15.8)	11– 24 (15.8)
	Development cost per sqm (in euro)	1,100 - 4,800 (2,700)	1,884 – 6,256 (2,792)
	Developer margin (%)	7.5 - 15.0 (11.8)	7.5 - 25 (11.6)

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

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

Highest and best use

As at 31 December 2021, the current use of all investment property is considered the highest and best use, except for 3% (2020: 3%) of the investment properties, for which the Group determined that fair value based the development and the sale of such properties is the highest and best use. These properties are currently being used to earn rental income, in line with the Group's business model of buying and holding investment property to earn rental income. By increasing the rental income and improving these properties, the value of these properties will grow and reach the level of properties being sold.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	€'000	
Operating cost receivables(1)	144,801	147,453
Rent and other receivables	72,171	80,335
Prepaid expenses	4,689	4,573
Other short-term assets(2)	230,387	162,350
	452,048	**394,711**

(1) Operating costs receivables represent a right to consideration in exchange for ancillary services that the Group has transferred to tenants and other charges billed to tenants. Once a year, the operating cost receivables are settled against advances received from tenants (see note 21).

(2) Include non-current prepayments, Group's loans as seller as well as loans connected with future real estate transactions, short term investment and deposits.

During the year, the Group recognised a loss allowance for expected credit losses on trade and other receivables for a total amount of euro 9,657 thousand (2020: euro 7,852 thousand).

Berlin

18. EQUITY

18.1 SHARE CAPITAL

	As at 31 December			
	2021		2020	
	Number of shares	€'000	Number of shares	€'000
Authorised				
Ordinary shares of euro 0.10 each	400,000,000	40,000	400,000,000	40,000
Issued and fully paid				
Balance as of 1 January	171,864,050	17,186	167,895,560	16,790
Issuance of new ordinary share as part of scrip dividend	4,323,849	433	3,853,379	385
Issuance of new ordinary shares as part of share-based payment	-	-	115,111	11
Balance on 31 December	**176,187,899**	**17,619**	**171,864,050**	**17,186**

18.2. AUTHORISED CAPITAL

The Company's authorised share capital as of 31 December 2021 amounts to euro 40,000,000.

18.3. ISSUED CAPITAL DURING 2020-2021

On 26 July 2021, the Company issued 4,323,849 (2020: 3,853,379) new shares in total value of euro 83 million (2020: euro 67 million) in connection with the scrip dividend. For additional information see note 18.7.

As at 31 December 2021, the subscribed and fully paid-up share capital amounts to euro 17,619 thousand, represented by 176,187,899 ordinary shares with par value of euro 0.10 per share, including 11,225,841 shares held in treasury with no voting rights. See note 18.4 below

18.4. TREASURY SHARES

a) On 28 January 2021 the Board of Directors resolved to utilize the authorization of the Annual General Meeting of 24 June 2020 in order to buy back up to 12,500,000 shares of the Company (corresponding to up to 7.27% of the Company's share capital) by way of a public tender offer with a purchase price in the range of euro 20.00 to euro 21.25 per share. On 17 February 2021 the Company announced that 3,370,708 shares of the Company have been validly tendered into the offer in euro 21.25 per share in total amount of euro 71,628 thousand. The settlement was completed on 23 February 2021.

b) On 15 March 2021 the Board of Directors resolved on share buy-back program on the stock exchange by the Company or a subsidiary of the Company. The volume of the proposed buy-back program was amount to up to euro 200 million and was limited to a maximum of 10 million shares in the Company. The program started on 16 March 2021 and was valid until 31 December 2021. During the period, the Group bought back 8,973,809 shares for a total amount of euro 200,153 thousand (including transaction costs).

As at 31 December 2021, the Group holds 11,225,841 shares in treasury. These shares do not have voting rights.

18.5. SHARE PREMIUM

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

The dividend distributions are paid out of the share premium.

Bremen

18.6. OTHER RESERVES

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

In addition, the other reserves include results on buyback and redemption of perpetual notes.
In 2015, the Company acquired several portfolios of investment properties and as part of the consideration the Company issued to the seller an option to acquire its shares. The fair value of the option of euro 7 million has been recorded in other reserves in equity.

During the year, the option has been exercised by the seller, for an additional exercise price of euro 17 million. As a result, the Company has transferred 1.1 million shares held in treasury to the seller. The other reserve of 7 million has been reclassified within the equity to share premium.

18.7. RESOLUTION OF DIVIDEND DISTRIBUTION

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

For the year	Amount per share (in cents)	Gross amount (€'000)	Ex-date	Payment date
2014	20.00	24,344	25 June 2015	3 July 2015
2015	25.00	38,447	30 June 2016	1 July 2016
2016	68.25	112,468	29 June 2017	1 July 2017
2017	73.00	120,296	30 June 2018	17 July 2018
2018	77.35	129,002	27 June 2019	22 July 2019
2019	82.38	138,407	25 June 2020	14 July 2020
2020	82.32	136,433	1 July 2021	20 July 2021
2021	83.40(*)	-	-	-

On 30 June 2021, the annual general meeting of shareholders of the Company has resolved upon the distribution of a dividend of euro 0.8232 (gross) (2020: euro 0.8238) per share (in total euro 136,433 thousand) to the holders of record on 2 July 2021. The company has also provided shareholders with the option to receive their dividend through a scrip dividend. From 1 July 2021 to 13 July 2021, shareholders of the Company could elect to receive up to 85% of their dividend in the form of shares of the Company, with the remainder paid in cash.

Shareholders who did not elect to participate in the scrip dividend have received their dividend in cash. The cash dividend has been paid in July 2021, and the Company issued 4.3 million new shares in total value of euro 83 million on 26 July 2021.

(*) The proposed dividend for the year 2021, based on the Company's dividend policy and subject to the shareholders' Annual General Meeting which will take place on 29 June 2022, is euro 0.83 per share. The proposed dividend has not been recognised as a liability in the consolidated financial statements.

18.8. PERPETUAL NOTES

Movement during 2020-2021

(a) On 9 December 2020 the Company issued euro 700 million in aggregate principal amount of perpetual notes. These notes were issued at a price of 98.703% of the principal amount. These Perpetual notes are of unlimited duration and can be called back by the Company only on certain contractually fixed dates or occasions. Up until the first call date on 9 June 2026, the perpetual notes shall bear a coupon rate of 1.5% p.a. In case the Company does not exercise its call right at that point, the coupon rate applied until the next call date (June 2031) shall correspond to the five-year swap rate plus a margin of 218.4 basis points p.a. The mark-up will increase by 25 basis points (to 243.4 basis points p.a.) as of June 2031 and by another 75 basis points (to 318.4 basis points p.a.) as of June 2046.

(b) On 11 December 2020 the Company bought back euro 414.6 million principal amount of perpetual notes with coupon rate of 3.75% for a purchase price of 104.635% of the nominal amount, excluding any accrued interest. As a result of the buyback of more than 80% of the principal amount and in accordance with the terms and conditions of the perpetual notes, the Company has the right to redeem the outstanding amount at par value.

(c) On 4 February 2021 the Company redeemed euro 85.4 million principal amount of perpetual notes with coupon rate of 3.75% for a purchase price of 100% of the nominal amount, excluding any accrued interest.

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

18.9. NON-CONTROLLING INTERESTS

The majority of the non-controlling interests is held by Luxembourg Gamma Invest 1 SCSp.

19. SHARE-BASED PAYMENT AGREEMENTS

19.1. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

As of 31 December 2021, the Group had the following share-based payment arrangements:

- **Incentive Share plan**
  On 25 June 2014, the Annual General Meeting has approved to authorize the Board of Directors to issue up to one million shares for an incentive program for the directors, key management personnel and senior employees. The incentive plan has up to four years vesting period with fix and specific milestones to enhance management's long-term commitment to the Company's strategic targets. Main strategic targets are long-term improvement in operational and financial targets such as increasing NAV per share, FFO per share and further improvement in the Group's rating to A-.

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

Grant date	Number of shares	Weighted vesting period	Contractual life of the shares
January 1, 2018 – June 30, 2025	413 thousand	1.67 years	Up to 4 years

19.2. RECONCILIATION OF OUTSTANDING SHARE OPTIONS

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

	2021	2020
	Number of shares	Number of shares
	'000	
Outstanding on January 1	297	384
Granted during the year	232	51
Exercised during the year (*)	(116)	(138)
Outstanding on 31 December	**413**	**297**

(*) In accordance with the terms and conditions of the incentive share plan, the Group withheld 46 thousand (2020: 67 thousand) shares equal to the monetary value of the employees' tax obligation from the total number of shares exercised. In addition, 51 thousand shares have been settled in cash. As a result, only 19 thousand (2020: 71 thousand) shares were transferred from the Company's shares held in treasury.

During the year, the total amount recognised as share-based payment was euro 3,162 thousand (2020: euro 1,561 thousand). It was presented as Property operating expenses and as Administrative and other expenses in the consolidated statement of profit or loss and as share-based payment reserve in the consolidated statement of changes in equity.

20. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

20.1. LOANS AND BORROWINGS

	Weighted average interest rate (*)	Maturity	As at 31 December	
			2021	2020
			€'000	
Non-current				
Bank loans	1.4%	2023-2082	353,073	427,470
Total non-current			**353,073**	**427,470**
Current				
Current portion long-term loans	1.4%	2022	5,176	9,667
Total current			**5,176**	**9,667**

(*) As at 31 December 2021

Approx. euro 1.1 billion (2020: euro 1.5 billion) of investment properties are encumbered.

All bank loans are generally non-recourse loans with the related assets serving, among others, as a security. As at 31 December 2021 under the existing loan agreements, the Group is fully compliant with its obligations and loan covenants to the financing banks.

20.2 STRAIGHT AND CONVERTIBLE BONDS

Composition	Note	Nominal amount outstanding	Effective coupon	Maturity	As at 31 December 2021	As at 31 December 2020
		'000			€'000	
CONVERTIBLE BOND						
Non - current						
Convertible bond series F		-	0.25%	Mar-2022	-	277,614
					-	**277,614**
Current						
Convertible bond series F [3]	(g)(i)	EUR 450,000	0.25%	Mar-2022	449,595	-
Accrued interest on convertible bond [2]					370	231
					449.965	**231**
STRAIGHT BONDS						
Non-current						
Straight bond series E	(c)(f)(j)	EUR 205,600	1.50%	Apr-2025	198,128	533,604
Straight bond series G		EUR 600,000	1.38%	Aug-2026	587,510	584,963
Straight bond series H		EUR 255,000	2.00%	Oct-2032	243,224	242,136
Straight bond series I		HKD 900,000	[1] 1.00%	Feb-2028	101,411	94,083
Straight bond series J		EUR 667,600	1.50%	Feb-2027	661,401	660,170
Straight bond series K		CHF 125,000	0.96%	Sep-2026	120,572	115,231
Straight bond series L		JPY 7,500,000	1.40%	Jun-2038	55,940	57,561
Straight bond series M	(b)	EUR 47,000	[1] 1.70%	Jul-2033	45,215	44,713
Straight bond series N		EUR 88,000	[1] 3M Euribor + 1.71%	Feb-2039	84,847	84,663
Straight bond series O		EUR 15,000	[1] 3M Euribor + 1.68%	Feb-2034	14,675	14,648
Straight bond series P		HKD 290,000	[1] 3M Euribor + 1.38%	Mar-2029	32,286	29,905
Straight bond series Q		CHF 130,000	0.57%	Jun-2024	125,561	119,981
Straight bond series R		EUR 40,000	2.50%	Jun-2039	39,798	39,787
Straight bond series U		EUR 80,000	0.75%	Jul-2025	79,857	79,817
Straight bond series V		EUR 70,000	[1] 1.50%	Aug-2034	69,951	69,949
Straight bond series W	(a)(c)(f)(j)	EUR 204,700	1.7%	Apr- 2024	202,330	589,951
Straight bond series X	(c)	EUR 1,000,000	0.125%	Jan - 2028	979,579	-
					3,642,285	**3,361,162**

	Note	Nominal amount outstanding	Effective coupon	Maturity	As at 31 December	
					2021	2020
		'000			€'000	
STRAIGHT BONDS						
Current						
Straight bond series D [3]	(e)	-	2.00%	Oct-2021	-	24,836
Straight bond series S [3]	(d)	-	0.00%	Jan-2021	-	60,495
Straight bond series T [3]	(h)	-	3M Euribor + 0.60%	Jul-2021	-	51,985
Accrued interest on straight bonds[2]					26,311	30,779
					26,311	**168,095**

(1) including hedging impact.
(2) presented in provisions for other liabilities and other charges in the consolidated statement of financial position.
(3) presented in bond redemption in the consolidated statement of financial position. See also note 33.

As of 31 December 2021, the weighted average interest rate on the outstanding loans, borrowings and bonds, after taking into account hedging impact, is 1% (2020: 1.3%)

As of 31 December 2021, the Company has established a euro 10 billion EMTN programme. Notes issued under the EMTN programme are guaranteed by the Company.

Movement during 2020-2021

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

(b) On 15 April 2020 the Company bought back euro 8 million principal amount of straight bond series M with effective euro coupon rate of 1.7% for a purchase price of 86% of the nominal amount including swap unwind fee.

(c) On 11 January 2021 under the EMTN Programme, the Company issued euro 1 billion straight bond series X due 2028, at an issue price of 98.153% of the principal amount with euro coupon 0.125%. On the same day, the Company bought back euro 272.8 million and euro 220 million principal amount of straight bond series E (due April 2025) and W (due April 2024) for a purchase price of 106.843% and 105.977% of the nominal amount respectively, excluding any accrued interest.

(d) On 25 January 2021 the Company redeemed euro 60.5 million principal amount of straight bond series S.

(e) On 5 April 2021 the Company redeemed euro 25 million principal amount of straight bond series D.

(f) On 14 May 2021 the Company bought back additional euro 39.6 million and euro 100.4 million principal amount of straight bond series E and W for a purchase price of 106.325% and 105.436% of the nominal amount respectively, excluding any accrued interest.

(g) On 8 July, 2021, as a result of the dividend distribution, the conversion price of the convertible bond series F has been adjusted from euro 23.9270 to euro 23.1391.

(h) On 26 July 2021 the Company redeemed euro 52 million principal amount of straight bond series T.

(i) On 29 September 2021, the Company has entered into agreement with Edolaxia Group Ltd, in which the Company sold euro 169.2 million principal amount of its convertible bond Series F with euro coupon 0.25% (due March 2022), previously held in treasury, to Edolaxia Group Ltd for a total consideration of euro 172.7 million, reflecting the bonds' fair value based on the quoted price as at the transaction date, including accrued interest. The Company accounted for the transaction as an issuance of convertible bond and recognised a convertible bond liability of euro 169.2 million (reflecting the fair value of bonds with similar characteristics, without the conversion feature), and the remainder of the consideration of euro 3.5 million was recognized as equity.

(j) On 15 November 2021 the Company bought back additional euro 32 million and euro 74.9 million principal amount of straight bond series E and W for a purchase price of 105.221% and 104.487% of the nominal amount respectively, excluding any accrued interest.

COVENANTS

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

1. The Company undertakes that it will not, and will procure that none of its subsidiaries will, up to (and including) the Final Discharge Date, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence:
   a. The sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and
   b. The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series D Bonds, the Series E Bonds and any further secured bonds of any series and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series D Bonds and the Series E Bonds and any further secured bonds of any series and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);
2. The Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 2.0;
3. The Company's outstanding series of bonds also generally prohibit the Company from issuing additional bonds with the benefit of security interests unless the same security is granted to the Company's outstanding unsecured bonds equally and ratably.
4. The Company undertakes that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125% of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date;

London

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

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

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

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

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

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

As at 31 December 2021 under its outstanding bond series the Group is fully compliant with its covenants.

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

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

		Finance cash flows		Non-cash changes					
€'000	31 Dec 2020	Finance expenses paid	Other cash flows(1)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held-for-sale	Other non-cash(2)	Other changes(3)	31 Dec 2021
Convertible bond(4)	277,845	(703)	172,784	-	-	-	2,729	(2,690)	449,965
Straight bonds(4)	3,529,257	(42,114)	49,174	-	18,828	-	13,537	99,914	3,668,596
Loans and borrowings(5)	437,137	(3,354)	(292,648)	201,061	-	-	-	16,053	358,249
Lease liabilities	55,099	(3,619)	-	2,889	677	(3,208)	3,245	3,619	58,702
	4,299,338	**(49,790)**	**(70,690)**	**203,950**	**19,505**	**(3,208)**	**19,511**	**116,896**	**4,535,512**

		Finance cash flows		Non-cash changes					
€'000	31 Dec 2019	Finance expenses paid	Other cash flows(1)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held-for-sale	Other non-cash(2)	Other changes(3)	31 Dec 2020
Convertible bond(4)	275,139	(703)	-	-	-	-	2,706	703	277,845
Straight bonds(4)	2,944,643	(40,967)	580,840	-	(12,315)	-	8,384	48,672	3,529,257
Loans and borrowings(5)	554,372	(6,057)	(21,432)	(109,849)	-	4,337	-	15,766	437,137
Lease liabilities	61,002	(3,610)	-	(6,344)	(509)	-	950	3,610	55,099
	3,835,156	**(51,337)**	**559,408**	**(116,193)**	**(12,824)**	**4,337**	**12,040**	**68,751**	**4,299,338**

(1) other cash flows include net proceeds (repayment and amortisation) of bonds and bank loans.
(2) other non-cash changes include discount and issuance cost amortisation for the bonds and remeasurement of lease liabilities.
(3) other changes include interest accruals, results on early repayment of debt and results on linked derivatives, as well as equity portion of the net proceeds from the sale of convertible bond F held in treasury (see note 20.2(i)).
(4) including accrued interest and bond redemption. See note 20.2.
(5) including current portion of long-term loans. See note 20.1.

21. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	€'000	
Trade and other payables	40,833	38,318
Prepayments received from tenants(*)	131,815	136,856
Deferred income	11,217	14,072
Other liabilities	31,892	19,819
	215,757	**209,065**

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

22. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2021	2020
	€'000	
Tenancy deposits	41,746	36,264
Lease liabilities (see note 22.1)	58,702	55,099
Others (*)	53,882	51,069
	154,330	**142,432**

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

22.1 LEASE LIABILITIES

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

	2021	2020
	€'000	
As at 1 January	55,099	61,002
Additions (Disposals), net	2,889	(6,343)
Reclassification to held-for-sale	(3,208)	-
Expenses	7,541	4,050
Payments	(3,619)	(3,610)
As at 31 December	**58,702**	**55,099**

As at 31 December 2021, all lease liabilities are related to right-of-use assets accounted for as investment property.

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Balance as at 1 January 2020	39,394
Movement during the year	6,382
Balance as at 31 December 2020	45,776
Movement during the year	(5,998)
Balance as at 31 December 2021	39,778

24. RELATED PARTY TRANSACTIONS

24.1. DIRECTORS AND EXECUTIVE MANAGEMENT PERSONNEL REMUNERATION

	For the year ended 31 December 2021			
	Chairman of the Board of Directors	Independent director	Independent director	**Total**
€'000	**Christian Windfuhr**	**Daniel Malkin**	**Simone Runge-Brandner**	
Fix remuneration[(1)]	85	112	112	309
Fixed and variable incentive[(2)]	63	-	-	63
Total remuneration	**148**	**112**	**112**	**372**

(1) including salary, director fee and supplementary payment based on employer cost.

(2) refer to share incentive program and bonus

Mr. Refael Zamir, the Company's CEO and CFO, was entitled to a total remuneration of euro 1,374 thousand, of which euro 811 thousand was in form of share incentives.

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

24.2. OTHER RELATED PARTY TRANSACTIONS

	For the year ended 31 December	
	2021	2020
	€'000	
Rental and operating income	1,180	1,400
Interest income on loans to equity-accounted investees [(*)]	1,518	2,176
Consulting services income	500	500
Consulting services expenses	(500)	(500)
	2,698	**3,576**

(*) as of 31 December 2021, there is no investment in loans to equity-accounted investees (2020: 88 million).

During the year, the Company sold euro 169.2 million principal amount of its convertible bond Series F held in treasury to Edolaxia Group Ltd. During the fourth quarter, the Group recorded euro 111 thousand finance expenses on convertible bond F which relate to Edolaxia Group Ltd's portion of the convertible bond. For additional information see note 20.2(i).

25. DISPOSALS

25.1. DISPOSALS OF INVESTMENT PROPERTY DURING THE YEAR

During the year, the Group disposed several investment properties and subsidiaries which held investment properties. The following table describes the amounts of assets and liabilities disposed:

	For the year ended 31 December	
	2021	2020
	€'000	
Investment property	294,222	920,013
Other assets, net	3,967	8,239
Loan borrowings	-	(120,005)
Deferred tax liabilities, net	(15,345)	(46,623)
Total net assets disposed	**282,844**	**761,624**
Non-controlling interests disposed	3,176	21,322
Total consideration	343,360	793,984
Capital gains	63,692	53,682

25.2. ASSETS AND DISPOSAL GROUP HELD-FOR-SALE

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

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

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

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

	As at 31 December	
	2021	2020
	€'000	
ASSETS CLASSIFIED AS HELD-FOR-SALE		
Investment property	102,537	150,207
Cash and cash equivalents	605	389
Other assets	10,440	4,419
Total assets classified as held-for-sale	**113,582**	**155,015**
LIABILITIES CLASSIFIED AS HELD FOR SALE		
Other liabilities	13,508	11,326
Total liabilities classified as held-for-sale	**13,508**	**11,326**

26. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

26.1. FINANCIAL ASSETS

Set out below, is an overview of financial assets, held by the Group as at 31 December 2021 and 31 December 2020:

	As at 31 December	
	2021	2020
	€'000	
FINANCIAL ASSETS AT AMORTISED COST:		
Cash and cash equivalent(1)	896,091	1,412,588
Trade and other receivables(1)	460,258	397,945
Other non-current assets(2)	161,174	286,750
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:		
Financial assets at fair value through profit or loss(3)	410,570	308,877
Derivative financial assets(4)	320	43
Total	**1,928,413**	**2,406,203**

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

26.2. FINANCIAL LIABILITIES

Set out below, is an overview of financial liabilities, held by the Group as at 31 December 2021 and 31 December 2020:

	As at 31 December	
	2021	2020
	€'000	
FINANCIAL LIABILITIES AT AMORTISED COST:		
Trade and other payables(1)	218,840	211,701
Tax payable	18,541	13,446
Loans and borrowings(2)	358,249	437,137
Straight bonds(3)	3,642,285	3,498,478
Accrued interest on straight bonds(4)	26,311	30,779
Convertible bond(3)	449,595	277,614
Accrued interest on convertible bonds(4)	370	231
Other non-current liabilities(1)	157,538	142,717
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS:		
Derivative financial liabilities(5)	-	10,041
Total	**4,871,229**	**4,622,144**

(1) including liabilities held for sale.
(2) including current portion of long-term loan.
(3) Including bond redemption.
(4) see note 20.2
(5) excluding derivative financial liabilities designated as hedging instruments in hedge relationships (see note 27).

26.3. RISKS MANAGEMENT OBJECTIVES AND POLICES

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

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is supported by a risk committee that advices on financial risks and the appropriate financial risk governance framework for the Group. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

26.3.1 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

Interest rate risk

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

As at 31 December 2021, after taking into account the effect of the hedging, the interest profile of the Group's interest-bearing debt was as follows:

	Nominal amount outstanding as at 31 December	
	2021	2020
	€'000	
Fixed rate	4,218,534	3,980,329
Capped rate	165,670	113,086
Floating rate	135,831	195,681
	4,520,035	**4,289,096**

Interest rate sensitivity

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

	Increase/decrease in basis points	Effect on profit before tax and pre-tax equity
	€'000	
2021	+100	(2,069)
	-100	1,071
2020	+100	(2,779)
	-100	2,502

The Group had no long-term debt for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2021.

FOREIGN CURRENCY RISK

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

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

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

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

EQUITY PRICE RISK

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

As at 31 December 2021, the exposure to listed equity instruments was euro 182,815 thousand (2020: euro 168,653 thousand).

26.3.2 CREDIT RISK

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

TRADE AND OTHER RECEIVABLES

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

An impairment analysis is performed at each reporting date using a provision to measure expected credit loss. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic condition may also not be representative of customer's actual default in the future.

The Group has no significant concentration of credit risk.

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

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

	As at 31 December	
	2021	2020
	€'000	
Neither past due and past due 1-30 days	17,074	14,431
Past due 31-90 days	13,339	11,604
Past due above 90 days	7,351	8,593
	37,764	**34,628**

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

FINANCIAL INSTRUMENTS AND CASH AND CASH EQUIVALENTS

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

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

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

As at 31 December 2021, the Group has recorded euro 536 thousand ECL allowance on its cash and cash equivalent.

26.3.3 LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2020 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

		Contractual cash flows including interest					
As at 31 December 2021	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
				€'000			
FINANCIAL LIABILITIES							
Loans and borrowings(1)	358,249	387,777	1,224	8,969	169,569	5,403	202,612
Straight bonds	3,642,285	3,938,101	13,811	26,105	30,285	354,091	3,513,809
Convertible bond(2)	449,595	450,563	-	450,563	-	-	-
Lease liabilities	58,702	1,014,119	-	3,553	3,553	3,553	1,003,460
Trade and other payables	215,757	215,757	35,960	179,797	-	-	-
Derivative financial liabilities(3)	85,699	132,476	-	36,016	39,274	51,186	-
Total	**4,810,287**	**6,138,793**	**50,995**	**705,003**	**242,681**	**420,233**	**4,719,881**

		Contractual cash flows including interest					
As at 31 December 2020	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
				€'000			
FINANCIAL LIABILITIES							
Loans and borrowings(1)	437,137	574,747	585	13,397	68,281	14,026	478,458
Straight bonds(2)	3,498,478	3,933,828	72,682	116,729	51,377	51,377	3,641,663
Convertible bond	277,614	281,853	-	702	281,151	-	-
Lease liabilities	55,099	890,749	-	3,215	3,215	3,215	881,104
Trade and other payables	209,065	209,065	34,844	174,221	-	-	-
Derivative financial liabilities(3)	6,171	14,936	-	-	6,094	8,032	-
Total	**4,483,564**	**5,905,178**	**108,111**	**308,264**	**410,118**	**76,650**	**5,001,225**

(1) including current portion of long-term loans
(2) including bond redemption
(3) including foreign currency forward contracts - see note 27.2

26.3.4 OPERATING RISK

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

26.3.5 OTHER RISKS

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

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

» Brexit

On 29 March 2017, the United Kingdom (UK) informed the European Council about its intention to withdraw from the European Union (EU). Following extended negotiations between all stakeholders as well as a fresh election in the country, the UK parliament voted in favor of the withdrawal from the EU and officially withdrew from the EU on 31st January 2020 and both the UK and the EU entered a transitionary period during which time the future nature of this relationship was under negotiations. These negotiations concluded on 30th December 2020 when the UK and EU signed the EU-UK trade and cooperation agreement, which was subsequently ratified by the UK parliament. Although a trade deal has been agreed upon, uncertainties remain with regards to aspects such as data sharing and more importantly, financial services. Since it has become official, the impacts of Brexit are expected to be seen in the following periods and may have an adverse impact on the economies of the UK and the EU. The current uncertainties could weigh on the Group's operational and financial performance.

The company maintains a diversified portfolio supported by investments in locations with their own distinct economic drivers. The London portfolio constitutes of 19% of the investment portfolio, while the remaining portfolio is focused on German densely populated metropolitan regions

» **Coronavirus**

The Coronavirus (COVID-19) pandemic started in December 2019 and has disrupted the global economy. Due to the focus of the Group on residential properties which has been proven resilient in the pandemic, the Company has not experienced and does not anticipate any significant direct impact to its internal business operations due to the virus. However, a deterioration of the economic environment as a result of the coronavirus pandemic could have an adverse impact on tenants' ability to pay rent, which in turn could be a strain on the Company's performance. the Group's diversified portfolio acts as an effective buffer in this scenario along with the fact that the portfolio is under-rented and thereby relatively lesser of a burden on tenants. Extended periods of lockdowns and additional restrictions could have an adverse impact on the broader economy as well as tenants' incomes.

Regardless of these risks, the Group maintains a conservative financial policy and a strong liquidity position amounting to approx. euro 1.1 billion as of December 2021, shielding the Company in case of a significant downturn.

» **Inflation and interest rates**

The Coronavirus pandemic and the disruption of the global economy have resulted in significant supply and demand shocks, which have further resulted in higher inflationary pressures in much of 2021 and into 2022. The inflationary pressure is further driven by monetary policies and economic stimulus which have been provided to mitigate the negative economic impact of the pandemic. Inflationary pressure has been particularly strong in material costs and energy prices in 2021 and there is much uncertainty as to the development of prices in the coming periods. Higher levels of inflation particularly for materials and energy may have an impact on the Group's ability to acquire materials for Capex measures at a reasonable price and increase utility costs across the Company's operations. Furthermore, higher levels of inflation across the economy may result in higher personnel expenses and expenses related to external services, which could have a negative impact on the Group's profitability. In addition, higher levels of inflation may lead to increases in interest rates, which could negatively impact borrowing costs on one hand and put upward pressure on discount rates and cap rates, which may have an adverse impact on the fair value of the Group's assets and on the Company's share price performance.

Increases in material costs will have an impact on the cost of Capex projects for the Company, however, material costs generally form a relatively smaller component of total Capex and maintenance expenses and a large share of Capex projects are executed at the Company's discretion. These projects can usually be deferred if costs increase to such an extent that they become uneconomical. The Company is able to offset some of these expenses due to its economies of scale. In general, energy prices are not a material cost in the Group's operations and therefore the Company does not expect a material impact on the Company's profits from higher energy prices. The Company believes that, while increases in personnel expenses are likely to have an impact on its cost structure, efficiency gains and internal growth, as well as cost recovery from tenants, will be able to offset such higher expenses. Regarding potentially higher interest rates, the Company has a high interest hedge ratio, with 97% of its debt protected against interest rate increases. Furthermore, due to balanced and long maturity schedule with limited near-term maturities and a strong liquidity position of approx. euro 1.1 billion the Company does not face material refinancing risk at higher rates in the near term. Furthermore, the Company's low leverage of 35%, well below the Company's conservative Board of Directors' limit of 45% and higher bond covenant levels, leaves significant headroom in the event of downward portfolio value revisions.

» **Berlin elections and expropriation referendum**

The 2021 Berlin State election and the Berlin expropriation referendum were held on the 26th of September 2021. The expropriation referendum "Deutsche Wohnen & Co. enteignen" was held following an initiative which started in 2018, and for which enough valid signatures were received to put the referendum to the vote of the Berlin population. At the referendum voters were asked whether they supported the expropriation of all private real estate companies which own 3,000 or more units in the city of Berlin, a policy which would affect roughly a quarter million out of the 1.5 million apartments in Berlin. The costs estimation for the expropriation from the initiative's organizers was euro 7.3 billion to euro 13.7 billion whereas the Berlin

Senate estimated costs between euro 30 billion to euro 37 billion. In addition, the Berlin Senate anticipates an annual shortfall of euro 100 million to euro 340 million of operating and financing expenses in excess of current rental income of the properties in question. The results of the referendum were 57.6% in favor, 39.8% opposed, however the results are not binding. The stance of the new mayor of Berlin (Ms. Giffey, SPD) during the campaign was in opposition to expropriation, she repeated her negative view on the expropriation after the election outcome. Following the election and referendum the new coalition, comprising of the SPD, Grüne and Die Linke, set up a commission of legal experts to assess whether it is possible under constitutional law to implement an expropriation as per the referendum's result.

Creating and maintaining a high standard of living, while maintaining affordability for its tenants is a core part of the Group's business. While the Company understands fears among the wider population related to increasing housing costs, The Company strongly believes that expropriation of landlords based merely on portfolio size is not an appropriate response and does not create a solution for underlying issues, resulting in a net negative outcome for the parties involved. The Company does not believe that expropriation is a legally sound solution to the supply and demand imbalance in the Berlin housing market. The Company sees its opinion reflected by the opinions of most experts and by the stance of the Berlin coalition. In addition, the Company expects that, if legally permissible, expropriation would result in a financial burden to the City of Berlin which it can't carry. The Company therefore does not expect that expropriation is a realistic outcome.

27. HEDGING ACTIVITIES AND DERIVATIVES

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

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

		As at 31 December	
		2021	2020
		€'000	
DERIVATIVE FINANCIAL ASSETS			
Derivatives that are designated as hedging instruments in fair value hedge	27.1	43,313	37,786
Derivatives that are designated as hedging instruments in net investment hedge	27.2	-	25,195
Derivatives that are not designated in hedge accounting relationships	27.3	320	43
DERIVATIVE FINANCIAL LIABILITIES		**43,633**	**63,024**
Derivatives that are designated as hedging instruments in fair value hedge	27.1	21,192	25,037
Derivatives that are designated as hedging instruments in net investment hedge	27.2	85,699	6,171
Derivatives that are not designated in hedge accounting relationships	27.3	-	10,041
		106,891	**41,249**

27.1. DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS IN FAIR VALUE HEDGE

As at 31 December 2021, the Group had foreign exchange rate swap agreements in place, as follows:

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

(*) all swaps are linked to bonds' maturity.

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

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

There is an economic relationship between the hedged items and the hedging instruments as the terms of foreign exchange rate and interest rate swaps match the terms of the hedged items as described above. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange rate and the interest rate swaps is identical to hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

The hedge ineffectiveness can arise from:

» Different foreign exchange and interest rates' curve applied to the hedge items and hedging instruments

» Differences in timing of cash flows of the hedged items and hedging instruments

» The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

The impact of the hedging instruments on the consolidated statement of financial position is, as follows:

	Carrying amount			
Risk category	Assets	Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	€'000	€'000		€'000
As at 31 December 2021				
Foreign exchange rate and interest rate swaps	43,313	21,192	Derivative financial assets/ liabilities	2,343
As at 31 December 2020				
Foreign exchange rate and interest rate swaps	37,786	25,037	Derivative financial assets/ liabilities	5,154

The impact of the hedged items on the consolidated statement of financial position is, as follows:

	Carrying amount	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the period
	€'000		€'000
As at 31 December 2021			
Straight bonds	650,458	Straight bonds	122
As at 31 December 2020			
Straight bonds	630,734	Straight bonds	6,715

The ineffectiveness recognised in the consolidated statement of profit or loss was euro 2,465 (2020: 1,561) thousand.

27.2. DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS IN NET INVESTMENT IN FOREIGN OPERATION

The Group uses foreign exchange forward contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

The foreign exchange forward contracts are being used to hedge the Group's exposure to the GBP foreign exchange risk on these investments. Gains or losses on the retranslation of the forward contracts are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instruments as the net investment creates a translation risk that will match the foreign ex change risk on the forward contracts. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiaries becomes lower than the amount of the fixed rate borrowing.

The impact of the hedging instruments on the consolidated statement of financial position is, as follows:

		Carrying amount			
Risk category	Notional amount outstanding	Assets	Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the year
	GB£000	€000	€000		€000
As at 31 December 2021					
Foreign currency forward contracts	1,599,550	-	85,699	Derivative financial assets and derivative financial liabilities	(121,790)
As at 31 December 2020					
Foreign currency forward contracts	1,454,479	25,195	6,171	Derivative financial assets and derivative financial liabilities	55,070

The impact of the hedged item on the consolidated statement of financial position is, as follows:

	Foreign currency translation reserves	Change in fair value used for measuring ineffectiveness for the period
	€000	
As at 31 December 2021		
Net investment in foreign subsidiaries	(111,327)	(121,790)
As at 31 December 2020		
Net investment in foreign subsidiaries	59,264	55,070

The hedging gains and losses recognised in OCI before tax are equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

27.3. DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Group uses interest rate swaps, collars, caps and floors to manage its exposure to interest rate movements on its bank borrowings. These derivative financial instruments are linked to the bank loans maturity (see note 20.1).

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with a LTV to remain at a target below 45%. As at 31 December 2021 and 2020 the LTV ratio was 36% and 31%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

29. LEASES

The Group has entered into long-term rent agreements as a lessor of some of its investment property. The future minimum rental income receivable under non-cancellable operating leases is as follows:

	As at 31 December	
	2021	2020
	€'000	
Less than one year	55,210	36,754
One to two years	47,126	31,282
Two to three years	42,565	27,933
Three to four years	36,734	25,362
Four to five yeaes	28,182	21,725
More than five years	142,755	115,028
	352,572	**258,084**


Nuremberg / Fürth

30. COMMITMENTS

As at the reporting date, the Group had several financial obligations in total amount of approximately euro 100 million


Dresden

31. CONTINGENT ASSETS AND LIABILITIES

The Group does not have significant contingent assets and liabilities as at 31 December 2021 and 2020.

32. GROUP SIGNIFICANT HOLDINGS

The details of the significant holdings in the Group as at 31 December 2021 and 2020 are as follows:

			As at 31 December	
	Place of incorporation	Principal activities	2021 Holding %	2020 Holding %
Significant subsidiaries held directly by the Company:				
Grandcity Property Ltd.	Cyprus	Holding of investments	94.8%	94.8%
Grandcity Holdings Ltd.	Cyprus	Holding of investments	100%	100%
Grand City Properties Holdings B.V.	the Netherlands	Holding of investments	100%	100%
Grand City Properties Holdings S.à r.l	Luxembourg	Holding of investments	100%	100%

			As at 31 December	
	Place of incorporation	Principal activities	2021 Holding %	2020 Holding %
Significant subsidiaries held indirectly by the Company:				
Gutburg holding Limited	Cyprus	Holding of investments	100%	100%
Noeran Limited	Cyprus	Holding of investments	100%	100%
Garnet 1 Property S.à r.l	Luxemburg	Holding of investments	100%	100%
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	100%
Carmiliana Limited	Cyprus	Holding of investments	100%	100%
GCP Holdings GmbH	Germany	Holding of investments	100%	100%
Sparol Limited	Cyprus	Holding of investments	94%	94%

Significant Group entities releated to investing in real estate properties in Germany and London and their mother companies.
The holding percentage in each entity equals to the voting rights the holder has in it.
There are no material restrictions on the ability of the Group to access or use the assets of its subsidiaries to settle the liabilities of the Group.

33. EVENTS AFTER THE REPORTING PERIOD

- During the first quarter of 2022 the Group repaid debt in total amount of euro 616 million, of which euro 450 million for the redemption of convertible bond F, and euro 166 million for a repayment of a bank loan.

- During the first quarter of 2022, the Group signed on a contract to acquire properties in Berlin in amount of approximately euro 100 million. The transaction is expected to be completed during the second quarter of 2022.

- On 24 February 2022, following several months of increasing escalation, the Russian Federation (Russia) announced the beginning of a "special military operation" in Ukraine. Following the announcement, Russia started moving military forces into Ukraine and launched missile strikes and air-strikes at targets in across Ukraine, initiating a full-scale invasion of Ukraine (the "Invasion" or the "Conflict"). The Invasion received wide-spread international condemnation and on March 2nd, 2022 the General Assembly of the United Nations, under an Emergency Special Sessions, adopted resolution A/RES/ES-11/1, among others, condemning the Invasion by Russia and demanding immediate ceasing of hostilities and withdrawal of military forces from the territory of Ukraine. As of the date of this report hostilities continue. In a reaction to Russian hostilities many nations and organisations, including Germany and the European Union (EU), have announced sanctions against Russia, Russian companies, and individuals in and from Russia. These sanctions, as well as increased uncertainty resulting from the conflict, have so far resulted in increased volatility in financial markets and increases in prices for a range of commodities, particularly in energy prices, among others. A large number of Ukrainian refugees have fled the country since the start of the conflict, seeking asylum in the EU. In response to this the EU invoked the Temporary Protection Directive (the "Directive"), granting expanded rights to Ukrainian citizens in the EU, granting such citizens residence permits in the EU for the duration of the Directive as well as, among others, access to employment, accommodation, social welfare or means of subsistence, access to medical treatment, access to education for minors, and more.

The company is not directly impacted by the Conflict, as neither its portfolio nor its operations have direct exposure to Ukraine or Russia. However, the Company may be impacted by the indirect consequences of the Conflict. Firstly, as a result of the Conflict inflationary pressures may increase, specifically heating and energy costs, which could have an impact on the operating costs of the Company. Such pressures may also have an impact on the ability of the Company's tenants to pay rent and/or for the Company to recover expenses related to recoverable expenses from tenants. Furthermore, higher levels of inflation may result in higher interest rates increasing its financing costs on one hand, while increased volatility in the capital markets may reduce the Company's ability to raise capital at attractive prices, further increasing its cost of capital and potentially limiting its growth opportunities.

As a result of the large number of refugees that have entered and are expected to enter the EU, the Company expects large numbers of refugees to enter Germany as well. This is likely to result in increased strain on the residential real estate market in Germany, similar to what has been seen as a result of the height of the refugee crisis in relation to the Syrian civil war in 2015. This may further exacerbate the supply and demand mismatch, increase political pressure for home construction and higher utilization of already limited construction capacity, which may result in increased construction costs and delays, particularly in the event that the crisis will be prolonged. The full effects are currently still unclear and will depend significantly on the duration and final outcome of the conflict as well as the distribution of refugees across the EU.

While the conflict is currently limited to Ukraine on one side and Russia and several of its allies on the other, continued escalation, particularly in relation to levels of violence against civilians, threatening to use unconventional weapons and risk of accidents involving NATO military or civilian assets, may result in other countries joining the conflict. The Company currently assesses this as an unlikely scenario, but in the event that NATO, and as a result Germany and the UK, are drawn into the conflict the impact on The company may be significant, impacting The Group's operations and portfolio. However, at this point it is too early to understand the full impact of such a scenario, and the likelihood of its occurrence, and as a result the measures required to mitigate this risk.

London

GCP

Berlin