



**GRAND CITY**  
Properties S.A.

---

# Condensed Interim Consolidated Financial Statements

for the nine-month period ended  
September 30, 2019



Hamburg

# Contents

Board of Directors' report	2
Condensed interim statement of profit or loss	48
Condensed interim statement of comprehensive income	49
Condensed interim statement of financial position	50
Condensed interim statement of changes in equity	52
Condensed interim statement of cash flows	54
Condensed notes to the interim consolidated financial statements	56

## 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](mailto:info@grandcity.lu) | [www.grandcityproperties.com](http://www.grandcityproperties.com)

# Key financials

## Balance sheet highlights

in €'000 unless otherwise indicated	Sep 2019	Dec 2018	Dec 2017
<b>Total Assets</b>	9,774,413	8,860,526	7,508,292
<b>Total Equity</b>	4,858,096	4,666,987	3,849,662
<b>Loan-to-Value</b>	33%	34%	36%
<b>Equity Ratio</b>	50%	53%	51%

## P&L highlights

in €'000 unless otherwise indicated	1-9/2019	Change	1-9/2018
<b>Rental and operating income</b>	418,495	4%	403,558
<b>EBITDA</b>	515,381	-13%	589,111
<b>Adjusted EBITDA</b>	219,971	8%	204,331
<b>FFO I</b>	159,843	7%	149,805
<b>FFO I per share (in €)</b>	0.96	5%	0.91
<b>FFO I per share after perpetual notes attribution (in €)</b>	0.81	5%	0.77
<b>FFO II</b>	256,305	-3%	265,166
<b>Profit for the period</b>	364,603	-17%	441,147
<b>EPS (basic) (in €)</b>	1.80	-22%	2.31
<b>EPS (diluted) (in €)</b>	1.70	-21%	2.15

## NAV highlights

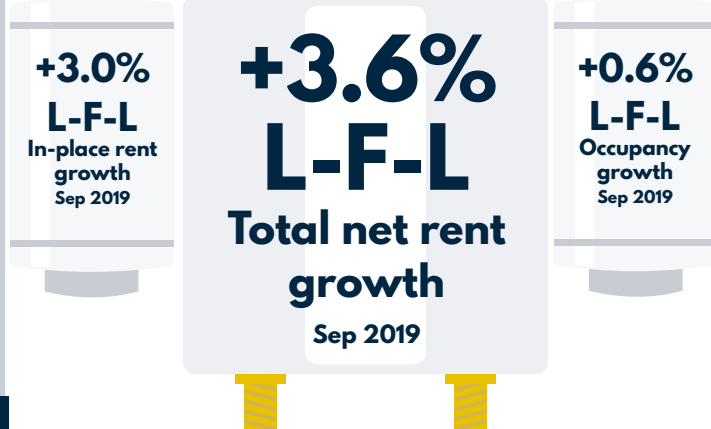
in €'000 unless otherwise indicated	NAV	EPRA NAV	EPRA NAV including perpetual notes
Sep 2019	4,422,326	3,981,556	5,012,038
<b>Sep 2019 per share (in €)</b>	<b>26.3</b>	<b>23.7</b>	<b>29.8</b>
<b>Per share growth (dividend adjusted)</b>	<b>+9%</b>	<b>+9%</b>	<b>+7%</b>
Per share growth (excl. adjustment for dividend)	+6%	+5%	+4%
Dec 2018	4,162,463	3,753,022	4,783,072
Dec 2018 per share (in €)	24.9	22.5	28.7

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





# Highlights



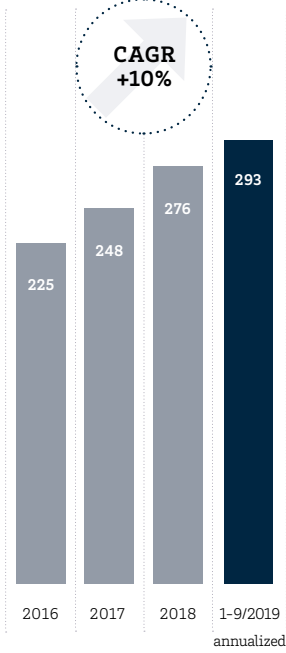
## Accretive capital recycling\*



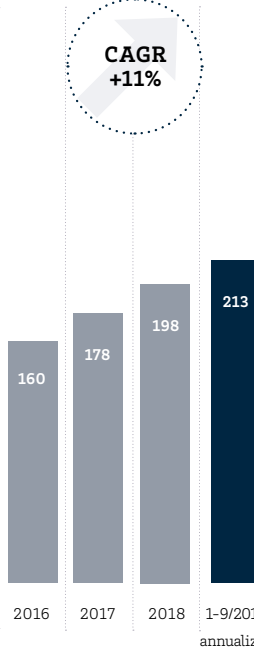
**53% over total costs**  
**8% over book value**

\* including year-to-date disposals and signed deals

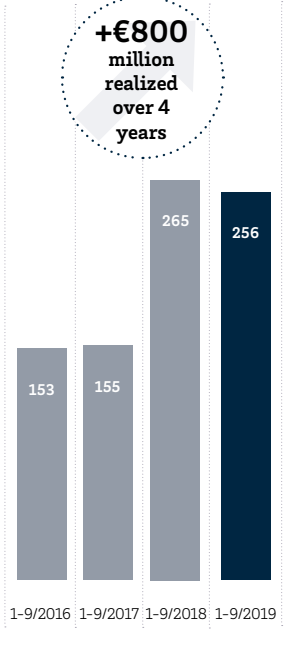
### Adjusted EBITDA (in € millions)



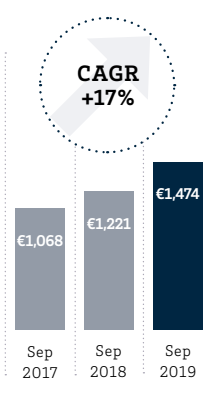
### FFO I (in € millions)



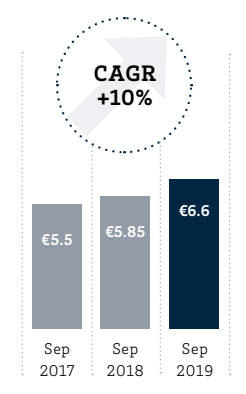
### FFO II (in € millions)



### Value/sqm (in €/sqm)



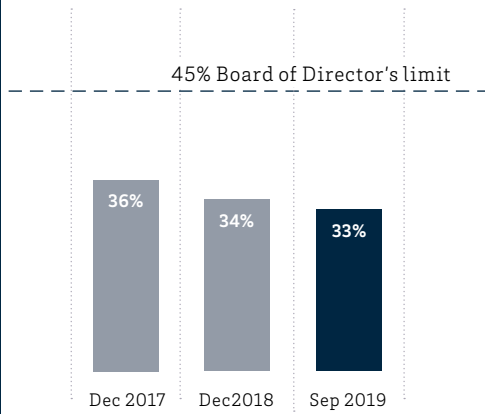
### In-place rent (in €/sqm)



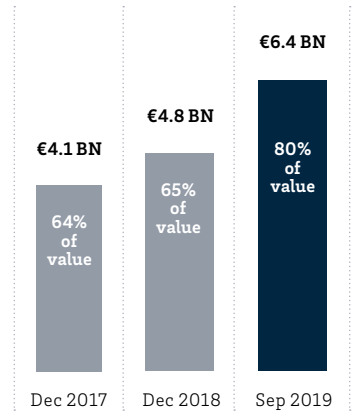
**Solid financial platform  
with a further  
lowered cost of debt  
coupled with a long  
debt maturity.**



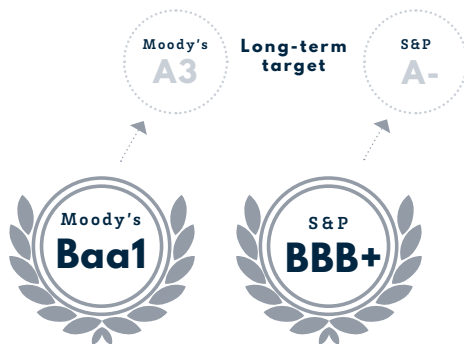
### Low Leverage (Loan-To-Value)



### Unencumbered assets



### Credit rating



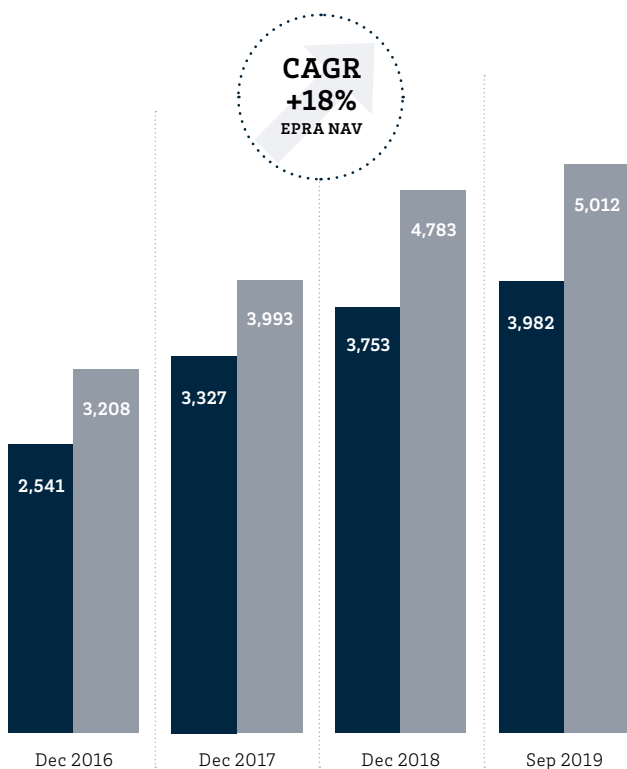
### Interest Coverage Ratio (1-9/2019)



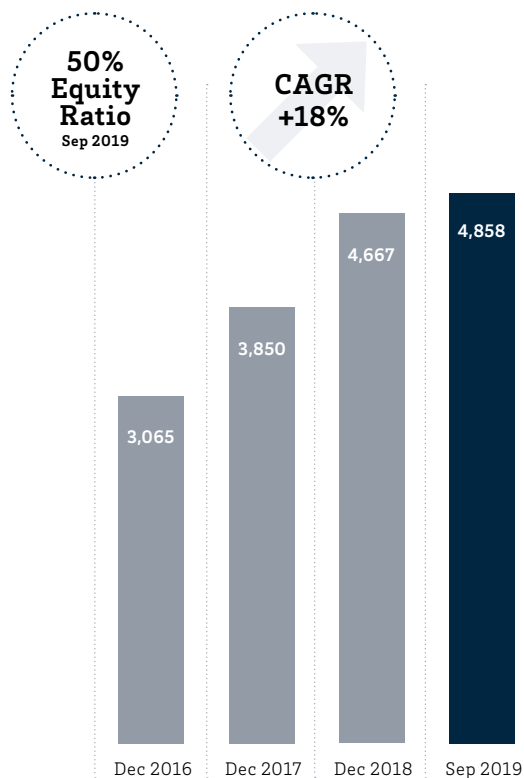


## EPRA NAV (in € millions)

■ EPRA NAV    ■ EPRA NAV incl. perpetual notes

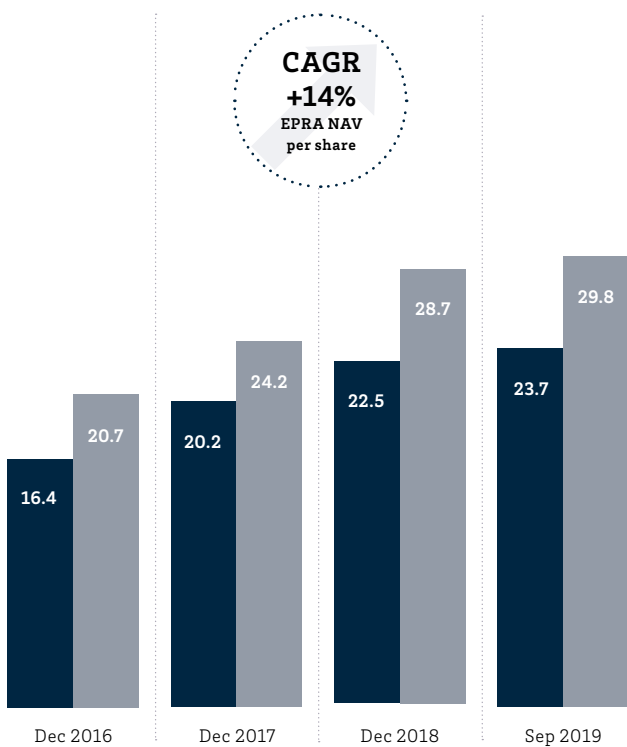


## Equity (in € millions)



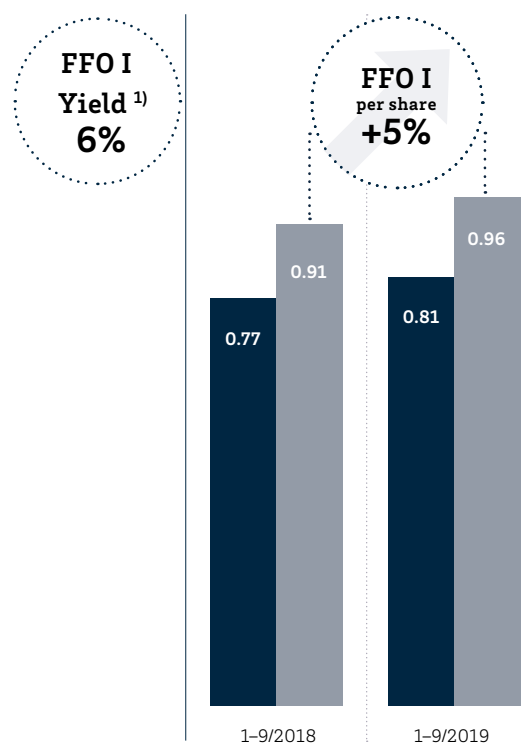
## EPRA NAV per share (in €)

■ EPRA NAV    ■ EPRA NAV incl. perpetual notes



## FFO I per share (in €)

■ FFO I per share after perpetual notes attribution    ■ FFO I per share



1) based on a share price of €21.3



## Profitability highlights

in €'000 unless otherwise indicated	1-9/2019	1-9/2018
<b>Rental and operating income</b>	<b>418,495</b>	<b>403,558</b>
EBITDA	515,381	589,111
<b>Adjusted EBITDA</b>	<b>219,971</b>	<b>204,331</b>
Profit for the period	364,603	441,147
EPS (basic) (in €)	1.80	2.31
EPS (diluted) (in €)	1.70	2.15
<b>FFO I</b>	<b>159,843</b>	<b>149,805</b>
FFO I per share (in €)	0.96	0.91
FFO I per share after perpetual notes attribution (in €)	0.81	0.77
<b>FFO II</b>	<b>256,305</b>	<b>265,166</b>
Interest Coverage Ratio	6.5x	6.0x
Debt Service Coverage Ratio	5.4x	4.9x

## Financial position highlights

in €'000 unless otherwise indicated	Sep 2019	Dec 2018
<b>Total Assets</b>	<b>9,774,413</b>	<b>8,860,526</b>
Investment Property <sup>1)</sup>	7,598,780	7,243,915
<b>Cash and liquid assets <sup>2)</sup></b>	<b>1,066,846</b>	<b>760,374</b>
<b>Total Equity</b>	<b>4,858,096</b>	<b>4,666,987</b>
<b>EPRA NAV</b>	<b>3,981,556</b>	<b>3,753,022</b>
<b>EPRA NAV including perpetual notes</b>	<b>5,012,038</b>	<b>4,783,072</b>
Loans and borrowings <sup>3)</sup>	532,091	870,507
Straight bonds	2,923,485	2,177,267
Convertible bond	274,235	272,246
Loan-to-Value	33%	34%
Equity Ratio	50%	53%

1) including inventories - trading properties

2) including cash and cash equivalents held for sale

3) including short-term loans and borrowings, debt redemption, and financial debt held for sale

Cologne



# The Company

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

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

GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany. The Group's portfolio, excluding HFS properties, as of September 2019 consists of 76k 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 solid sustainable economic and demographic fundamentals, and

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

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

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



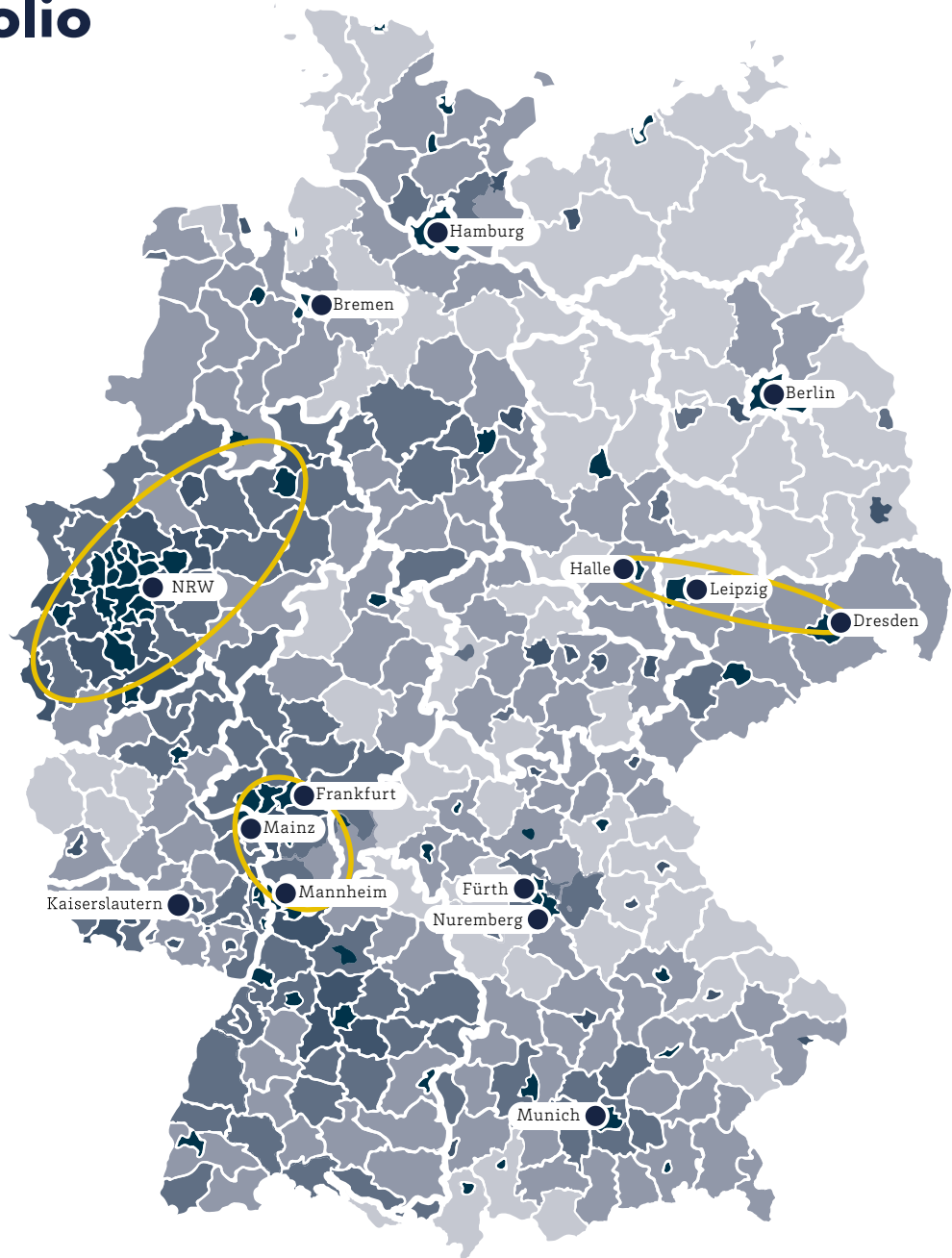
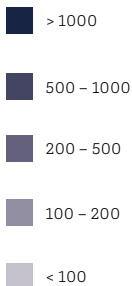
Berlin

# The Portfolio



## Population density in Germany

inhabitants per sqkm (2015)



## Attractive portfolio concentrated in densely populated metropolitan areas with value-add potential

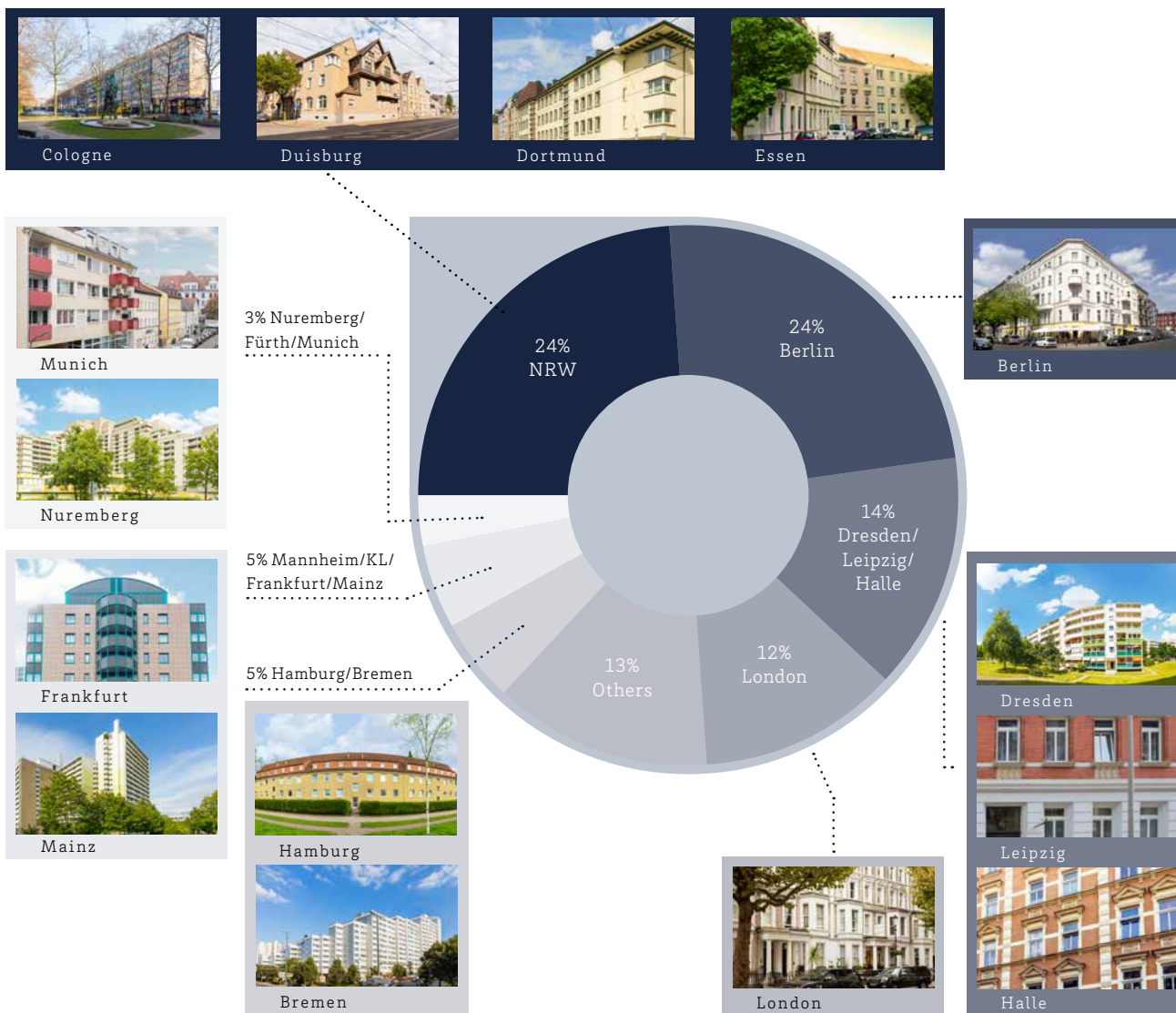
GCP's well-balanced and diversified portfolio is composed of properties in attractive micro-locations with identified value creation potential primarily located in major German cities and urban centers.

The Group's well-allocated portfolio provides for strong geographic and tenant diversification and benefits from economies of scale, supporting

the risk-averse portfolio approach. GCP's focus on densely populated areas is mirrored by 24% of its Portfolio being located in NRW, 24% in Berlin, 14% in the metropolitan region of Dresden, Leipzig and Halle, with additional holdings in other major urban centers with strong fundamentals such as, Nuremberg, Munich, Mannheim, Frankfurt, Hamburg and Bremen.

Additionally, this diversification is further accompanied by a position of 12% of the total portfolio value in London. London follows the Company's strategy of pursuing opportunities and acquiring properties with significant upside potential in densely populated areas characterized by strong demand and market fundamentals.





## Portfolio overview

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

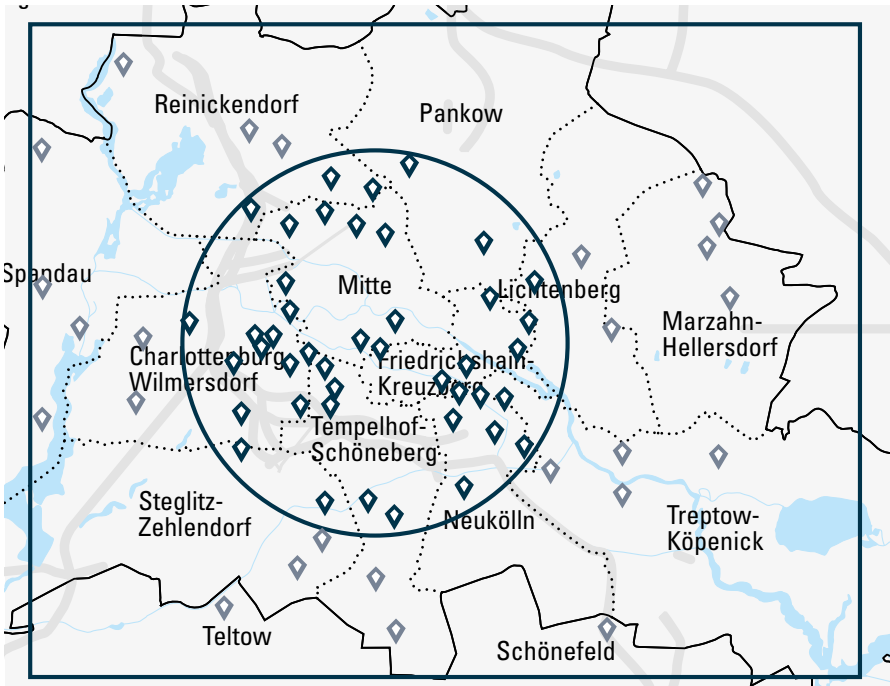
	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualized net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
<b>September 2019</b>								
NRW	1,832	1,644	8.1%	106	5.7	24,344	1,114	5.8%
Berlin	1,604	553	5.3%	52	8.2	7,469	2,901	3.2%
Dresden/Leipzig/Halle	986	925	9.0%	52	5.2	15,921	1,066	5.3%
Mannheim/KL/Frankfurt/ Mainz	377	225	5.0%	19	7.4	3,788	1,673	5.1%
Nuremberg/Fürth/Munich	227	102	3.6%	10	8.2	1,471	2,218	4.4%
Hamburg/Bremen	370	297	4.3%	20	6.0	4,265	1,248	5.5%
London	773	93	5.7%	33	32.2	1,895	8,306	4.3%
Others	964	999	7.8%	62	5.8	16,938	964	6.4%
Development rights and new buildings (*)	466							
<b>Total</b>	<b>7,599</b>	<b>4,838</b>	<b>7.0%</b>	<b>354</b>	<b>6.6</b>	<b>76,091</b>	<b>1,474</b>	<b>5.0%</b>

\*of which pre-marketed buildings in London amount to €164m

# Berlin portfolio - Best in class

Quality locations in top tier Berlin neighborhoods

**24%**  
of GCP's  
portfolio



**2/3**

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

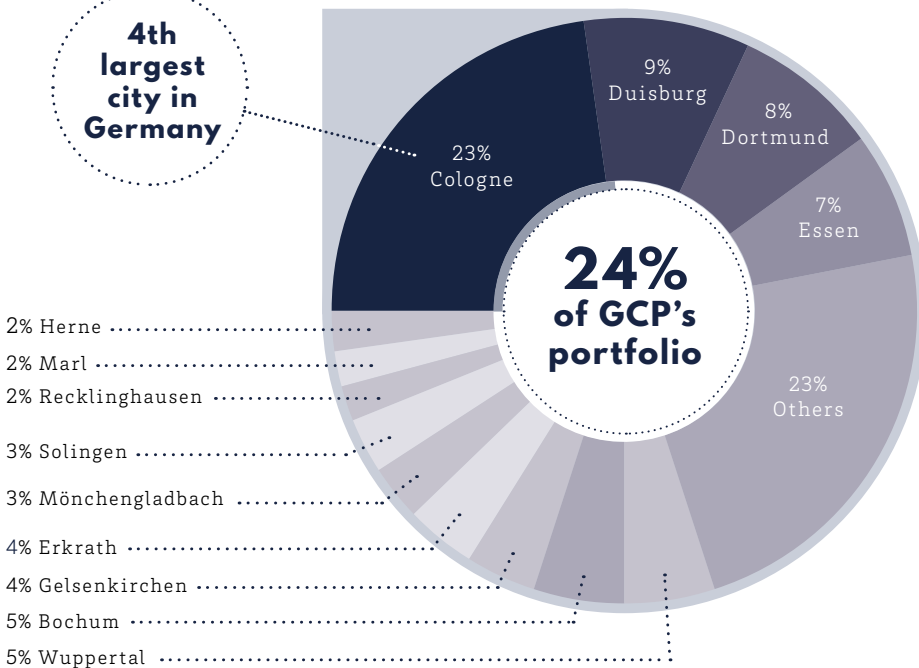
**1/3**

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

# North Rhine-Westphalia

Well positioned in the largest metropolitan area in Germany

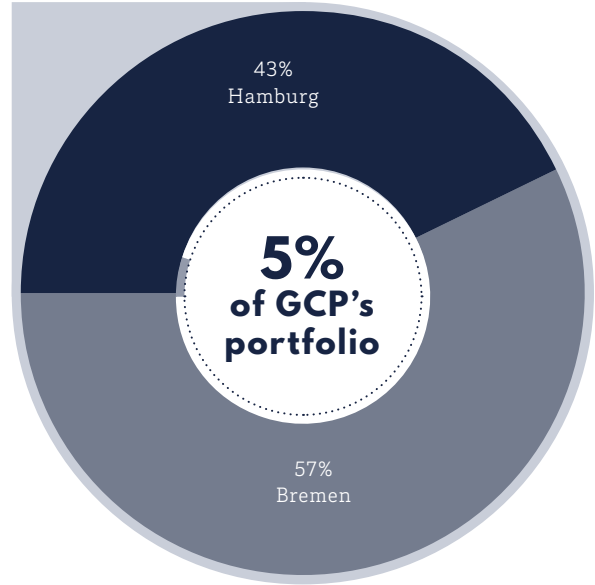
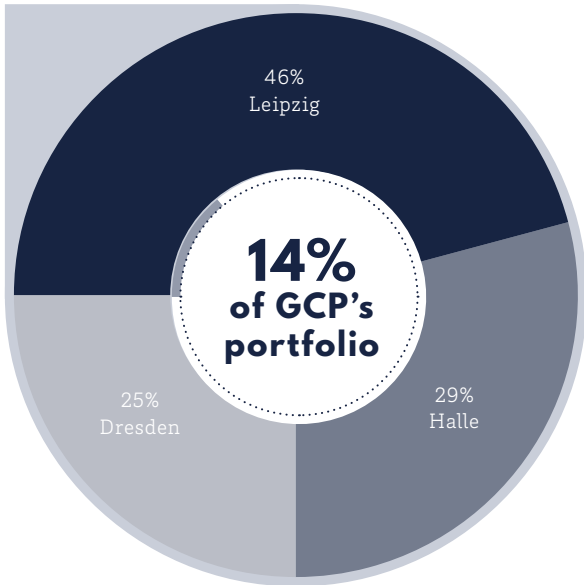
**4th largest city in Germany**



The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 23% of the NRW portfolio is located in Cologne, the largest city in NRW, 9% in Duisburg, 8% in Dortmund and 7% in Essen.

# Quality east & north portfolio

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



## London

High quality assets located in strong middle class neighborhoods

The total London portfolio, including pre-marketed units, amounts to ca. 2,400 units and approx. €940 million value.

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



The map represents over 90% of the London Portfolio

# Strong financial position

## Conservative financial policy

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

- **Strive to achieve A- global rating in the long term** ●
- LTV limit at 45% ●
- Debt to debt plus equity ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios with a strong ICR ●
- Unencumbered assets above 50% of total assets ●
- Long debt maturity profile
- Good mix of long-term unsecured bonds and non-recourse bank loans ●
- Dividend distribution of 65% of FFO I per share

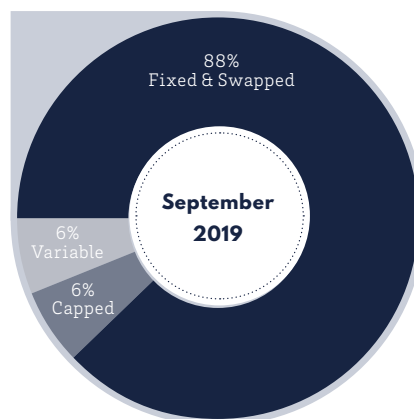
As part of the conservative financial approach adopted by management, the Company continuously maintains a relatively high level of liquidity.

## 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, 94% of its interest is hedged.

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

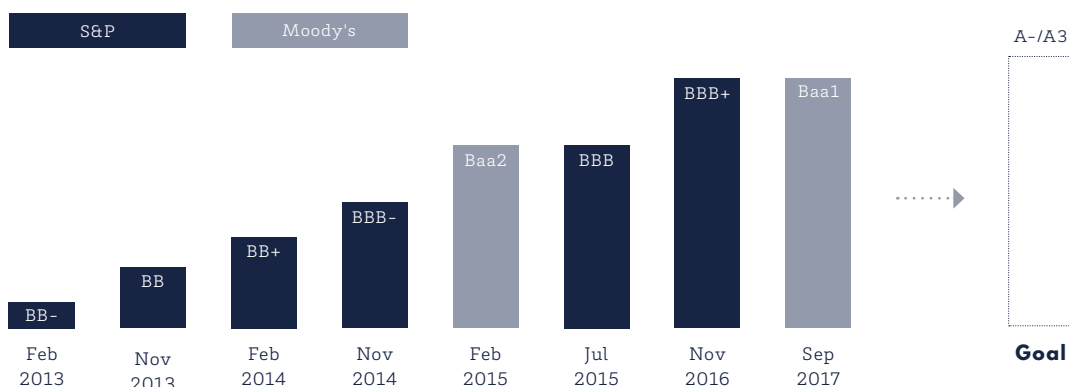


## Credit rating ●

GCP maintains investment-grade credit ratings from both Standard & Poor's (S&P) and Moody's Investors Service (Moody's), with current long-term issuer ratings of BBB+ and Baa1, respectively. Additionally, S&P assigned GCP a short-term rating of A-2. The Company has a long-term goal of achieving an A-/A3 credit rating, an important

component of its financial policy, and to that effect the Board of Directors has decided to implement policies as well as management and financial strategies to achieve that target.

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

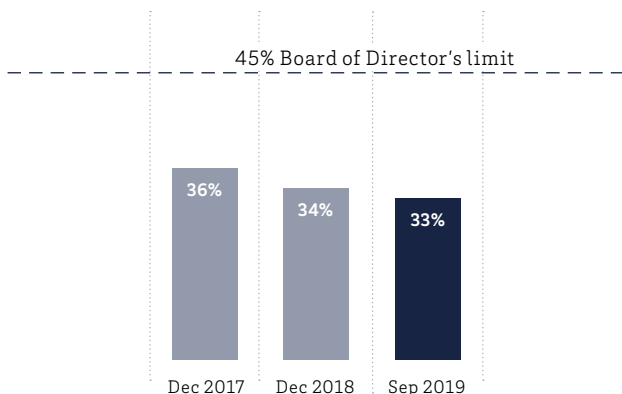




## Loan-to-value

GCP strategically maintains its strong financial profile characterized by long debt maturities, hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of September 30, 2019 is at 33%, below the management limit of 45%

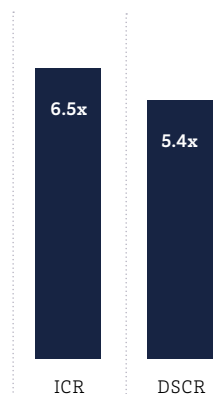
### Low Leverage (Loan-To-Value)



## Debt and interest coverage ratios

GCP's financial flexibility remains strong over time due to its high profitability, which is reflected in consistently high debt cover ratios. For the first nine months of 2019, the Interest Coverage Ratio was 6.5x and the Debt Service Coverage Ratio was 5.4x

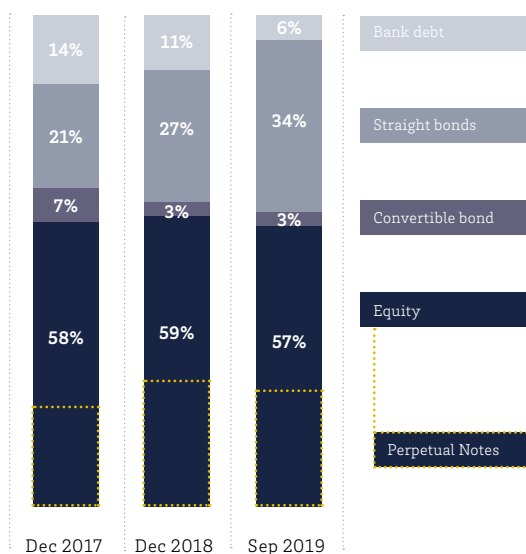
### Coverage Ratios (1 – 9/2019)



## Financing sources mix

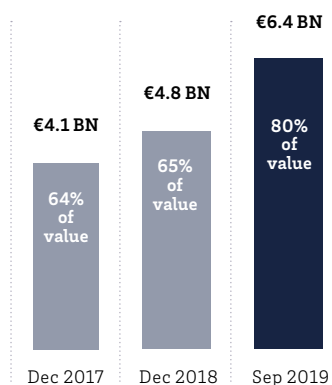
An important component of GCP's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital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

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

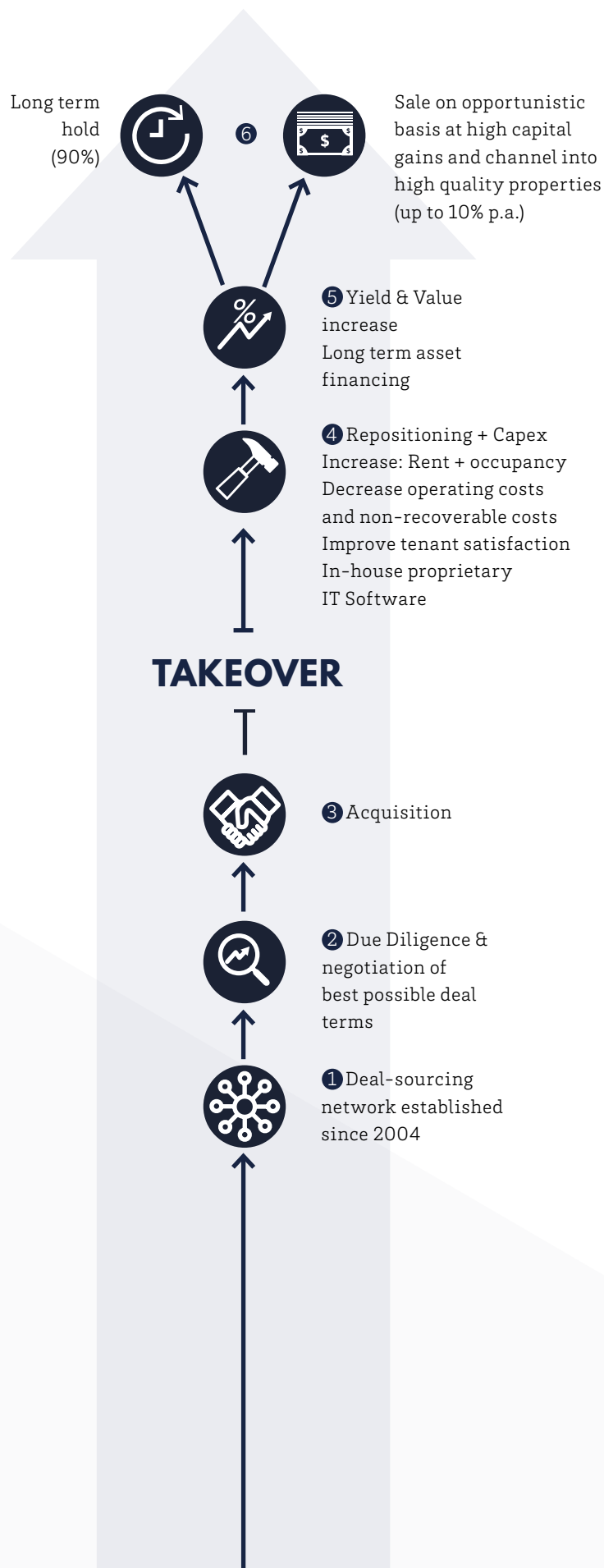


## Unencumbered assets

The Company maintains as part of its conservative financial policy a high proportion of unencumbered assets to provide additional financial flexibility and contribute to a strong credit profile, with €6.4 billion in unencumbered assets as of September 2019, representing 80% of the total portfolio value.



# Company strategy and business model



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

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

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

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

Corporate  
Responsibility  
Report  
2018



## Sustainability at the core of the business

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

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



SUSTAINALYTICS

95th  
percentile  
in Feb 2019

RECEIVED THE GOLD AWARD  
IN BOTH CATEGORIES  
FOR THE 3<sup>RD</sup> CONSECUTIVE YEAR



EPRA  
**BPR**  
GOLD



EPRA  
**sBPR**  
GOLD



In September 2019, for the third year in a row, GCP was awarded the **EPRA BPR Gold Award** as well as the **EPRA Sustainability Best Practices Recommendations (sBPR) Gold Award** for its EPRA sBPR reporting, underlining the Company's commitment to the highest standards of transparency and reporting.

## Cash flow improvements through focus on rental income and cost discipline

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



\*TÜV approved Service Center\*

## Maximize tenant satisfaction

A key pillar of the overall success of GCP is tenant satisfaction. The GCP Service Center ensures prompt responses to queries with the longest time to a response being 24hrs. Urgent cases are taken care of within a time frame of under an hour. The quality of the Service Center offering was validated with the ISO 9001:2015 certification received in February 2019. The Company plac-

es strong emphasis on enhancing the living quality and environment of its tenants through various measures. GCP strives to develop a community feeling amongst its tenants by installing playgrounds, improving accessibility at the properties, organizing family-friendly events, supporting local associations as well as through various other initiatives. Some of the Company's regularly organized tenant events include Santa Claus celebrations for Christmas, Easter egg-searching events as well as different summer events, such as the dozens of "GCP Summer Games" parties that are organized annually. The Company has also worked towards providing children with study areas, organizing youth programs, mother-baby groups, and even senior citizen meeting points so as to establish a pleasant environment within the community. In addition, GCP identifies opportunities to work with local authorities to improve the existing infrastructure in the community, contributing to increased demand for the neighborhood.

## Operations supported by centralized IT/software

The Group's proprietary and centralized IT / software plays a significant role in enabling GCP to achieve its efficiency objectives. The key to this system is the detailed information that it provides not only on the portfolio but also on existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Group to track and respond to market rent trends, spot opportunities for rent increases, and manage re-letting risks on a daily basis. GCP's IT/software provides management with the detailed information necessary to monitor everything from costs to staff performance.

London





# Capital markets

## Investor relations activities supporting the strong capital markets position

The Company continues to proactively present its business strategy and thus enhance perception, as well as awareness, of the Company among capital market investors. GCP seizes opportunities to present a platform for open dialogue, meeting hundreds of investors in dozens of conferences around the globe as well as hosting investors at the Company's offices. The improved perception leads to a better understanding of GCP's business model, operating platform and competitive advantage, and leads to strong confidence from investors. GCP's strong position in equity capital markets is reflected through its membership in key stock market indices, including the MDAX of the Deutsche Börse, the STOXX Europe 600 index, the FTSE EPRA/NAREIT Global Index series, GPR 250, DIMAX and the MSCI index series. These index memberships are the result of many years of success in equity markets and the strong investor perception of the Company.

<b>Placement</b>	Frankfurt Stock Exchange
<b>Market segment</b>	Prime Standard
<b>First listing</b>	Q2 2012
<b>Number of shares (as of 30 September 2019)</b>	167,895,560 ordinary shares with a par value of EUR 0.10 per share
<b>Nominal share capital (as of 30 September 2019)</b>	16,789,556.00 EUR
<b>Number of shares on a fully diluted basis (as of 30 September 2019)</b>	180,676,902
<b>ISIN</b>	LU0775917882
<b>WKN</b>	A1JXCV
<b>Symbol</b>	GYC
<b>Key index memberships</b>	MDAX FTSE EPRA/NAREIT Index Series STOXX Europe 600 MSCI Index Series GPR 250 DIMAX
<b>Market capitalisation (as of the date of this report)</b>	3.6 bn EUR
<b>Shareholder structure (as of the date of this report)</b>	Freefloat: 61% - of which EdgePoint: 5% Edolaxia Group 39%

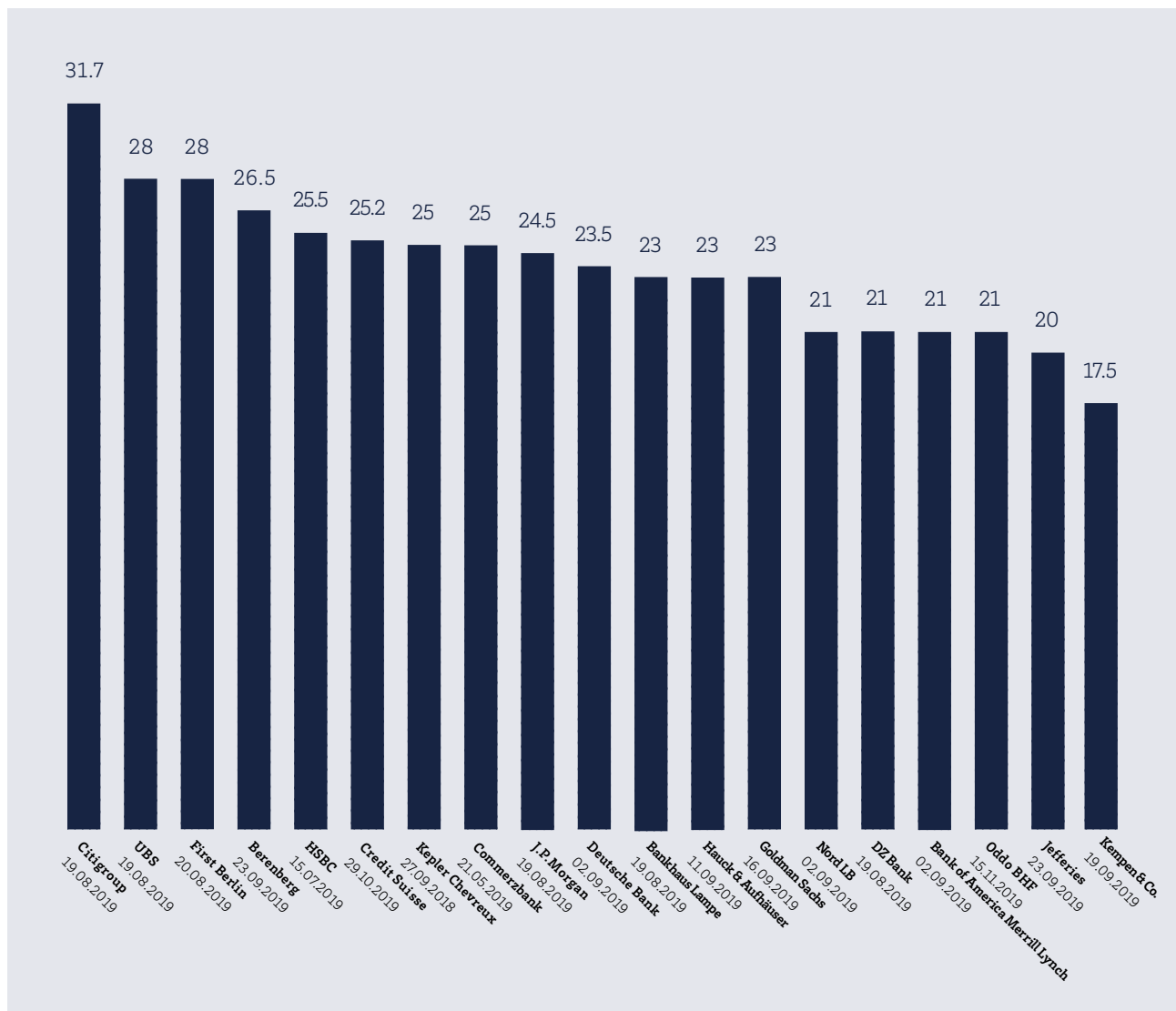


# Vast and proven track record in capital markets

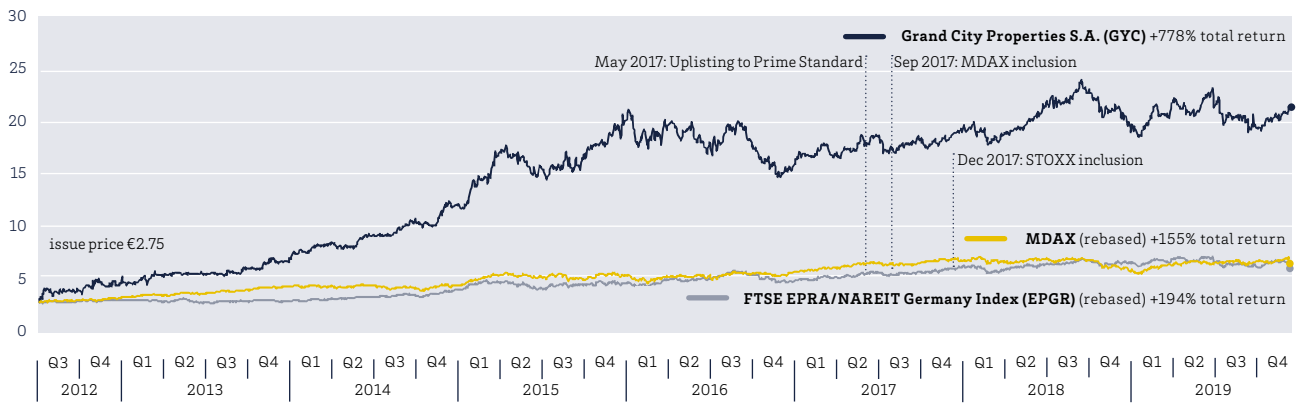
The Company has established over the years an impressive track record in capital markets, continuously accessing various markets through its strong relationships with the leading investment banks in the market. Supported by two investment-grade credit ratings (BBB+ from S&P and Baa1 from Moody's), GCP is able to quickly and efficiently source funds at attractive interest rates, significantly contributing to its low average cost of debt (of currently 1.3%). Since 2012, GCP has issued over €6 billion through

dozens of issuances of straight bonds, convertible bonds, equity and perpetual notes. The Company launched an EMTN programme, providing significant convenience and flexibility by enabling the issuance in a short period of time of financial instruments of various kinds, sizes, currencies and maturities. Through its strong access to capital markets, GCP is able to proactively and effectively manage its debt structure, contributing to a long average debt maturity of approx. 8.2 years.

## Analyst Recommendations

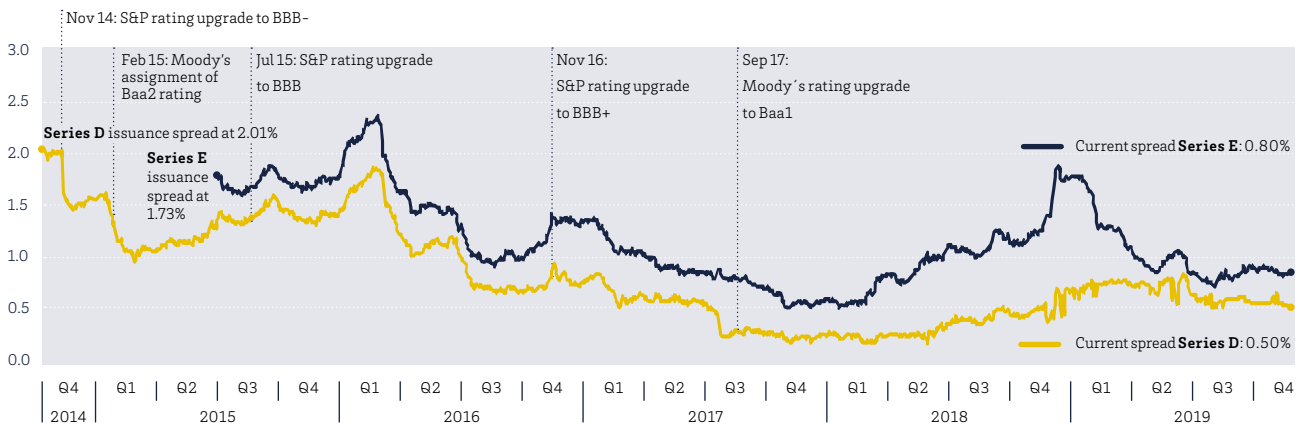


## Share price performance and total return comparison since first equity placement (19.07.2012)



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

Series D: remaining 2 years | Series E: remaining 5.5 years



## 3.75% perpetual notes spread over mid-€-swap

First call date: February 2022



# Notes on business performance

## Selected consolidated income statement data

For the nine-month period ended 30 September	2019	2018
	€'000	
Rental and operating income	418,495	403,558
Net rental income	285,030	271,854
Property revaluations and capital gains	296,679	384,293
Property operating expenses	(193,968)	(192,592)
Administrative & other expenses	(9,127)	(9,283)
Operating profit	512,401	587,382
<b>Adjusted EBITDA</b>	<b>219,971</b>	<b>204,331</b>
Finance expenses	(33,987)	(34,119)
Other financial results	(20,591)	(15,411)
Current tax expenses	(23,283)	(19,404)
Deferred tax expenses	(69,937)	(77,301)
<b>Profit for the period</b>	<b>364,603</b>	<b>441,147</b>
<b>FFO I</b>	<b>159,843</b>	<b>149,805</b>
<b>FFO II</b>	<b>256,305</b>	<b>265,166</b>



# Revenue

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Net rental income</b>	<b>285,030</b>	<b>271,854</b>
Operating and other income*	133,465	131,704
<b>Rental and operating income</b>	<b>418,495</b>	<b>403,558</b>
Revenue from sale of apartments*	-	250
<b>Revenue</b>	<b>418,495</b>	<b>403,808</b>

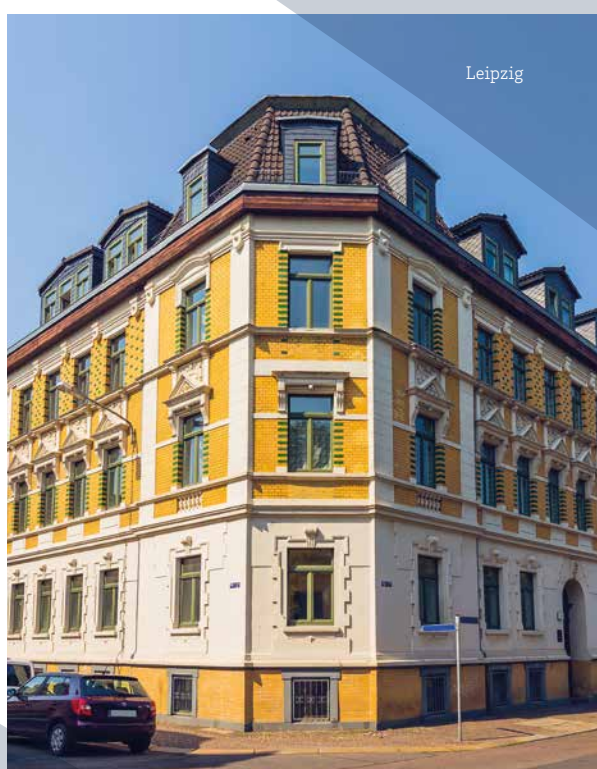
\* defined as revenue from contracts with customers under note 5

GCP recorded steady revenue growth during the first nine months of 2019, with total revenue of €418 million increasing 4% from €404 million reported during the same period in the previous year. Revenue comprises of rental and operating income, together with revenue from sale of apartments.

Rental and operating income was higher by 4% due to the stable growth in rents delivered by the operating platform of the business. The increase is mainly attributable

to the increased net rental income of 5%, from €272 million in the first nine months of 2018 to €285 million in the current period. This increase was mostly driven by strong organic growth, reflected in like-for-like rental growth of 3.6%, of which 3% was from in-place rent increases and a further 0.6% from occupancy increases. The increase in rent was further driven by accretive acquisitions of over €400 million during the first nine months of 2019 as well as the full period effect of acquisitions in the comparable period last year.

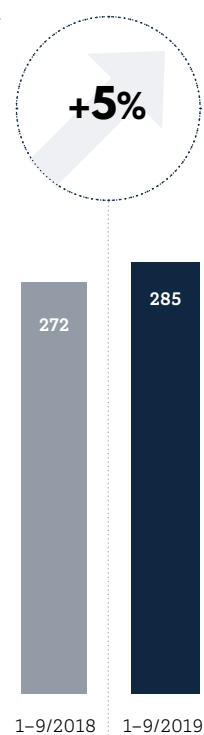
Rental growth was offset to some extent by the full period effect of disposals in 2018 as well as by disposals during the current year, both forming part of the capital recycling program of the Company. Notwithstanding these capital recycling measures, the portfolio continues to display a robustness which is evident in the continued growth in net rental income, which is a demonstration of GCP's ability in efficiently extracting the rent reversionary potential of the portfolio and delivering a steady top-line growth.



Leipzig

## Net rental income periodic development (in € million)

**+3.6%**  
**L-F-L**  
**Total net rent growth**  
Over the last 12 months



# Notes on business performance

## Property revaluations and capital gains

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Property revaluations and capital gains</b>	<b>296,679</b>	<b>384,293</b>

GCP recorded €297 million of property revaluations and capital gains for the first nine months of 2019 as compared to €384 million reported for the corresponding period in 2018. The revaluation gains stem from the successful repositioning of GCP's portfolio, reflected in higher rents, occupancy rates and in properties with a higher quality. The positive demographic and economic market dynamics provide tail winds to increasing property valuations increasing the demand for GCP's portfolio.

The fair values of the properties are externally appraised by independent and certified valuers at least once a year. As of September 2019, the average value per sqm was €1,474 compared to €1,257 as of the end of December 2018. On average the portfolio has a net rental yield of 5%.

Over the first nine months of 2019, GCP disposed mature and non-core assets amounting to over €250 million, at a 6% premium over their last appraised book values, creating

additional capital gain. The assets were mainly located in Berlin, Halle, Merseburg, Magdeburg and NRW and were disposed at a margin of 60% over total cost, resulting in a contribution of €96 million to the FFO II for the period.

In addition, including signed disposals, year to date the Company sold properties for approx. €500 million. The effect of sales completed after the reporting period will be reflected in the FFO II of the following period.

## Property operating expenses

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Property operating expenses</b>	<b>(193,968)</b>	<b>(192,592)</b>

During the first nine months of 2019, GCP's property operating expenses was marginally higher at €194 million as compared to the €193 million recorded for the same period during the previous year. Property operating expenses are principally in relation to the operations of the Company and mostly comprise of costs for ancillary services that are recoverable from tenants, for example, heating, water, trash disposal, cleaning, and other related costs. In addition to these costs, maintenance and refurbish-

ments, operating personnel expenses and other operational costs make up property operating expenses. Maximizing tenant satisfaction remains a central objective of the Company and to this end GCP has made efforts to maintain the high standard of services provided to its tenants. At the same time, the Company also aims to maintain a responsible operating cost structure which delivers on tenant satisfaction. GCP's 24/7 Service Center, which operates in multiple languages and is accessible through

several channels of communication, received the DIN EN ISO 9001:2015 certification in 2019, in recognition of the high standards of quality maintained.

Due to the first implementation of IFRS 16 in 2019, there has also been an offsetting effect, due to the reclassification of an expense of €2 million from property operating expenses to finance expenses.

## Maintenance, capex and modernization

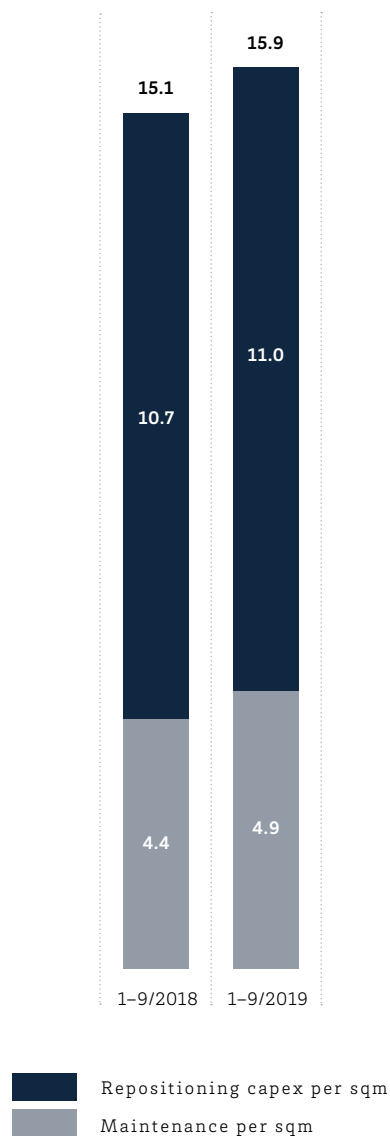
Maintaining its high asset quality is a prime objective for GCP. Accordingly, the Company regularly undertakes a variety of maintenance and refurbishment projects which are meant to maximize tenant satisfaction and preserve the value proposition of the portfolio. In addition, GCP adopts a strategic approach by carefully selecting properties which possess an inherent potential that may be captured through various capex measures leading to reduced vacancy, higher rents per sqm and increased efficiency of the cost structure of the asset, thereby improving operational profitability of the portfolio.

Maintenance and refurbishment expenses are costs incurred in the normal course of business in order to sustain the standard of the properties and maintain tenant satisfaction. GCP's 24/7 Service Center supports this process by providing tenants with various channels of communications including General Data Protection Regulation compliant chat systems, which could be utilized by tenants for all service requests. During the first nine months of 2019, maintenance and refurbishment expenses was €26 million and €4.9 per average sqm, as compared to €24 million and €4.4 per average sqm for the comparable period in 2018.

For the first nine months of 2019, GCP invested €57 million into repositioning capex and a further €9 million into modernization capex.

Repositioning capex is primarily connected to the long-term value enhancement of the portfolio,

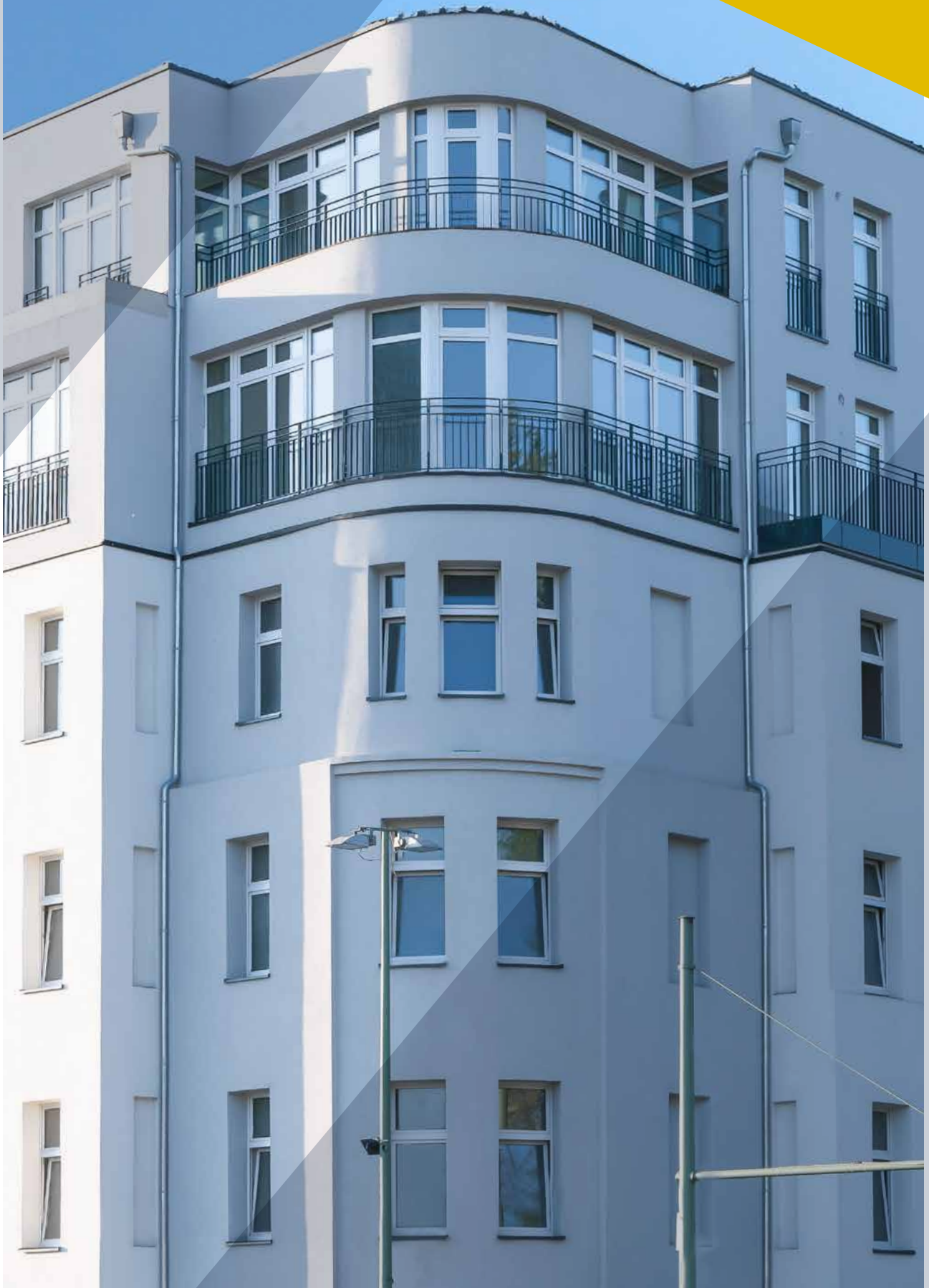
### Maintenance and capex development (€/sqm)



boosting its attractiveness, which is achieved through different approaches such as apartment upgrades, improvements to common areas like playgrounds and staircases, safety related upgrades and other such measures. Repositioning capex for the first nine months of 2019 was €11.0 per average sqm, as compared to €10.7 per average sqm during the first nine months of 2018.

Modernization capex is aimed at increasing the standard as well as enhancing the energy efficiency of apartments. GCP follows a careful and strategic approach in this regard and carries investments on a targeted small-scale basis. Typically, modernization capex results in higher rent increases due to upgrades and the addition of new features to apartments such as, window replacements, façade overhauls, energy saving enhancements, balcony additions, and other similar renovations. The Company reported €1.8 per average sqm of modernization capex for the first nine months of 2019. With 0.2% of like-for-like net rental growth being the direct result of modernization capex, these measures support internal growth.

Besides maintenance and refurbishments, repositioning and modernization, GCP has also invested an additional €5 million of pre-letting modifications during the current reporting period. These outlays are principally related to pre-letting and the completion of the final phases of new buildings as well as the re-opening of renovated/converted assets in London, before these are let out. During the reported period over €250 million of pre-let properties have been completed and classified to London operative portfolio.





## Administrative and other expenses

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Administrative and other expenses</b>	<b>(9,127)</b>	<b>(9,283)</b>

Administrative and other expenses reported for the first nine months of 2019 was €9 million, stable in comparison to the same period in the previous year. Administrative and other expenses

include administrative personnel costs, marketing & other corporate expenses, audit & accounting costs and legal fees. The stability of administrative and other expenses is testament to

GCP's scalable management platform, which allows it to execute its business plan and capital recycling program without materially changing its overhead expenses.

## Finance expenses

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Finance expenses</b>	<b>(33,987)</b>	<b>(34,119)</b>

Finance expenses for the first nine months of 2019 was stable at €34 million as compared to the same period in 2018. The stability in finance expenses is the product of GCP's hands-on financial management approach which seeks to continually optimize the Company's debt profile. In the last twelve GCP has decreased the cost of debt to 1.3% in September 2019, from 1.6% in September 2018, while maintaining similar debt durations. The decrease in the cost of

debt results in similar finance expenses year-over-year while increasing the total amount of debt. The solid financial structure is also evident in the robust credit metrics of the Company such as the ICR of 6.5x and DSCR of 5.4x for first nine months of 2019.

GCP's strong credit profile, also affirmed by the investment grade credit ratings from both Moody's (Baa1) as well as S&P (BBB+), has

provided the Company with extensive access to capital markets allowing for a robust financial platform at an attractive average cost of debt. Over the first nine months of 2019, GCP issued a total of over €700 million in straight bonds at favorable terms using a variety of capital market transactions, while also prepaying over €300 million of mostly near term maturing loans bearing high interest.

## Other financial results

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Other financial results</b>	<b>(20,591)</b>	<b>(15,411)</b>

Other financial results primarily constitute refinancing and loan prepayment fees, issuances costs, changes in the fair value of financial assets and hedging instruments as well as other financing costs which are non-recurring in nature. For the

first nine months of 2019, the other finance results amounted to an expense of €21 million as compared to the €15 million expense reported during the corresponding period in 2018. During the first nine months of 2019, GCP issued several straight

bonds amounting to over €700 million while also prepaying over €300 million of bank loans, mostly high-interest and near term maturities, thereby optimizing the financial platform of the business, leading to higher non-recurring expenses.

# Notes on business performance

## Taxation

For the nine-month period ended 30 September	2019	2018
	€'000	
Current tax expenses	(23,283)	(19,404)
Deferred tax expenses	(69,937)	(77,301)
<b>Total tax expenses</b>	<b>(93,220)</b>	<b>(96,705)</b>

The Company reported total tax expenses of €93 million for the first nine months of 2019, as compared to the €97 million reported for the same period in 2018. The lower tax expense is due to the decrease in deferred tax expenses, which has declined to €70 million in the first nine months of 2019 compared to €77 million in the first nine months of

2018, following the lower property revaluation gains during the current reporting period. Deferred tax expense is a non-cash line-item which is principally related to the portfolio's revaluation gains and accounts for a theoretical future disposal in the form of an asset deal at the full corporate tax rate based on the location of the property.

Current tax expenses, which are made up of property taxes and corporate income tax, generally tends to follow the operational performance of the Company. For the first nine months of 2019 current tax expenses increased to €23 million, as compared to the €19 million reported for the corresponding period during the previous year.

## Profit for the period

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>Profit for the period</b>	<b>364,603</b>	<b>441,147</b>
Profit attributable to owners of the Company	301,387	381,538
Profit attributable to perpetual notes investors	24,682	21,949
Profit attributable to non-controlling interests	38,534	37,660

GCP reported a net profit of €365 million for the first nine months of 2019, in comparison to €441 million reported for the corresponding period in 2018. This decrease is primarily on the back of lower property revaluation gains which is a non-recurring and non-cash item.

However, the operational business continues to grow with profitability metrics such as the adjusted EBITDA and FFO I increasing 8% and 7% respectively year-over-year.

Profit attributable to perpetual notes investors for the first nine months

of 2019 increased to €25 million, over the €22 million reported for the comparable period in 2018. This increase is driven by the full period effect of the issuance of €350 million, 2.5% perpetual notes during the second quarter of 2018.

## Earnings per share

For the nine-month period ended 30 September	2019	2018
Basic earnings per share (in €)	1.80	2.31
Diluted earnings per share (in €)	1.70	2.15
Weighted average basic shares (in thousands)	167,028	165,262
Weighted average diluted shares (in thousands)	178,444	178,442

During the first nine months of 2019, the Company generated a basic earnings per share of €1.80 and a diluted earnings per share of €1.70. While the operational business profitability has increased during the period, the year-over-year decrease in basic earnings per share can be attribut-

ed to the lower property revaluation gains recorded for the period. Furthermore, the higher average share count as compared to the previous year, driven by the issuance of new shares out of scrip dividends for the financial year 2018, has diluted the earnings per share. The di-

luted earnings per share takes into consideration dilutive effects such as the potential future conversion of the Series F convertible bonds, which are out-of-the-money as of the date of this report.



# Notes on business performance

## Adjusted EBITDA and Funds From Operations (FFO I)

For the nine-month period ended 30 September	2019	2018
	€'000	
Operating profit	512,401	587,382
Depreciation and amortization	2,980	1,729
<b>EBITDA</b>	<b>515,381</b>	<b>589,111</b>
Property revaluations and capital gains	(296,679)	(384,293)
Results on the disposal of inventories - trading properties	-	(56)
Share of profit from investments in equity-accounted investees	(322)	(1,350)
Other adjustments	1,591	919
<b>Adjusted EBITDA</b>	<b>219,971</b>	<b>204,331</b>
Finance expenses <sup>1)</sup>	(33,987)	(34,119)
Current tax expenses	(23,283)	(19,404)
Contribution to minorities	(2,858)	(1,003)
<b>FFO I</b>	<b>159,843</b>	<b>149,805</b>
Weighted average basic shares in thousands <sup>2)</sup>	167,028	165,262
<b>FFO I per share (in €)</b>	<b>0.96</b>	<b>0.91</b>

1) including the effects of IFRS 16

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

The adjusted EBITDA is an industry standard figure displaying the Company's recurring operational profits before interest, depreciation and tax expenses, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as profits from disposal of inventories, share of profit/loss from investment in equity-accounted investees and other adjustments. For the first nine months of 2019, GCP posted an adjusted EBITDA of €220 million, 8% higher than the €204 million reported for the comparable period in 2018. This increase is evidence of the solid earning potential of the portfolio as well as the ability of the management in capturing the

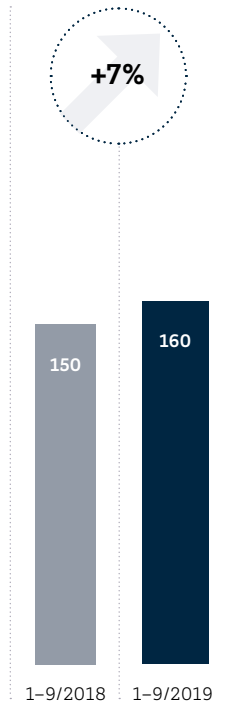
reversionary potential inherent in the portfolio. The total like-for-like rental growth was 3.6%, with 3% due to in-place rent increases and 0.6% as a result of occupancy increases. Complementing this top-line performance was GCP's accretive acquisitions since the end of 2018, which were offset to some extent by the capital recycling disposals during the same period. Furthermore, the Company's commitment to maintaining a disciplined cost structure has enabled an improvement in operating margins and supported the underlying business profitability.

Funds From Operations I (FFO I) is an industry-wide standard measure of

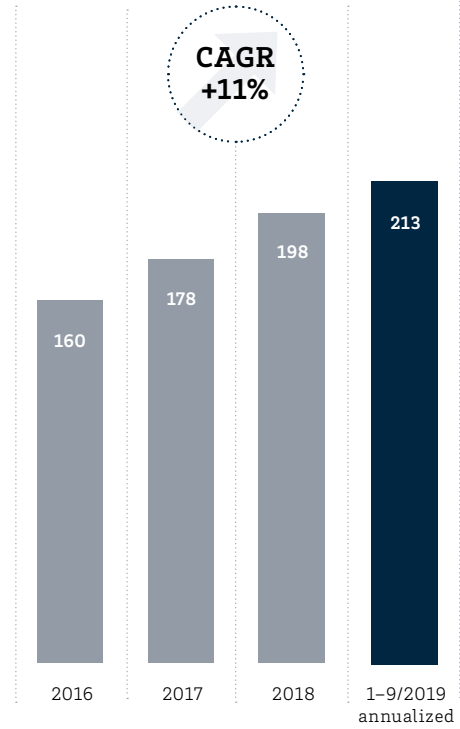
the recurring operational cash flow of a real estate company, often utilized as a key bottom line industry performance indicator. It is calculated by deducting finance expenses, current tax expenses and the contribution to minorities from the adjusted EBITDA. The Company reported an FFO I of €160 million for the first nine months of 2019, increasing by 7% over the €150 million reported for the corresponding period in 2018. The increase in FFO I is primarily driven by the top-line growth, supported by the stable finance expenses as a result of the proactive debt optimization efforts of the Company, slightly offset by higher current tax expenses.



## FFO I periodic development (in € millions)



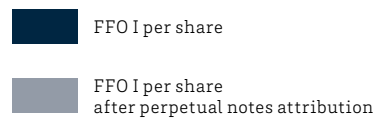
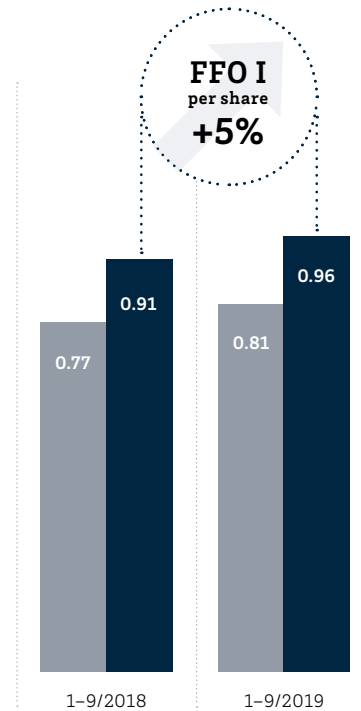
## FFO I annual development (in € millions)



## FFO I per share

For the first nine months of 2019, GCP reported an FFO I per share of €0.96, increasing 5% from €0.91 per share reported for the comparable period in 2018. The increase was driven by the growth in FFO I for the period, partially offset by the rise in the average share count between the two reporting periods.

## FFO I per share development (in €)



# Notes on business performance

## FFO I per share after perpetual notes attribution

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>FFO I</b>	<b>159,843</b>	<b>149,805</b>
Adjustment for accrued perpetual notes attribution	(24,682)	(21,949)
<b>FFO I after perpetual notes attribution</b>	<b>135,161</b>	<b>127,856</b>
Weighted average basic shares (in thousands)*	167,028	165,262
<b>FFO I per share after perpetual notes attribution (in €)</b>	<b>0.81</b>	<b>0.77</b>

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

According to IFRS accounting treatment, attribution to perpetual notes are recorded through changes in equity and not as a financial expense and thus not reflected in the FFO I. In order to provide enhanced transparency, GCP additionally reports its FFO I per share after deducting the share of profit attributable to

the Company's perpetual notes investors. Accordingly, GCP reported for the first nine months of 2019, an FFO I per share after perpetual notes attribution of €0.81, higher by 5% as compared to the €0.77 for the corresponding period in 2018. The increase was primarily driven by the improved operational profitability

during the period but was partially offset due to the full-period effect of the €350 million perpetual note issuance in April 2018 with a coupon of 2.5% as well as the higher share count at the end of the current reporting period.

## Adjusted Funds From Operations (AFFO)

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>FFO I</b>	<b>159,843</b>	<b>149,805</b>
Repositioning capex	(56,808)	(57,884)
<b>AFFO</b>	<b>103,035</b>	<b>91,921</b>

Adjusted Funds from Operations (AFFO) is another indicator for the Company's recurring operational cash flow and is derived by subtracting the repositioning capex from the Company's FFO I. GCP provides a further division of its capital expenditures into repositioning capex, modernization capex and pre-letting modifications

which are treated in different ways. Among these three types of capex, modernization capex is aimed at directly increasing rents, therefore it is treated in a similar manner to the acquisition of properties, as is the case with pre-letting modifications. On the other hand, repositioning capex targets value creation and quality development

in the portfolio, which GCP deems as being relevant for its AFFO calculation. GCP's AFFO for the first nine months of 2019 was €103 million, rising by 12% over the €92 million reported for the comparable period in 2018, due to an increase in the bottom-line coupled with a slightly reduced costs related to its repositioning capex.

## FFO II

For the nine-month period ended 30 September	2019	2018
	€'000	
<b>FFO I</b>	<b>159,843</b>	<b>149,805</b>
Result from disposal of properties*	96,462	115,361
<b>FFO II</b>	<b>256,305</b>	<b>265,166</b>

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

FFO II is a supplementary performance measure that includes the disposal effects on top of FFO I. Result from disposal of properties refers to the excess amount of the sale price to cost price plus capex of disposed properties. GCP posted an FFO

II of €256 million for the first nine months of 2019 as compared to €265 million reported for the comparable period in 2018. During the first nine months of 2019, the Company disposed over €250 million of mature and non-core assets at a profit mar-

gin over cost of 60%, demonstrating the efficiency of the value creation process that GCP has successfully executed, thereby realizing gains period over period.



Cologne

# Notes on business performance

Munich



## Cash flow

For the nine-month period ended 30 September	2019	2018
	€'000	
Net cash provided by operating activities	187,884	170,851
Net cash used in investing activities	(12,971)	(578,872)
Net cash provided by financing activities	125,290	874,891
<b>Net change in cash and cash equivalents</b>	<b>300,203</b>	<b>466,870</b>

Net cash provided by operating activities increased by 10% to €188 million for the first nine months of 2019, as compared to €171 million for the corresponding period in 2018. This increase is as a result of the strong bottom-line performance during the current reporting period, enabled by a steady top-line growth coupled with improved operating efficiencies.

Net cash used in investing activities was €13 million, as compared to the €579 million used during the corresponding period in 2018. During the first nine months of 2019, GCP acquired assets worth over €400 million, which was offset by dispos-

als during the current period as well as proceeds from investment in non current assets.

Net cash provided by financing activities for the first nine months of 2019 was €125 million, which compares to the €875 million provided for the first nine months of 2018. During the current reporting period, GCP issued over €700 million in straight bonds, while also prepaying €300 million in high-interest bearing bank debt thereby optimizing the Company's debt profile leading to a lower cost of debt at 1.3%, while also maintaining the long average debt maturity period of 8.2 years. The higher net cash provided due to

the debt optimization measures was offset to some extent due to the dividend distribution in July 2019, for the previous financial year.

Overall, the net change in cash and cash equivalents for the current reporting period was €300 million, leading to a strong cash and liquid assets balance of €1.1 billion as of the end of September 2019. The high liquidity provides GCP with a significant amount of firepower while also serving as potent downside protection, underlining the conservative nature of the Company's financial platform.



# Assets

	Sep 2019	Dec 2018
	€'000	
<b>Non-current assets</b>	<b>7,890,787</b>	<b>7,622,911</b>
Investment property <sup>1)</sup>	7,598,780	7,243,915
<b>Current assets</b>	<b>1,883,626</b>	<b>1,237,615</b>
Cash and liquid assets <sup>2)</sup>	1,066,846	760,374
<b>Total Assets</b>	<b>9,774,413</b>	<b>8,860,526</b>

1) including inventories – trading properties

2) including cash and cash equivalents held for sale

Total assets as of the end of September 2019 was €9.8 billion, higher by 10% as compared to €8.9 billion as of year-end 2018. This growth in total assets was primarily driven by the higher value of investment property and the stronger liquidity position of the Company.

At the end of the first nine months of 2019, non-current assets amounted to €7.9 billion, higher by 4% as compared to the €7.6 billion as of December 2018. Investment properties, the main driver of non-current assets was at €7.6 billion increasing by 5%, as compared to the end of the previous year and was offset by disposals as well as reclassification to assets held for sale. Through the first nine months of 2019, GCP acquired over 1,000 units at an average multiple of 20x, with a further approx. 400 units in the pre-letting stage and are expected to be let out in the coming

months. Total acquisitions over the first nine months of 2019 was over €400 million. At the same time, capital recycling measures during the reporting period led to disposals of over €250 million of mature and non-core assets which partially offset the growth in investment property. Assets held for sale increased since December 2018, to €442 million including the reclassification of assets that were signed for disposal. In total, including signed deals, approx. €500 million non-core and mature properties were sold. The properties were sold at a profit margin over total costs of 53% and at an 8% premium on net book values.

As compared to year-end 2018, investment property at the end of September 2019 includes a value of €69 million which is as a result of the first year of implementing IFRS 16. Current assets of the end of Sep-

tember was €1.9 billion, increasing by over 50% as compared to the €1.2 billion as at year-end 2018. This increase was primarily driven by a higher liquidity position and supported by a rise in the value of assets held of sale. The balance of cash and liquid assets was €1.1 billion, over €300 million higher in comparison with the balance as of the end of December 2018. This increase in cash was mainly due to capital market activities and from disposals during the period, offset to some extent by acquisitions and bank loan pre-payments. The comfortable liquidity position maintained by GCP allows it sufficient headroom, which is essential to be able to effectively respond to a number of scenarios, were they to materialize in the normal course of business.



# Notes on business performance

## Liabilities

	Sep 2019	Dec 2018
	€'000	
Loans and borrowings <sup>1)</sup>	532,091	870,507
Straight bonds	2,923,485	2,177,267
Convertible bond	274,235	272,246
Deferred tax liabilities <sup>2)</sup>	588,295	525,278
Other long-term liabilities and derivative financial instruments <sup>3)</sup>	146,944	69,224
Current liabilities <sup>4)</sup>	451,267	279,017
<b>Total Liabilities</b>	<b>4,916,317</b>	<b>4,193,539</b>

1) including short-term loans and borrowings, debt redemption and financial debt held for sale

2) including deferred tax liabilities of assets held for sale

3) including short-term derivative financial instruments

4) excluding current liabilities included in the items above

Total Liabilities recorded as of the end of September 2019 was €4.9 billion, as compared to the €4.2 billion reported as of the end of December 2018. This increase was mainly due to the higher value of straight bonds at the end of the first nine months of 2019. During this period, GCP issued over €700 million in bonds, which included €88 million through Series N straight bonds, €15 million through Series O straight bonds, HKD 290 million (equivalent to approx. €33 million, with a full cur-

rency hedge to EUR until maturity) through Series P straight bonds, CHF 130 million (equivalent to approx. €116 million, with a currency hedge to EUR of the notional amount until maturity) through Series Q straight bonds, €40 million through Series R straight bonds, €60.5 million through Series S straight bonds, €168 million through a tap issuance of Series J straight bonds, €52 million through Series T straight bonds, €80 million through Series U straight bonds and €70 million through Se-

ries V straight bonds. GCP also prepaid over €300 million of mostly near maturity high interest-bearing bank loans, thereby enhancing the debt profile of the Company. As a result of these proactive measures, the Company was able to lower its cost of debt to 1.3% while maintaining a long average debt maturity of 8.2 years.

Deferred tax liabilities was €588 million as of the end of September 2019, as compared to €525 million as of year-end 2018.



Berlin

## Debt Financing KPIs

### Loan-To-Value

	Sep 2019	Dec 2018
	€'000	
Investment property <sup>1)</sup>	7,575,243	7,298,879
Investment properties of assets held for sale	415,860	132,137
Equity-accounted investees	20,423	26,207
<b>Total value</b>	<b>8,011,526</b>	<b>7,457,223</b>
Total debt <sup>2)</sup>	3,729,811	3,320,020
Cash and liquid assets <sup>3)</sup>	1,066,846	760,374
<b>Net debt</b>	<b>2,662,965</b>	<b>2,559,646</b>
<b>LTV</b>	<b>33%</b>	<b>34%</b>

1) including advanced payments for real estate transactions and inventories – trading properties and excluding the effects of IFRS 16

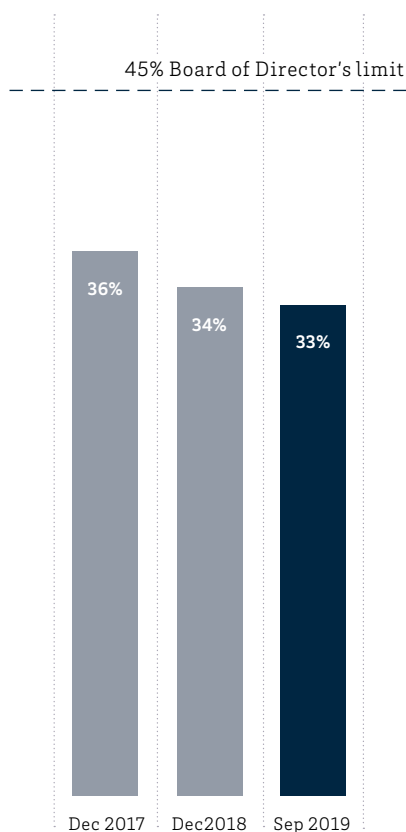
2) including loans and borrowings held for sale

3) including cash and cash equivalents held for sale

GCP aims to maintain a conservative financial structure which allows it to respond to strategic situations while remaining responsibly within the limits set by the Board of Directors. As of the end of the first nine months of 2019, the Company's LTV was lower at 33%, remaining much below the limit of 45% set by the Board of Directors. Since the end of 2018, due to a proportionately larger increase in the total value of investment property, which has grown to €8 billion as of September 2019, the LTV has decreased as compared to year-end 2018.

GCP's sustainable and careful approach in maintaining its conservative financial platform is a vital aspect of the business and is also demonstrated in several strong credit metrics like a low LTV, high interest coverage ratio, low cost of debt, long debt maturity and is also affirmed by the investment grade ratings by both Moody's (Baa1) and S&P (BBB+).

### Maintaining a conservative leverage on a sustainable basis, well below board of director's limit



# Notes on business performance

The Company's commitment to maintaining a robust financial platform which is sustainable in nature is evident in the solid interest coverage and debt service coverage ratios it reports, which in turn, is as a result of the sustainable cash flow generating capacity of the business. Furthermore, GCP continues to hold a substantial value of unencumbered assets on its balance sheet. As of the end of September 2019, the Company has an ICR of 6.5x and a DSCR of 5.4x. The ratio of unencumbered assets to the value of total properties was at a substantial 80% (amounting to €6.4 billion), which increased further as compared to year-end 2018, as a result of the prepayment of bank loans connected to encumbered assets during the first nine months of 2019.

## Unencumbered Assets

	Sep 2019	Dec 2018
	€'000	
Unencumbered Assets	6,380,185	4,777,824
Total Investment properties <sup>1)</sup>	8,014,640	7,376,052
<b>Unencumbered Assets Ratio</b>	<b>80%</b>	<b>65%</b>

1) including investment property held for sale and inventories - trading property

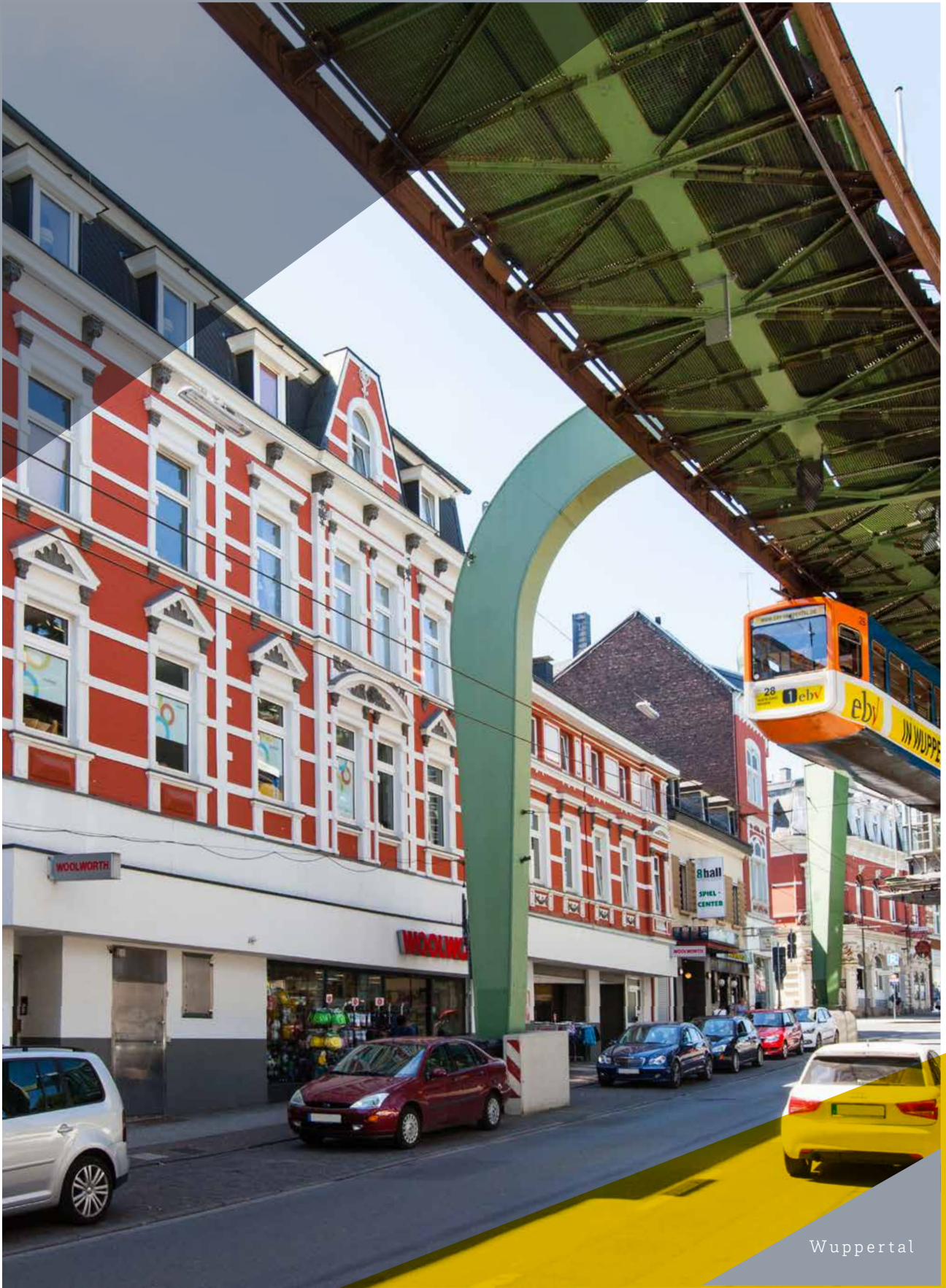
## Interest Coverage Ratio (ICR)

	2019	2018
<b>For the nine-month period ended 30 September</b>	€'000	
Adjusted EBITDA	219,971	204,331
Finance Expenses	33,987	34,119
<b>Interest Coverage Ratio</b>	<b>6.5x</b>	<b>6.0x</b>

## Debt Service Coverage Ratio (DSCR)

	2019	2018
<b>For the nine-month period ended 30 September</b>	€'000	
Adjusted EBITDA	219,971	204,331
Finance Expenses	33,987	34,119
Amortization of loans from financial institutions	6,574	7,433
<b>Debt Service Coverage Ratio</b>	<b>5.4x</b>	<b>4.9x</b>





Wuppertal



# Notes on business performance

## EPRA NAV

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

	Sep 2019		Dec 2018	
	€'000	€ per share	€'000	€ per share
<b>Equity per the financial statements</b>	<b>4,858,096</b>		<b>4,666,987</b>	
Equity attributable to perpetual notes investors	(1,030,482)		(1,030,050)	
<b>Equity excluding perpetual notes</b>	<b>3,827,614</b>		<b>3,636,937</b>	
Fair value measurements of derivative financial instruments, net	6,417		248	
Deferred tax liabilities <sup>1)</sup>	588,295		525,278	
<b>NAV</b>	<b>4,422,326</b>	<b>26.3</b>	<b>4,162,463</b>	<b>24.9</b>
Non-controlling interests	(440,770)		(409,441)	
<b>EPRA NAV</b>	<b>3,981,556</b>	<b>23.7</b>	<b>3,753,022</b>	<b>22.5</b>
Equity attributable to perpetual notes investors	1,030,482		1,030,050	
<b>EPRA NAV incl. perpetual notes</b>	<b>5,012,038</b>	<b>29.8</b>	<b>4,783,072</b>	<b>28.7</b>
<b>EPRA NAV</b>	<b>3,981,556</b>	<b>23.7</b>	<b>3,753,022</b>	<b>22.5</b>
Fair value measurements of derivative financial instruments	(6,417)		(248)	
Adjustment to reflect fair value of debt	(181,012)		29,217	
Deferred tax liabilities <sup>2)</sup>	(32,714)		(29,210)	
<b>EPRA NNNAV</b>	<b>3,761,413</b>	<b>22.4</b>	<b>3,752,781</b>	<b>22.5</b>
Basic amount of shares including in-the-money dilution effects (in thousands)	168,059		166,903	

1) including balances held for sale

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

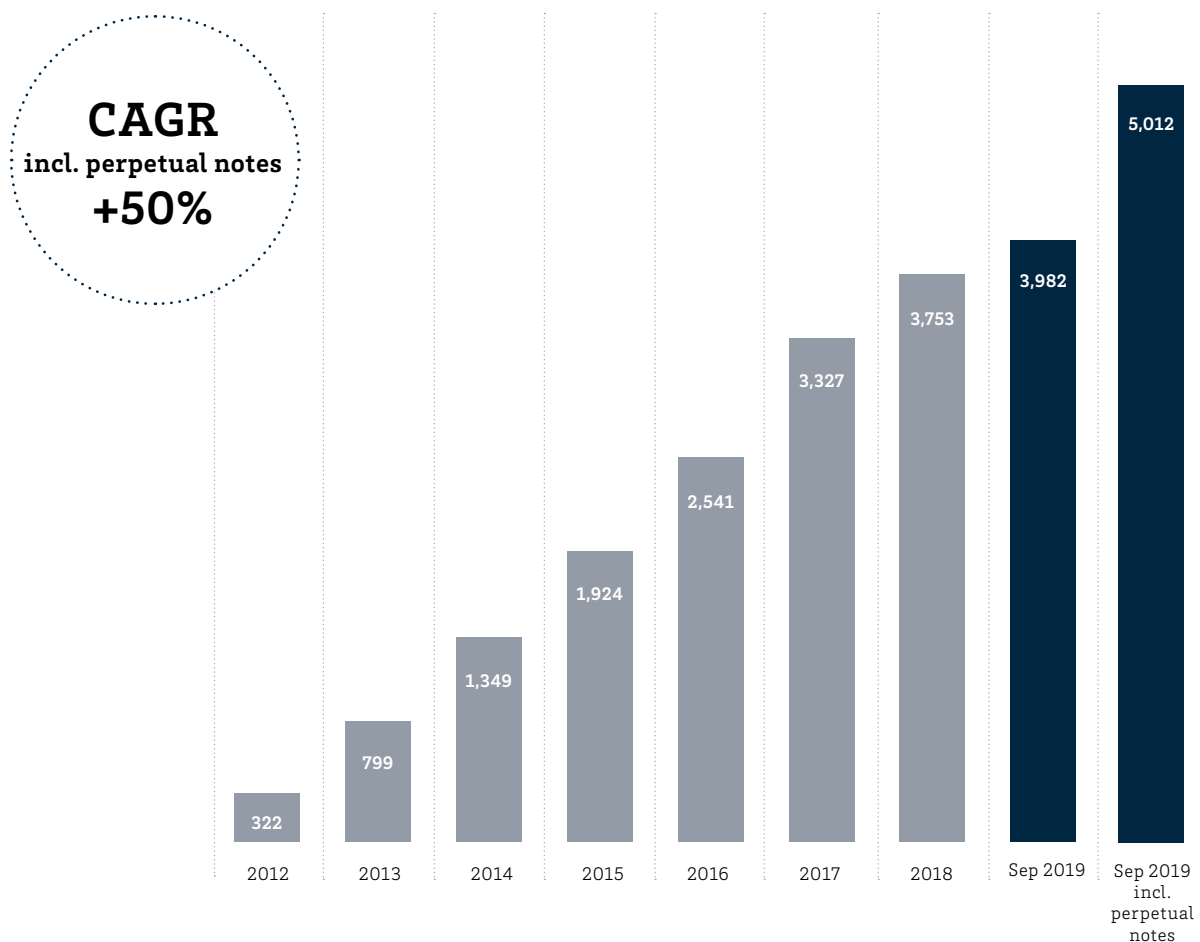
GCP's EPRA NAV at the end of the first nine months of 2019 was €4 billion, increasing by 6% from €3.8 billion as of year-end 2018. This growth has been mostly due to the robust profit generation of the business leading to a growing equity platform. Offsetting this growth to some extent has been the distribution of dividend for the year 2018, completed in July 2019. The Company's ability to deliver sustainable value creation for its sharehold-

ers was evident in the increasing EPRA NAV per share, which at €23.7 was higher by 5% as compared to December 2018, and higher by 9% when adjusting for dividend. EPRA NAV including perpetual notes and the EPRA NAV including perpetual notes per share, as of the end of September 2019 was €5 billion and €29.8 respectively.

The Company's EPRA NNNNAV, which considers the market values of GCP's

financial debt, derivative financial instruments and deferred taxes, as of September 2019 was stable at €3.8 billion as compared to the end of December 2018. This stability follows the growth in EPRA NAV due to the profit generated during the current reporting period, which was offset by the strong positive performance of the Company's bonds, which have a higher market value vis-à-vis the market values as of the end of December 2018.

## EPRA NAV development (in € millions)



# Alternative Performance Measures

In this section, GCP provides an overview of the use of its alternative performance measures.

For enhanced transparency and more industry specific comparative basis, the Company provides market and industry standard performance indicators. GCP provides a set of measures that can be utilized to assess the Company's operational earnings, net value of the Company, leverage position, debt coverage abilities as well as liquidity headroom. Following measurements apply to the real estate industry's specifications and include adjustments where necessary that are in compliance with the standards.

## Reconciliation of Adjusted EBITDA

The adjusted EBITDA is an industry standard figure indicative of the Company's recurring operational profits before interest and tax expenses, excluding the effects of capital gains, revaluations, and other non-operational income statement items such as profits from disposal of inventories, share of profit/(loss) from investment in equity-accounted investees and other adjustments. GCP starts from its *Operating profit* and adds back the item *Depreciation and amortization* to arrive at *EBITDA* value. Non-recurring and non-operational items are deducted such as the *Capital gains, property revaluations and other income, Result on the disposal of inventories-trading properties* and *Share in profit/loss from investment in equity-accounted investees*. Further adjustments are labeled as *Other adjustments* which are equity settled share-based payments since these are non-cash expenses.

### Adjusted EBITDA reconciliation

Operating Profit
(+) Depreciation and amortization
<b>(=) EBITDA</b>
(-) Capital gains, property revaluations and other income
(-) Result on the disposal of inventories - trading properties
(-) Share in profit/(loss) from investment in equity-accounted investees
(+) Other adjustments
<b>(=) Adjusted EBITDA</b>

## Reconciliation of Funds From Operations I (FFO I)

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

### FFO I reconciliation

Adjusted EBITDA
(-) Finance expenses
(-) Current tax expenses
(-) Contribution to minorities
<b>(=) FFO I</b>

## Reconciliation of FFO I after perpetual notes attribution

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

### FFO I after perpetual notes attribution reconciliation

FFO I
(-) Adjustment for accrued perpetual notes attribution
<b>(=) FFO I after perpetual notes attribution</b>

## Reconciliation of Adjusted Funds From Operations (AFFO)

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

### AFFO reconciliation

---

FFO I

(-) Repositioning capex

---

**(=) AFFO**

---

## Reconciliation of Funds From Operations II (FFO II)

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

### FFO II reconciliation

---

FFO I

(+) Result from disposal of properties\*

---

**(=) FFO II**

---

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

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

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

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

### EPRA NAV reconciliation

---

Equity per the financial statements

(-) Equity attributable to perpetual notes investors

**(=) Equity excluding perpetual notes**

(+) Fair value measurements of derivative financial instruments, net

(+) Deferred tax liabilities\*

**(=) NAV**

(-) Non-controlling interests

---

**(=) EPRA NAV**

(+) Equity attributable to perpetual investors

---

**(=) EPRA NAV incl. perpetual notes**

---

\* including balances held for sale

# Alternative Performance Measures

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

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

### EPRA NNNAV reconciliation

---

#### EPRA NAV

- (-) Fair value measurements of derivative financial instruments
- (-) Adjustment to reflect fair value of debt
- (-) Deferred tax liabilities\*

---

#### (=) EPRA NNNAV

---

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

## Reconciliation of Loan-to-Value (LTV)

LTV ratio is an acknowledged measurement of the leverage position of a given firm in the real estate industry. This ratio highlights to which extent financial liabilities are covered by the Company's real estate asset value as well as how much headroom of the fair value of real estate portfolio is available compared to the net debt. Following the industry specifications, GCP calculates the LTV ratio by dividing the total net debt to the total value at the balance sheet date. Total value of the portfolio is a combination of the *Investment property* which includes the *Advanced payments for real estate transactions and inventories - trading properties*, *Investment properties of assets held for sale* and the *Equity-accounted investees and excludes the effects of IFRS 16*. For the calculation of net debt, total *Cash and liquid assets* are deducted from the *Straight bonds*, *Convertible Bonds* and *Total loan and borrowings*. Total loan and borrowings include the *Short-term loans and borrowings*, *debt redemption*, and *Financial debt held for sale* while *Straight bonds* include the *Bond redemption*. Cash and liquid assets is the sum of *Cash and cash equivalents*, *Traded securities at fair value through profit and loss*, and *Cash and cash equivalents held for sale*.

### Loan-To-Value reconciliation

- 
- (+) Investment property <sup>1</sup>
  - (+) Investment property of assets held for sale
  - (+) Investment in equity-accounted investees

---

#### (=) (a) Total value

- (+) Total debt <sup>2</sup>
- (-) Cash and liquid assets <sup>3</sup>
- (-) (b) Net debt

---

#### (=) (b/a) LTV

---

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



## Reconciliation of Unencumbered Assets Ratio

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

### Unencumbered Assets Ratio reconciliation

(a) Unencumbered assets
(b) Total investment properties*
<b>(=) (a/b) Unencumbered Assets Ratio</b>

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

## Reconciliation of ICR and DSCR

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

### ICR reconciliation

(a) Finance expenses
(b) Adjusted EBITDA
<b>(=) (b/a) ICR</b>

### DSCR reconciliation

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

## Reconciliation of Equity Ratio

The Equity ratio is an accepted measure to understand and gauge the financing structure of a firm. This ratio shows what proportion of the company's assets are funded by equity shares. Further, it also shows how much shareholders would receive in the event of a company-wide liquidation.

### Unencumbered Assets Ratio reconciliation

(a) Total Equity
(b) Total Assets
<b>(=) (a/b) Equity Ratio</b>



Berlin

# Responsibility Statement

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

# Disclaimer

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

By order of the Board of Directors,  
Luxembourg, November 18, 2019



---

**Refael Zamir**  
CFO, Chairman of the  
Board of Directors



---

**Simone Runge-Brandner**  
Member of the Board of  
Directors



---

**Daniel Malkin**  
Member of the Board of  
Directors

# Condensed interim consolidated statement of profit or loss

	Note	For the period of nine months ended 30 September		For the period of three months ended 30 September	
		2019	2018	2019	2018
		Unaudited			
		€'000			
<b>Revenue</b>	5	<b>418,495</b>	<b>403,808</b>	<b>140,300</b>	<b>135,283</b>
Property revaluations and capital gains		296,679	384,293	85,802	134,308
Share of profit from investments in equity-accounted investees		322	1,350	-	-
Property operating expenses		(193,968)	(192,592)	(65,387)	(65,516)
Cost of buildings sold		-	(194)	-	-
Administrative and other expenses		(9,127)	(9,283)	(3,112)	(3,221)
<b>Operating profit</b>		<b>512,401</b>	<b>587,382</b>	<b>157,603</b>	<b>200,854</b>
Finance expenses		(33,987)	(34,119)	(11,180)	(10,797)
Other financial results		(20,591)	(15,411)	(860)	8,650
<b>Profit before tax</b>		<b>457,823</b>	<b>537,852</b>	<b>145,563</b>	<b>198,707</b>
Current tax expenses		(23,283)	(19,404)	(7,854)	(5,804)
Deferred tax expenses		(69,937)	(77,301)	(22,673)	(23,213)
<b>Profit for the period</b>		<b>364,603</b>	<b>441,147</b>	<b>115,036</b>	<b>169,690</b>
<b>Profit attributable to:</b>					
Owners of the Company		301,387	381,538	87,347	145,729
Perpetual notes investors		24,682	21,949	8,317	8,317
Non-controlling interests		38,534	37,660	19,372	15,644
		<b>364,603</b>	<b>441,147</b>	<b>115,036</b>	<b>169,690</b>
<b>Net earnings per share attributable to the owners of the Company (in €):</b>					
Basic earnings per share		1.80	2.31	0.52	0.88
Diluted earnings per share		1.70	2.15	0.49	0.82

# Condensed interim consolidated statement of comprehensive income

	For the period of nine months ended 30 September		For the period of three months ended 30 September	
	2019	2018	2019	2018
Unaudited				
€'000				
<b>Profit for the period</b>	<b>364,603</b>	<b>441,147</b>	<b>115,036</b>	<b>169,690</b>
<b>Other comprehensive income (loss)</b>				
<b>Items that may be reclassified to profit or loss in subsequent periods, net of tax:</b>				
Foreign currency translation, net of investment hedges of foreign operations	(1,492)	(2,403)	(421)	(1,409)
Cost of hedging	(15,123)	(7,615)	(7,023)	3,984
<b>Total other comprehensive income (loss) for the period, net of tax</b>	<b>(16,615)</b>	<b>(10,018)</b>	<b>(7,444)</b>	<b>2,575</b>
<b>Total comprehensive income</b>	<b>347,988</b>	<b>431,129</b>	<b>107,592</b>	<b>172,265</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	284,772	371,520	79,903	148,304
Perpetual notes investors	24,682	21,949	8,317	8,317
Non-controlling interests	38,534	37,660	19,372	15,644
	<b>347,988</b>	<b>431,129</b>	<b>107,592</b>	<b>172,265</b>

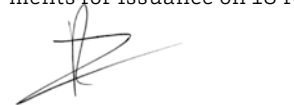


# Condensed interim consolidated statement of financial position

	Note	As at 30 September,	As at 31 December,
		2019	2018
		Unaudited	Audited
		€'000	
<b>Assets</b>			
Equipment and intangible assets		27,341	24,065
Investment property	6	7,583,327	7,227,290
Advanced payment for real estate transactions		45,141	54,964
Investment in equity-accounted investees		20,423	26,207
Derivative financial assets		38,747	7,517
Other non-current assets		133,353	246,192
Deferred tax assets		42,455	36,676
<b>Non-current assets</b>		<b>7,890,787</b>	<b>7,622,911</b>
Cash and cash equivalents		898,705	603,158
Financial assets at fair value through profit and loss		163,195	156,822
Inventories – Trading property		15,453	16,625
Trade and other receivables		357,905	319,465
Derivative financial assets		6,590	5,060
Assets held for sale		441,778	136,485
<b>Current assets</b>		<b>1,883,626</b>	<b>1,237,615</b>
<b>Total assets</b>		<b>9,774,413</b>	<b>8,860,526</b>

		As at 30 September,	As at 31 December,
		2019	2018
		Unaudited	Audited
	Note	€'000	
<b>Equity</b>			
Share capital	9	16,790	16,672
Share premium		566,680	673,288
Other reserves		10,411	27,258
Retained earnings		2,792,963	2,510,278
<b>Total equity attributable to the owners of the Company</b>		<b>3,386,844</b>	<b>3,227,496</b>
Equity attributable to perpetual notes investors		1,030,482	1,030,050
<b>Total equity attributable to the owners and perpetual notes investors</b>		<b>4,417,326</b>	<b>4,257,546</b>
Non-controlling interests		440,770	409,441
<b>Total equity</b>		<b>4,858,096</b>	<b>4,666,987</b>
<b>Liabilities</b>			
Loans and borrowings		488,151	845,646
Convertible bond		274,235	272,246
Straight bonds		2,923,485	2,177,267
Derivative financial liabilities		24,393	12,825
Other non-current liabilities		95,190	56,399
Deferred tax liabilities		568,186	523,097
<b>Non-current liabilities</b>		<b>4,373,640</b>	<b>3,887,480</b>
Current portion of long-term loans		12,136	12,934
Loan redemption		-	8,687
Trade and other payables		384,630	242,320
Derivative financial liabilities		27,361	-
Tax payable		10,487	8,220
Provisions for other liabilities and charges		40,106	25,011
Liabilities held for sale		67,957	8,887
<b>Current liabilities</b>		<b>542,677</b>	<b>306,059</b>
<b>Total liabilities</b>		<b>4,916,317</b>	<b>4,193,539</b>
<b>Total equity and liabilities</b>		<b>9,774,413</b>	<b>8,860,526</b>

The board of directors of Grand City Properties S.A. authorised these condensed interim consolidated financial statements for issuance on 18 November 2019.



**Refael Zamir**  
CFO, Chairman of the  
Board of Directors



**Simone Runge-Brandner**  
Member of the Board of  
Directors



**Daniel Malkin**  
Member of the Board of  
Directors

# Condensed interim consolidated statement of changes in equity

€'000	Equity attributable to the owners of the Company								Perpetual notes investors	Equity attributable to the owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
	Share capital	Share Premium	Equity component of convertible bond	Cost of hedging reserve	Foreign exchange translation reserves, net	Other reserves	Retained earnings	Total equity attributable to the owners of the company				
<b>Balance as at 31 December 2018 (audited)</b>	<b>16,672</b>	<b>673,288</b>	<b>12,657</b>	<b>(39)</b>	<b>(9,555)</b>	<b>24,195</b>	<b>2,510,278</b>	<b>3,227,496</b>	<b>1,030,050</b>	<b>4,257,546</b>	<b>409,441</b>	<b>4,666,987</b>
Adjustment on initial application of IFRS 16, net of tax (see note 4)	-	-	-	-	-	-	20,439	20,439	-	20,439	-	20,439
<b>Restated balance as at 1 January 2019</b>	<b>16,672</b>	<b>673,288</b>	<b>12,657</b>	<b>(39)</b>	<b>(9,555)</b>	<b>24,195</b>	<b>2,530,717</b>	<b>3,247,935</b>	<b>1,030,050</b>	<b>4,277,985</b>	<b>409,441</b>	<b>4,687,426</b>
Profit for the period	-	-	-	-	-	-	301,387	301,387	24,682	326,069	38,534	364,603
Other comprehensive loss for the period	-	-	-	(15,123)	(1,492)	-	-	(16,615)	-	(16,615)	-	(16,615)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(15,123)</b>	<b>(1,492)</b>	<b>-</b>	<b>301,387</b>	<b>284,772</b>	<b>24,682</b>	<b>309,454</b>	<b>38,534</b>	<b>347,988</b>
Dividend distribution	112	(107,379)	-	-	-	-	-	(107,267)	-	(107,267)	-	(107,267)
Share-based payment	6	771	-	-	-	(232)	-	545	-	545	-	545
Transactions with non-controlling interests	-	-	-	-	-	-	(39,141)	(39,141)	-	(39,141)	(7,205)	(46,346)
Payments to perpetual notes investors	-	-	-	-	-	-	-	-	(24,250)	(24,250)	-	(24,250)
<b>Balance as at 30 September 2019 (unaudited)</b>	<b>16,790</b>	<b>566,680</b>	<b>12,657</b>	<b>(15,162)</b>	<b>(11,047)</b>	<b>23,963</b>	<b>2,792,963</b>	<b>3,386,844</b>	<b>1,030,482</b>	<b>4,417,326</b>	<b>440,770</b>	<b>4,858,096</b>

€'000	Equity attributable to the owners of the Company								Perpetual notes investors	Equity attributable to the owners of the Company and Perpetual notes investors	Non-controlling interests	Total equity
	Share capital	Share Premium	Equity component of convertible bond	Cost of hedging reserve	Foreign exchange translation reserves, net	Other reserves	Retained earnings	Total equity attributable to the owners of the company				
<b>Balance as at 31 December 2017 (audited)</b>	<b>16,479</b>	<b>753,226</b>	<b>20,284</b>	<b>-</b>	<b>(511)</b>	<b>24,069</b>	<b>2,005,755</b>	<b>2,819,302</b>	<b>665,871</b>	<b>3,485,173</b>	<b>364,489</b>	<b>3,849,662</b>
Profit for the period	-	-	-	-	-	-	381,538	381,538	21,949	403,487	37,660	441,147
Other comprehensive loss for the period	-	-	-	(7,615)	(2,403)	-	-	(10,018)	-	(10,018)	-	(10,018)
<b>Total comprehensive income (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,615)</b>	<b>(2,403)</b>	<b>-</b>	<b>381,538</b>	<b>371,520</b>	<b>21,949</b>	<b>393,469</b>	<b>37,660</b>	<b>431,129</b>
Issuance of perpetual notes	-	-	-	-	-	-	-	-	340,892	340,892	-	340,892
Buyback of convertible bond F	-	(375)	(7,627)	-	-	-	-	(8,002)	-	(8,002)	-	(8,002)
Dividend distribution	187	(79,580)	-	-	-	-	-	(79,393)	-	(79,393)	-	(79,393)
Share-based payment	-	-	-	-	-	919	-	919	-	919	-	919
Transactions with non-controlling interests	-	-	-	-	-	-	(3,612)	(3,612)	-	(3,612)	(30,653)	(34,265)
Payment to perpetual notes investors	-	-	-	-	-	-	-	-	(21,949)	(21,949)	-	(21,949)
Disposal of foreign operation	-	-	-	-	116	-	-	116	-	116	-	116
<b>Balance as at 30 September 2018 (unaudited)</b>	<b>16,666</b>	<b>673,271</b>	<b>12,657</b>	<b>(7,615)</b>	<b>(2,798)</b>	<b>24,988</b>	<b>2,383,681</b>	<b>3,100,850</b>	<b>1,006,763</b>	<b>4,107,613</b>	<b>371,496</b>	<b>4,479,109</b>



# Condensed interim consolidated statement of cash flows

	For the period of nine months ended 30 September	
	2019	2018
	Unaudited	
	€'000	
<b>Cash flows from operating activities:</b>		
<b>Profit for the period</b>	<b>364,603</b>	<b>441,147</b>
<b>Adjustments for the profit:</b>		
Depreciation and amortisation	2,980	1,729
Property revaluations and capital gains	(296,679)	(384,293)
Share of profit from investments in equity-accounted investees	(322)	(1,350)
Net finance expenses	54,578	49,530
Tax and deferred tax expenses	93,220	96,705
Equity settled share-based payment	1,591	919
Change in working capital	(10,979)	(13,307)
	<b>(155,611)</b>	<b>(250,067)</b>
Tax paid	(21,108)	(20,229)
<b>Net cash provided by operating activities</b>	<b>187,884</b>	<b>170,851</b>
<b>Cash flows from investing activities:</b>		
Acquisition of equipment and intangible assets, net	(6,305)	(3,593)
Acquisition of investment property, capex and advances paid, net	(322,021)	(*) (420,857)
Disposals of investment property, net	201,627	(*) 12,612
Acquisition of investees and loans, net of cash acquired	(112,319)	(*) (248,020)
Disposal of investees and loans, net of cash disposed	39,763	(*) 176,418
Disposal (investment) of (in) financial and other non-current assets, net	186,284	(95,432)
<b>Net cash used in investing activities</b>	<b>(12,971)</b>	<b>(578,872)</b>

(\*) reclassified.



For the period of nine months  
ended 30 September

	2019	2018
	Unaudited	
	€'000	
<b>Cash flows from financing activities:</b>		
Amortisation of loans from financial institutions	(6,574)	(7,433)
Proceeds (Repayments) of loans from financial institutions, net	(342,894)	17,330
Proceeds from straight bonds, net	722,534	929,407
Proceeds (payment) from (to) perpetual notes investors	(24,250)	316,641
Repayment straight bond CHF	-	(49,934)
Buyback of straight bond series D	-	(43,358)
Buyback of convertible bond series F	-	(170,892)
Transactions with non-controlling interests	(59,436)	-
Dividend distributed to the shareholders	(107,245)	(79,393)
Interest and other financial expenses, net	(56,845)	(37,477)
<b>Net cash provided by financing activities</b>	<b>125,290</b>	<b>874,891</b>
<b>Net increase in cash and cash equivalents</b>	<b>300,203</b>	<b>466,870</b>
Assets held for sale – cash	(4,552)	103
Cash and cash equivalents at the beginning of the period	603,158	312,058
Effect of foreign exchange rate changes	(104)	-
<b>Cash and cash equivalents at the end of the period</b>	<b>898,705</b>	<b>779,031</b>

# Condensed notes to the interim consolidated financial statements

for the nine-month period ended 30 September, 2019

## 1. General

Grand City Properties S.A. ("the Company") was incorporated in Luxembourg on 16 December 2011 as a société anonyme (public limited liability company). Its registered office is at 1, Avenue du Bois L-1251 Luxembourg. The Company's shares are listed on the Prime Standard of the Frankfurt Stock Exchange and included in the MDAX index of the Deutsche Börse.

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

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

## 2. Significant changes in the current reporting period

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

- Investment property has been increased mainly due to revaluation gains on the portfolio as well as accretive acquisitions during the first nine months of 2019 in total worth of over €400 million. This increase was partially offset by disposals of over €240 million of mature and non-core assets (see note 6). In addition, during the reporting period the Group signed a contract to sell investment properties in total value of over € 210 million, which are presented as assets held for sale.
- The Group issued over € 700 million in bonds under the EMTN programme, including foreign currency issuances with currency hedge to € in place (see note 7). In addition, the Group has prepaid over € 300 mil-

lion of mostly near maturity high interest-bearing bank loans.

- At the annual general meeting held on 26 June 2019, it was resolved upon a distribution of dividend in a total amount of € 129 million (0.7735 € per share) (see note 8).
- The adoption of the new leasing standard IFRS 16 Leases (see note 4).
- For additional information about changes in the Group's financial position and performance, see the "Notes on business performance" section in the board of directors' report.

## 3. Basis of preparation

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

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

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

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

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

## 4. Changes in accounting policies

### IFRS 16 Leases

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

#### Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases of lands which had previously been classified as 'operating lease' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.6%.

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

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

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

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

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

#### Practical expedients applied

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

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

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

#### Other Amendments and Interpretations

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

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

## 5. Revenue

	For the period of nine months ended 30 September	
	2019	2018
	€'000	
Net rental income	285,030	271,854
Revenue from contracts with customers	133,465	131,954
	<b>418,495</b>	<b>403,808</b>

### 5.1 Disaggregation of revenue from contracts with customers

	For the period of nine months ended 30 September	
	2019	2018
	€'000	
<b>Revenue from goods or services transferred to customers over time:</b>		
Operating and other income	133,465	131,704
<b>Revenue from goods or services transferred to customers at a point in time:</b>		
Revenue from sale of apartments	-	250
	<b>133,465</b>	<b>131,954</b>

### 5.2 Geographical information

	For the period of nine months ended 30 September	
	2019	2018
	€'000	
<b>Revenues</b>		
Germany	398,362	398,145
United Kingdom	20,133	5,663
	<b>418,495</b>	<b>403,808</b>

## 6. Investment property

	For the nine months period ended 30 September	For the year ended 31 December,
	2019	2018
	Unaudited	Audited
	€'000	
<b>Balance as at 1 January</b>	<b>7,227,290</b>	<b>6,376,224</b>
Adjustment for initial application of IFRS 16, see note 4.	68,678	-
<b>Restated balance as at 1 January</b>	<b>7,295,968</b>	<b>6,376,224</b>
Acquisitions of investment property and capex during the period / year	533,159	863,751
Disposal of investment property during the period <sup>(*)</sup> / year	(269,198)	(235,051)
Effect of foreign currency exchange differences	6,027	(5,384)
Transfer from inventories to investment property	18,573	-
Transfer from (to) assets held for sale, net <sup>(**)</sup>	(283,723)	(261,401)
Fair value adjustment	282,521	489,151
<b>Balance as at 30 September / 31 December</b>	<b>7,583,327</b>	<b>7,227,290</b>

(\*) Including a decrease in investment property of € 26 million due to loss of control over a subsidiary which as at the reporting date accounted for under the equity method.

(\*\*) During the reporting period, the Group signed a contract to sell investment property in total value of over € 210 million. The investment property has been reclassified and presented as assets held for sale.

## 7. Straight bonds

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

- € 88 million due 2039 straight bond series N, at an issue price of 95.822% of the principal amount with effective € coupon 1.707% + 3m Euribor.
- € 15 million due 2034 Straight bond series O, at an issue price of 97.327% of the principal amount with effective € coupon 1.677% + 3m Euribor.
- Hong Kong Dollars (HKD) 290 million (€ 33 million) due 2029 straight bond series P. The Company hedged the currency risk of the principal amount and the interest payments. The effective € coupon is 1.382% plus 3M Euribor.
- Swiss Franc (CHF) 130 million (€ 116 million) due 2024 straight bond series Q. The Company hedged the currency risk of the principal amount. The CHF coupon is 0.57%.
- € 40 million due 2039 straight bond series R. The € coupon is 2.5%.
- € 60.5 million due 2021 straight bond series S, at an issue price of 100% of the principal amount with € coupon 0%.
- € 52 million due 2021 straight bond series T, at an issue price of 100% of the principal amount with € coupon 0.6% + 3m Euribor.
- € 80 million due 2025 straight bond series U, at an issue price of 100% of the principal amount with € coupon 0.75%.
- € 70 million due 2034 straight bond series V, at an issue price of 100% of the principal amount. The Company hedged the interest payments. The effective interest rate for the first 5 years is 1.5% and for the next 10 years 1.472% + 6m Euribor.
- € 167.6 million tap up straight bond series J due 2027, at an issue price of 103.328% of the principal amount with € coupon 1.5%.

As a result of the dividend distribution in 2019, the conversion price of the convertible bond series F has been adjusted from € 25.5419 to € 24.8141.



## 8. Dividends

	2019	2018
	€'000	
Eligible shares (in thousands)	166,777	164,789
Dividend per share (in €)	0.7735	0.73
Total dividend amount (in €'000)	129,002	120,296

On 26 June 2019, the annual general meeting of the shareholders of the Company has resolved upon a dividend distribution of € 0.7735 per share for the year 2018 (2018: € 0.73 per share for the year 2017). The total gross amount of the dividend amounted to € 129,002 thousand (2018: 120,296 thousand). The dividend is deducted from the share premium account.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. On 22 July 2019, as a result of the scrip dividend the Company issued 1,118,687 (2018: 1,870,948) new shares in total value of € 21,757 thousand (see note 9). The remaining of the dividend has been paid in cash.

## 9. Share capital

	For the period of nine months ended 30 September		For the year ended 31 December 2018	
	Number of shares	€'000	Number of shares	€'000
Balance as at the beginning of the period/year	166,718,395	16,672	164,788,883	16,479
Issuance of new ordinary share as part of scrip dividend (see note 8)	1,118,687	112	1,870,948	187
Issuance of new ordinary shares as part of share-based payment	58,478	6	58,564	6
Balance at the end of the period/year	167,895,560	16,790	166,718,395	16,672



Dortmund



## 10.2 Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices.
- for derivative financial instruments - forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.
- for hybrid instruments - a combination of a discount cash flows method for the host contract and a call pricing model for the embedded derivative (i.e., the conversion option). The models use observable inputs such as market price of the underlying asset and swap rate curve.

## 10.3 Fair value of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments as at 30 September 2019:

	As at 30 September 2019				As at 31 December 2018			
	Carrying amount	Total fair value	Fair value measurement using		Carrying amount	Total fair value	Fair value measurement using	
			Quoted prices in active market (Level 1)	Significant unobservable inputs (Level 2)			Quoted prices in active market (Level 1)	Significant unobservable inputs (Level 2)
	€'000							
<b>Financial liabilities</b>								
Straight bonds	2,923,485	3,136,881	2,942,833	194,048	2,177,267	2,109,045	1,950,640	158,405
Convertible bond	274,235	300,602	300,602	-	272,246	292,523	292,523	-
<b>Total financial liabilities</b>	<b>3,197,720</b>	<b>3,437,483</b>	<b>3,243,435</b>	<b>194,048</b>	<b>2,449,513</b>	<b>2,401,568</b>	<b>2,243,163</b>	<b>158,405</b>

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

## **11. Commitments**

As at the reporting date, the Group had several financial obligations in total amount of up to € 50 million.

## **12. Contingent assets and liabilities**

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

## **13. Events after the reporting period**

On 22 October, 2019 the Senate of Berlin agreed on terms of the "Mietendeckel" (rent cap), which is introducing new rent caps. In the absence of any further developments, the Company intends to follow the legal framework that may be in existence. The impact on the potential rent in Berlin and on current rents may be significant, but limited only to GCP's portfolio in Berlin which accounts for 15% of the total rent of the portfolio.

## **14. Authorisation of condensed interim consolidated financial statements**

These condensed interim consolidated financial statements were authorised for issuance by the Company's board of directors on 18 November 2019.





Duisburg





**GRAND CITY**  
Properties S.A.

Berlin