CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD
ENDED JUNE 30, 2016

H1 2016

GRAND CITY
Properties S.A.


54

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IMPRINT

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

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

CONTENT

KEY FINANCIALS

	Dec 2014	Dec 2015	June 2016
TOTAL ASSETS (€'000)	2,629,058	4,688,903	5,633,507
EPRA NAV (€'000)	1,439,386	2,066,201	2,510,721
EPRA NAV INCL PERPETUAL NOTES (€'000)	1,439,386	2,544,347	2,988,834
TOTAL EQUITY (€'000)	1,041,650	2,172,295	2,667,584
LOAN-TO-VALUE	45%	42%	39%
EQUITY RATIO	40%	46%	47%

	Dec 2014	Dec 2015	June 2016	August 2016
PORTFOLIO DEVELOPMENT (IN UNITS)	43,000	76,000	80,000	82,000

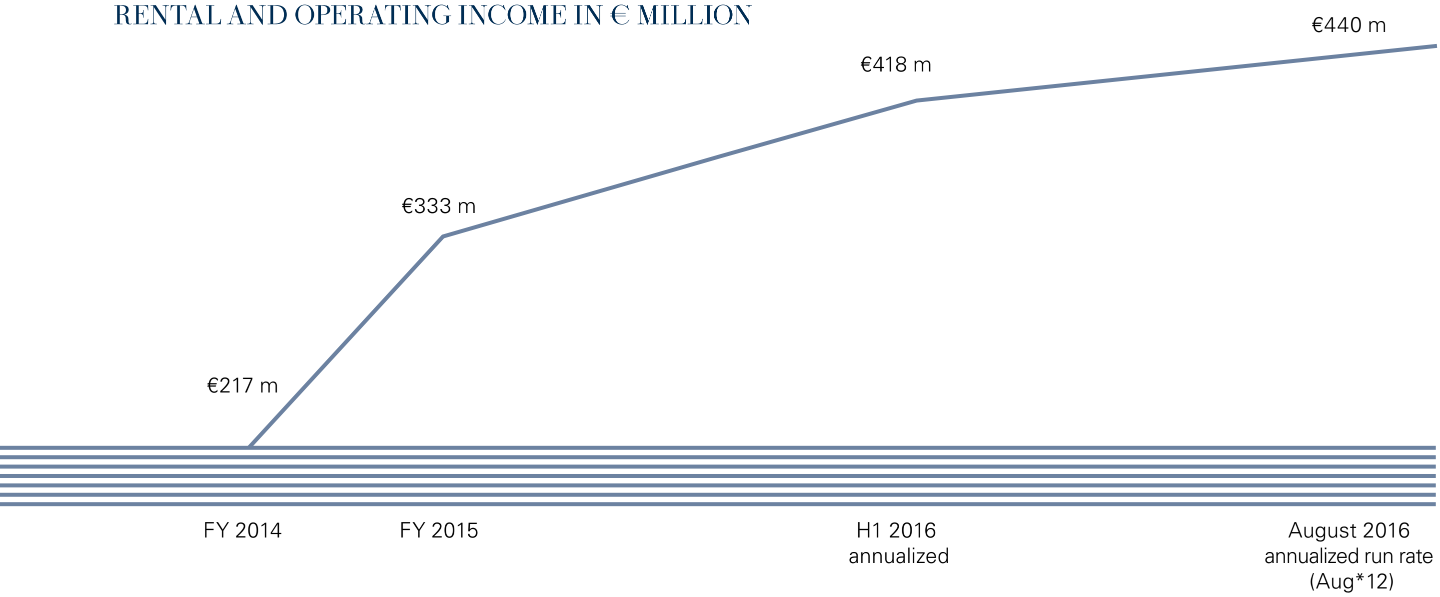
	1-6/2016	change	1-6/2015
RENTAL AND OPERATING INCOME (€'000)	208,804	46%	143,430
EBITDA (€'000)	486,578	107%	235,047
ADJUSTED EBITDA (€'000)	107,268	44%	74,550
FFO I (€'000)	76,136	40%	54,340
FFO I, PER SHARE (€)	0.50	11%	0.45
FFO I AFTER PERPETUAL NOTES ATTRIBUTION PER SHARE (€)	0.44	7%	0.41
NET PROFIT (€'000)	392,088	101%	195,349
EPS (BASIC) (€)	2.10	43%	1.47
EPS (DILUTED) (€)	1.94	56%	1.24

	2016	change	2015
DIVIDEND PER SHARE (€)	0.25	25%	0.20

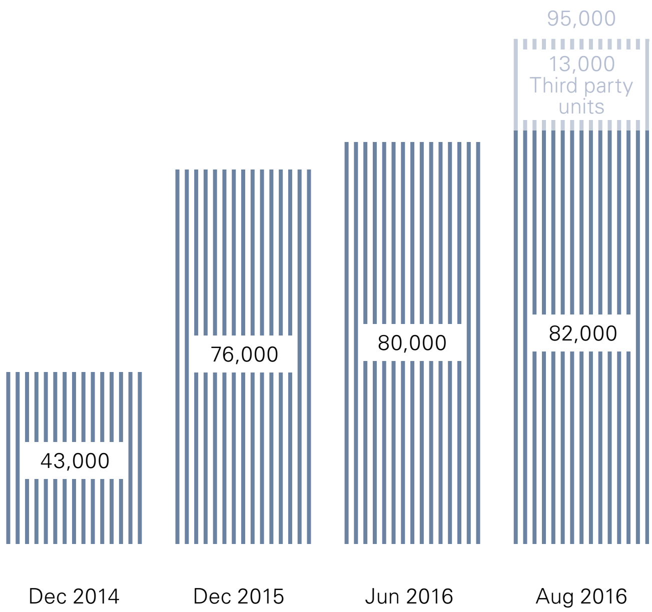
ACHIEVEMENTS – OPERATIONS

SUCCESS DRIVEN FROM INTERNAL AND EXTERNAL GROWTH

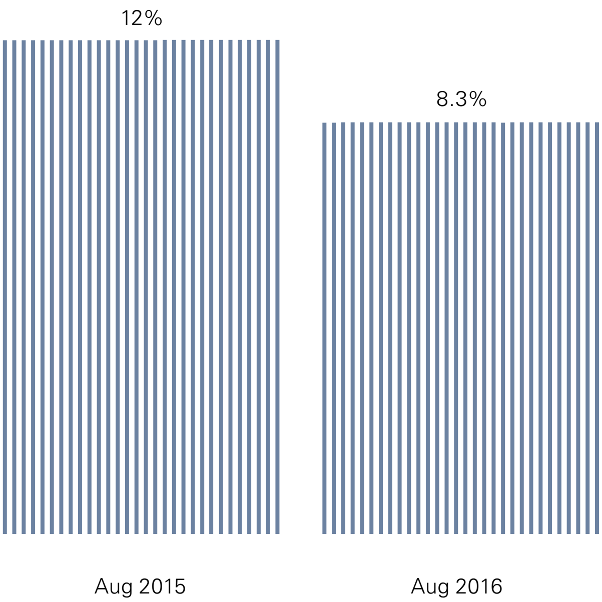
RENTAL AND OPERATING INCOME IN € MILLION



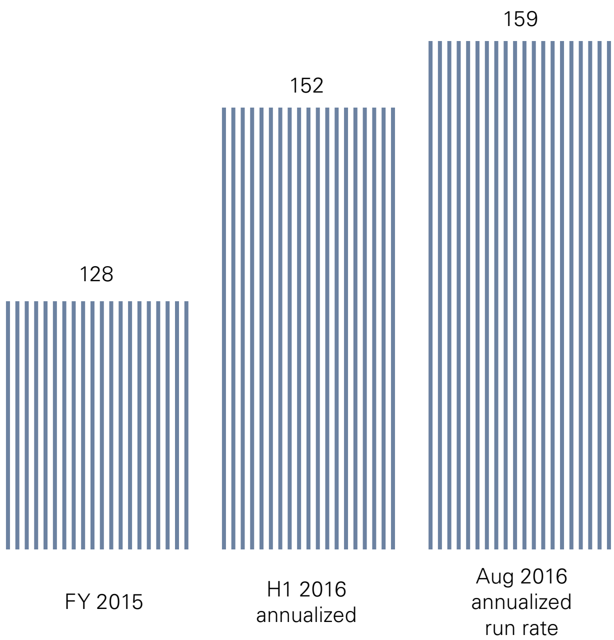
PORTFOLIO GROWTH IN UNITS



VACANCY



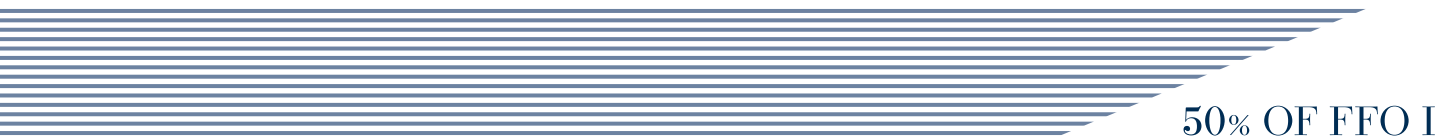
FUNDS FROM OPERATION IN € MILLION



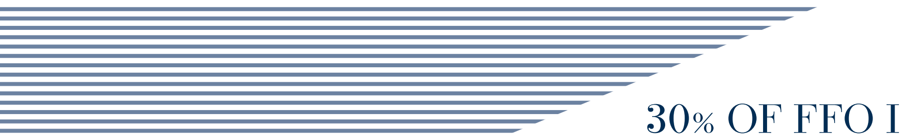
ACHIEVEMENTS – CAPITAL & DEBT STRUCTURE

SUSTAINING HEALTHY CAPITAL & DEBT STRUCTURE OVER TIME

UPDATED DIVIDEND POLICY (FROM NEXT DIVIDEND PAYMENT)

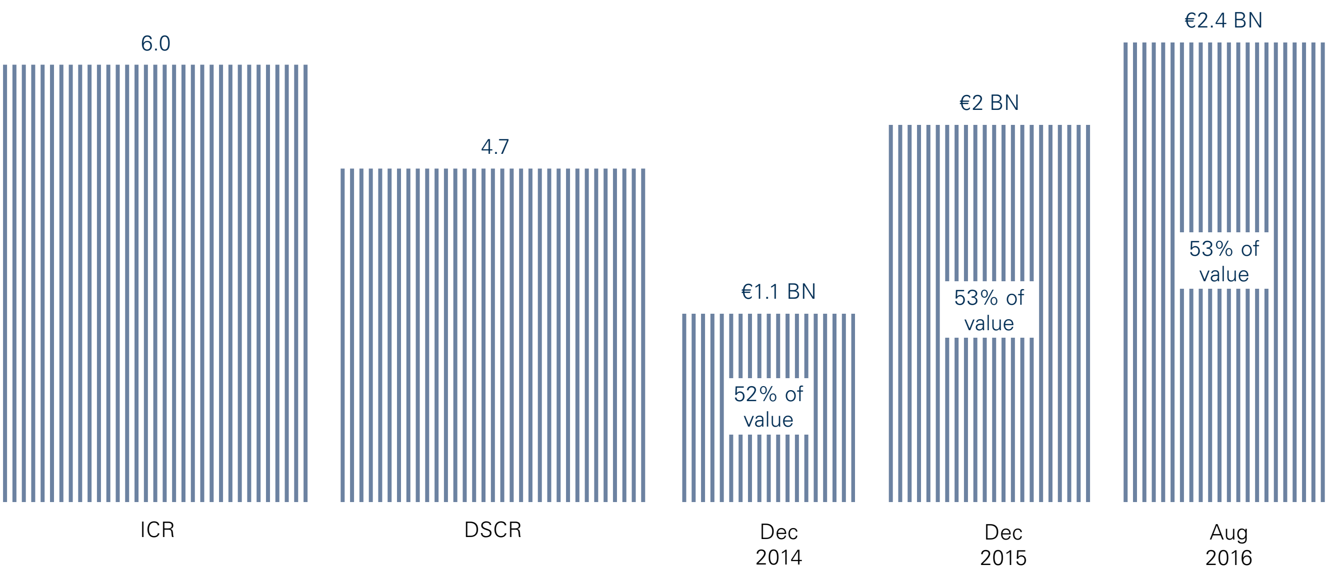


INITIAL DIVIDEND POLICY

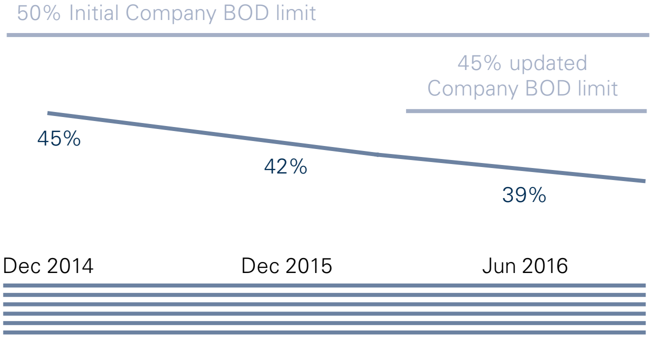


PRESENTING STRONG DEBT-COVER RATIOS (H1 2016)

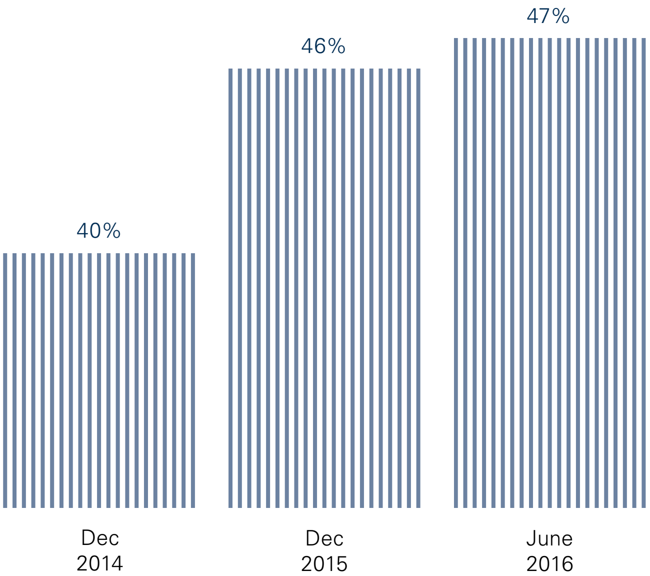
INCREASING AMOUNT OF UNENCUMBERED ASSETS

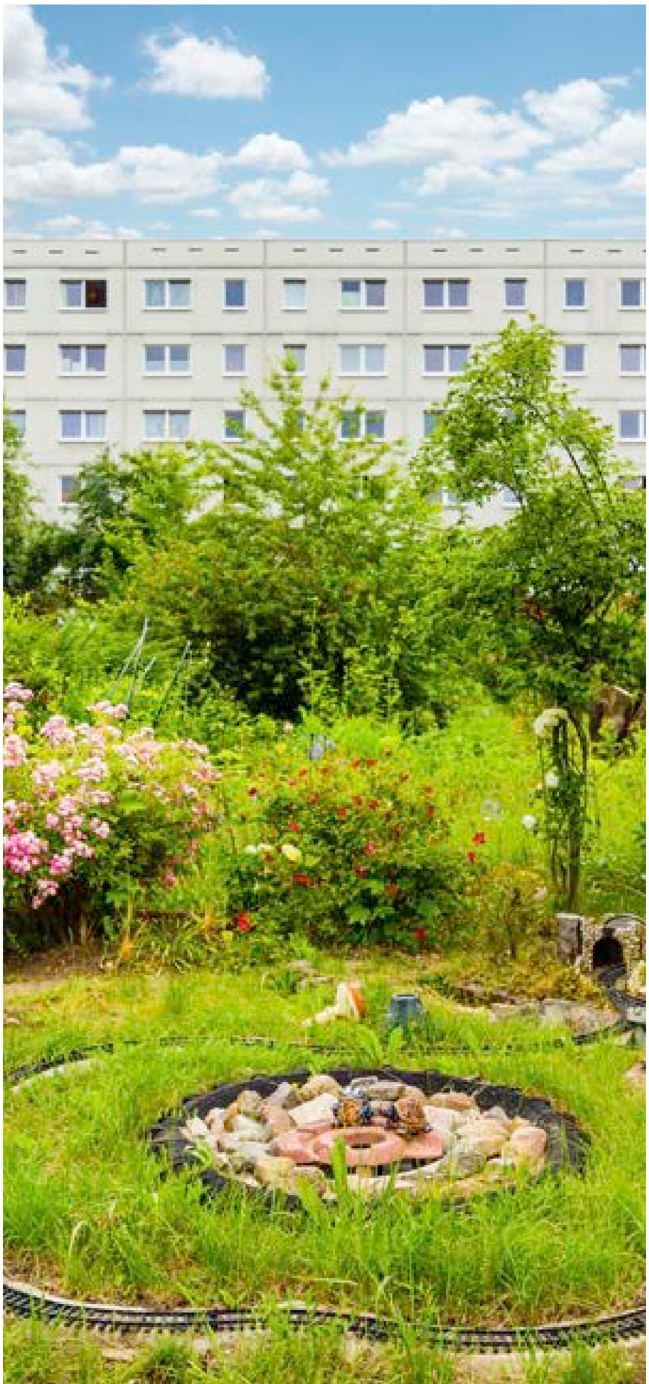


SUSTAINING A CONSERVATIVE LEVERAGE (LTV)



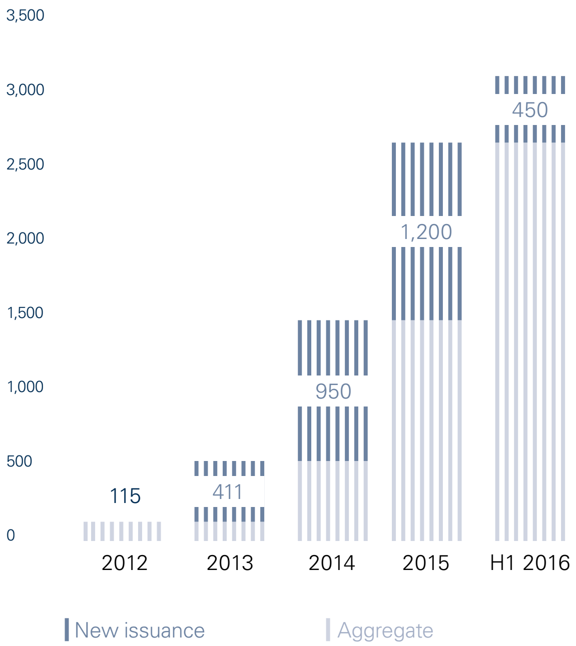
HIGH EQUITY RATIO DERIVED FROM HIGH PROFITABILITY AND LOW LEVERAGE



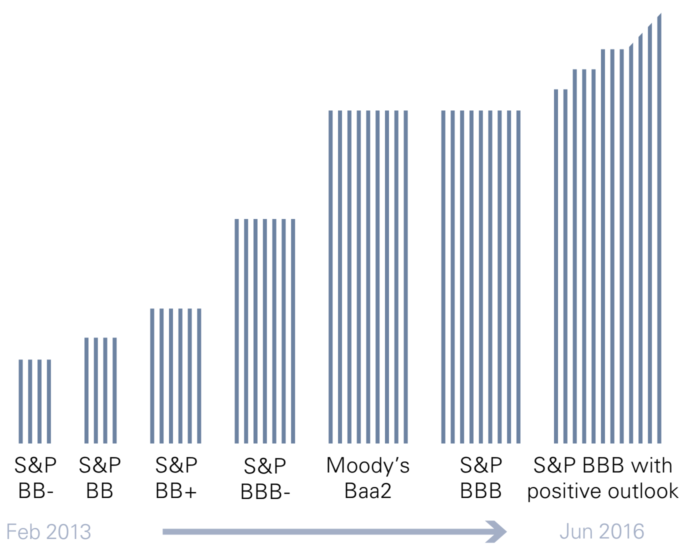


ACHIEVEMENTS – CAPITAL MARKETS ACTIVITIES

STRONG ACCESS TO CAPITAL IN € MILLION



CORPORATE CREDIT RATING



LETTER OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

We hereby present you Grand City Properties' financial reports for the first half of 2016, a period which bears the fruit of our efforts in operating a strong business platform, with considerable rental income growth and record low vacancy level of currently 8.3%, while increasing our portfolio from 76k units as of year-end 2015 to currently 82k units. We practice high discipline in acquiring properties which comply with our strict acquisition criteria and pursue only accretive deals.

Alongside our continuous external growth to become the fourth largest listed German residential real estate company, we were able to grow internally at a strong pace. The strong operational performance portrayed in this report reflects our efforts going through all operational levels from vacancy reduction, costs savings, improving tenant satisfaction and convergence to market rent level. As a result, we are able to maintain sound operational results and high operational margins. Through our successful operational improvements, we are able to further reveal the significant upside potential embedded in our properties and materialize the value created. In the first half of this year the portfolio generated valuation profits of €379 million, once again validating our track record of a specialist real estate company which focuses on value-add properties.

We continued repositioning our properties and increasing the living standards of our tenants. In 2016 we progressed in modernizing our properties in selected locations, renovating facades, adding balconies and replacing elevators. Also, we installed new energy systems and therefore increase the infrastructure quality on one hand and reduce ancillary costs to our tenants on the other.

In selected locations, where we hold a large portfolio within a single neighbourhood, we promote a new concept of a "city within a city". Our intention is to significantly improve the quality of life of an entire neighbourhood, and create a strong community living environment. We have identified specific lacks in local infrastructures which have been neglected in recent years and decided to get the municipality on-board. We are working in close co-operation with city officials to adapt our envisioned neighbourhood plans, such as construction of kindergartens, groceries, leisure areas and more. We expect our initiative to be accepted by the municipalities and to be implemented in the city plan in the upcoming years. As a result, our tenants and the neighbourhood residences will benefit from a more developed neighbourhood infrastructure and therefore the demand of the area will increase.

GCP is also progressing from a financial perspective and is strengthening its capital structure. Due to the strong financial matrix and following GCP's conservative approach, the Board of Directors decided to reduce the LTV limit to 45% on a sustainable basis, from 50%. The reduced internal leverage limit validates the conservative financial strategy of the Company, providing further stability and resistance to possible market turbulence.

Our equity ratio increased to 47% and our leverage is well maintained below our conservative financial policy at 39%. We are very committed to our strict financial policy and continue to pursue our goal to reach a credit rating of A- in the long term. As a result, GCP's corporate credit rating continued to progress and in June 2016 S&P acknowledged the Company's development and revised the credit rating to BBB with a positive outlook.

Due to our efforts, our average cost of debt is at 1.6%, subsequently supporting external growth and strong FFO performance. Following our annual general meeting held in the end of June 2016, we paid a dividend of €38.4 million to our shareholders, which corresponds to €0.25 per share and is 25% higher than last year's dividend payout on a per share basis. The Board of Director's decided on an upgrade of our dividend policy to 50% of FFO I. The higher dividend distribution per share validates our accretive value creation to our shareholders.

We are ready and well positioned to continue our successful path through 2016 in capturing further value and to pursue additional attractive opportunities. Our primary goal remains, further creating outstanding returns to all stakeholders, by operating a high quality portfolio and maintaining a high tenant satisfaction level.

Christian Windfuhr CEO	Simone Runge-Brandner Director	Refael Zamir Director, CFO	Daniel Malkin Director

HIGHLIGHTS

PROFITABILITY HIGHLIGHTS

	1-6/2016	1-6/2015
	€'000	
Rental and operating income	**208,804**	**143,430**
EBITDA	486,578	235,047
Adjusted EBITDA	**107,268**	**74,550**
Profit for the period	392,088	195,349
EPS (basic) in €	2.10	1.47
EPS (Diluted) in €	1.94	1.24
FFO I	**76,136**	**54,340**
FFO I per share (€)	0.50	0.45
FFO I per share, after perpetual notes attribution (€)	0.44	0.41
FFO II	**87,358**	**54,340**
Interest Cover Ratio	6.0	6.1
Debt Service Cover Ratio	4.7	4.5

FINANCIAL POSITION HIGHLIGHTS

	June 2016	Dec 2015
	€'000	
Cash and liquid assets	**511,776**	**388,925**
Total Assets	**5,633,507**	**4,688,903**
Investment Property [1]	4,535,610	3,859,511
Total Equity	**2,667,584**	**2,172,295**
EPRA NAV including perpetual notes	**2,988,834**	**2,544,347**
EPRA NAV	**2,510,721**	**2,066,201**
Total loans and borrowings	829,966	846,900
Straight bonds	1,048,625	1,045,413
Convertible bond Series C [2]	-	122,576
Convertible bond Series F [3]	426,385	-
Loan To Value	39%	42%
Equity Ratio	47%	46%

1) including advanced payments and balance of inventories
2) As of Jan 2016 convertible bond Series C has been converted
3) Series F bonds issued in February 2016

THE COMPANY

Grand City Properties S.A. (the "Company") and its investees ("GCP" or the "Group") Board of Directors (the "Board") hereby submits the interim report as of June 30, 2016.

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

Grand City Properties S.A. is a specialist real estate company focused on investing in and managing value-add opportunities in the German real estate market. The Group's total portfolio as of August 2016 consists of 82,000 units (hereinafter "GCP portfolio" or "the Portfolio") located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin, Germany's capital, the metropolitan regions of Leipzig, Halle and Dresden and other densely populated areas.

The Portfolio's monthly in-place rent is €5.3 per square meter and the vacancy rate of rentable area is 8.3%. GCP is targeting assets in densely populated urban locations with solid sustainable economic and demographic fundamentals, and with multiple value-add drivers that it can pursue using its skills and capabilities such as vacancy reduction, rent below market levels, improving operating cost efficiency, increasing market visibility, potential for high-return capex investments and potential for significant benefits from the Company's scale. GCP's management has vast experience in the German real estate market with a long track record of success in repositioning properties using its tenants management capabilities, tenant service reputation, and highly professional and specialized employees.

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

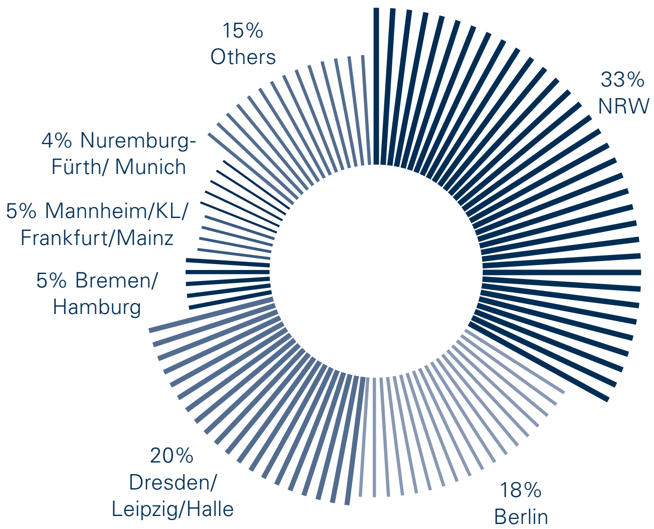
This strategy enables the Company to create significant value in its portfolio and generate stable and increasing cash flow returns.

KEY STRENGTHS

ATTRACTIVE PORTFOLIO WITH SIGNIFICANT REPOSITIONING POTENTIAL AND DEFENSIVE CHARACTERISTICS

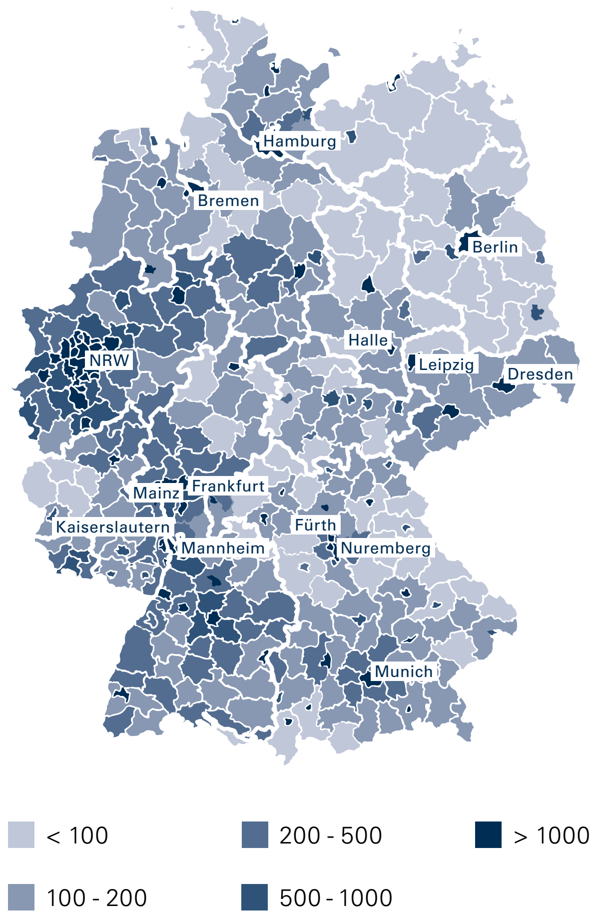
Properties that are attractively located and have been specifically selected because of their significant potential for value creation make up GCP's well-balanced portfolio.

REGIONAL DISTRIBUTION BY VALUE



POPULATION DENSITY IN GERMANY

(inhabitants per sqkm 2013)



The Group's Portfolio growth was accompanied by further diversification, allowing it to increase benefits from economies of scale while reducing geographical clustering and thereby supporting the risk-averse and well allocated portfolio targets set by the Board. GCP's focus on densely populated areas is mirrored by 33% of its Portfolio being held in NRW, 18% in Berlin, 20% in the metropolitan regions of Leipzig, Halle and Dresden and significant holdings in other major urban markets with strong fundamentals such as Nuremberg, Munich, Mannheim, Frankfurt, Bremen and Hamburg.

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

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

Specialized teams cover the entire range of the real estate value chain from acquisition to construction and refurbishment, sales and marketing, and key support functions such as finance, accounting, legal and IT. GCP puts strong emphasis on growing relevant skills in-house to improve responsiveness and generate innovation across processes and departments. In particular, its advanced proprietary IT/software enables the Company to closely monitor its portfolio and tenants to continuously optimize yields and implement strictest cost discipline. A rigorous focus on cost extends across the entire operations of GCP, including those that are chargeable to its tenants.

GCP strategically positioned itself for a quick and rapid takeover of the current pipeline and further property acquisitions. Given the efficiency measures taken the portfolio today has the capacity to further grow at a marginal cost to the platform, and further create economies of scale. The integrated nature of its platform also means that GCP is well positioned to make important decisions swiftly and efficiently when required, for instance with acquisitions.

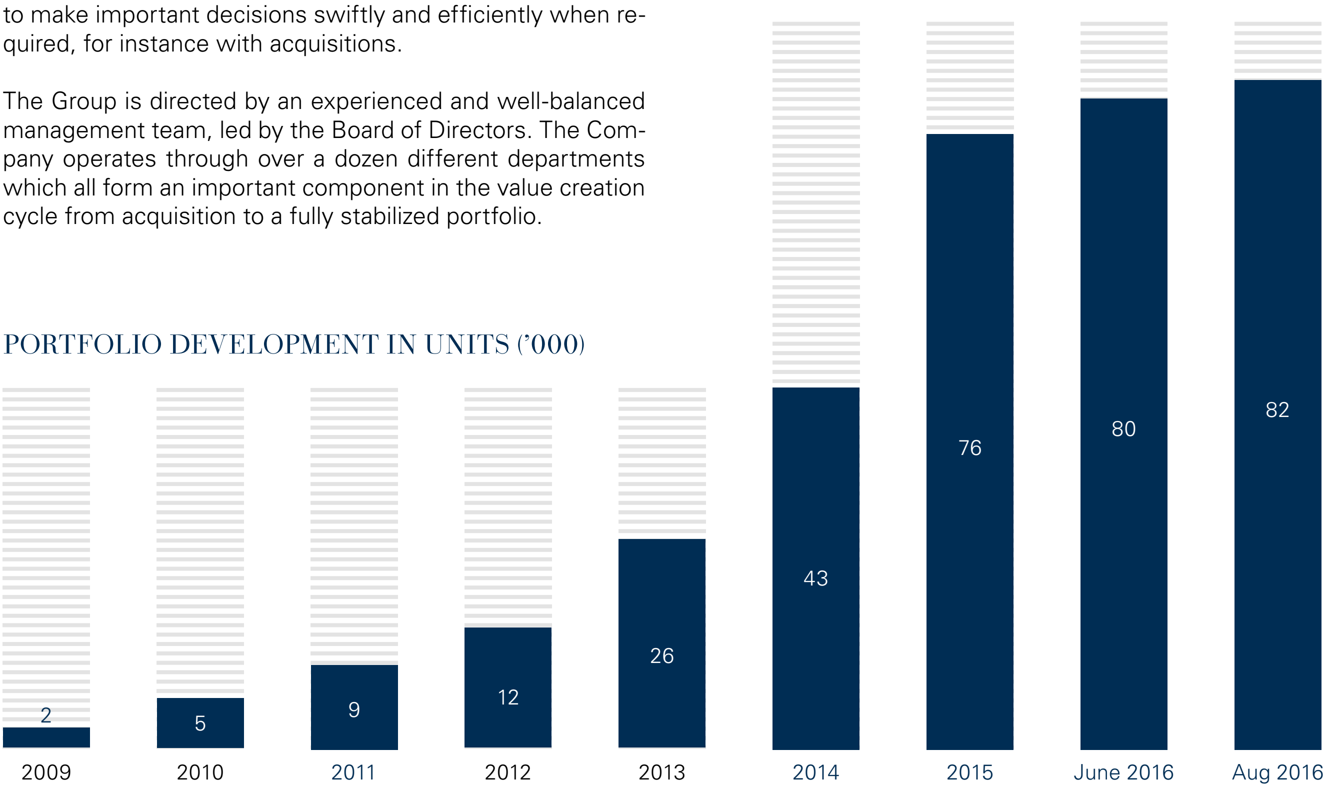
The Group is directed by an experienced and well-balanced management team, led by the Board of Directors. The Company operates through over a dozen different departments which all form an important component in the value creation cycle from acquisition to a fully stabilized portfolio.

PROVEN SOURCING CAPABILITIES AND SUCCESSFUL PORTFOLIO GROWTH

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

The Portfolio exhibited continuous growth to currently 82 thousand units in comparison to 76 thousand units in December 2015. Through this growth GCP has further reached scalability which enables it to benefit from economies of scale, creating value throughout the Company's value chain: from higher efficiency at the takeover stage to stronger bargaining power with suppliers.

PORTFOLIO DEVELOPMENT IN UNITS ('000)



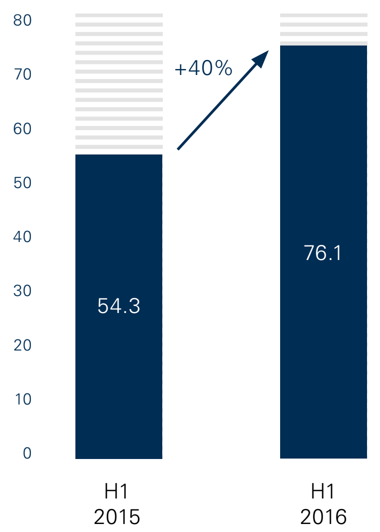
STRONG TRACK RECORD OF VALUE CREATION FROM RENOVATION AND REPOSITIONING OF ASSETS

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

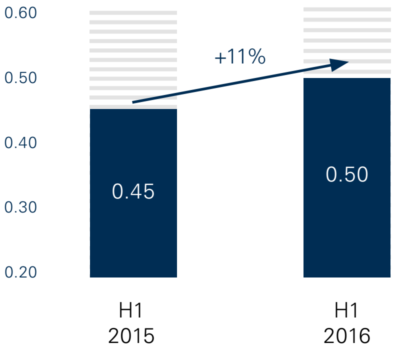
STRONG AND GROWING FFO WITH HIGH RETURN POTENTIAL

GCP's current portfolio generates strongly growing funds from operations, demonstrated by a FFO I increase of 40% YOY during the first half 2016. GCP's value-add management focuses on increasing initial cash flows through raising rental income, decreasing vacancy levels as well as maintaining strict cost discipline through active management. The Group exhibits strong growth from the operational optimization of its existing portfolio as well as expansion through the acquisition of additional properties with great value adding potential.

FFO I IN € MILLION



FFO I PER SHARE (IN €)



CONSERVATIVE CAPITAL STRUCTURE AND PROVEN ABILITY TO RAISE CAPITAL

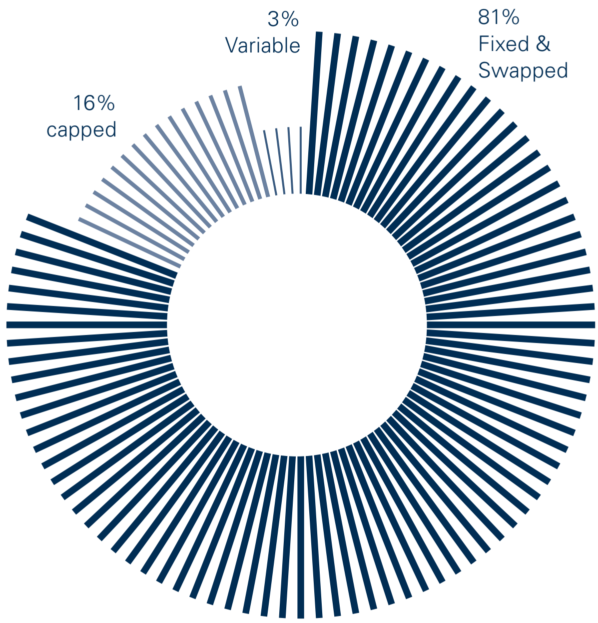
GCP follows a financial policy in order to maintain and improve its strong capital structure:

- **Strive to achieve A- global rating in the long term**
- Maintaining an LTV below 45% on a sustainable basis
- Maintaining conservative financial ratios
- Unencumbered assets above 50% of total assets
- Long debt maturity profile
- Good mix of long term unsecured bonds and non-recourse bank loans
- Maintaining credit lines from several banks which are not subject to Material Adverse Effect
- Dividend of 50% of FFO I (formerly 30% of FFO I)

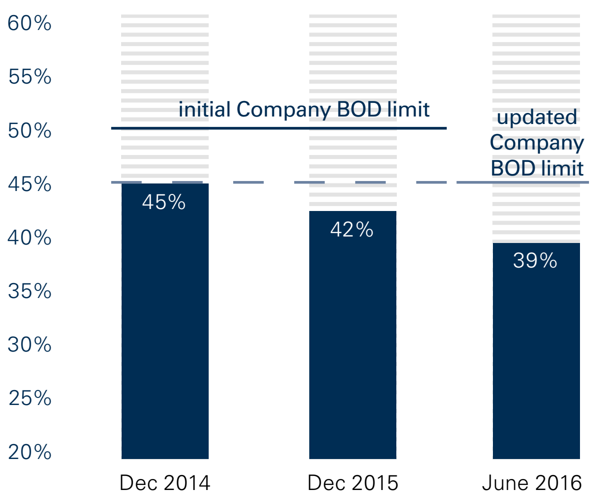
With €512 million in liquid assets as of June 30, 2016 GCP has a high amount of financial flexibility which is also reflected in the €2.4 billion of unencumbered assets as of August 2016. The high amount of liquidity enables GCP on one hand to pursue attractive deals, and on the other provides significant headroom and comfort to its debt holders. GCP strategically maintains its strong financial profile characterized by long term maturities, low debt amortization rates, hedged interest rates, excellent financial coverage ratios and a low LTV, reflecting its disciplined approach. The LTV as of June 30, 2016 is at 39% and the Company set itself a management limit at 45%. The Board of Directors has decided to implement policies, management and financial strategies to achieve a further improvement of the credit rating.

GCP's bank loans are spread across more than 30 separate loans from 17 different financial institutions that are non-recourse and have no cross collateral or cross default provisions.

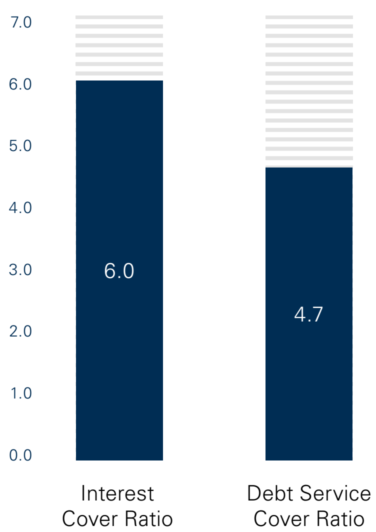
Fitting to the Company's conservative capital structure 97% of its interest is hedged.



LOAN-TO-VALUE



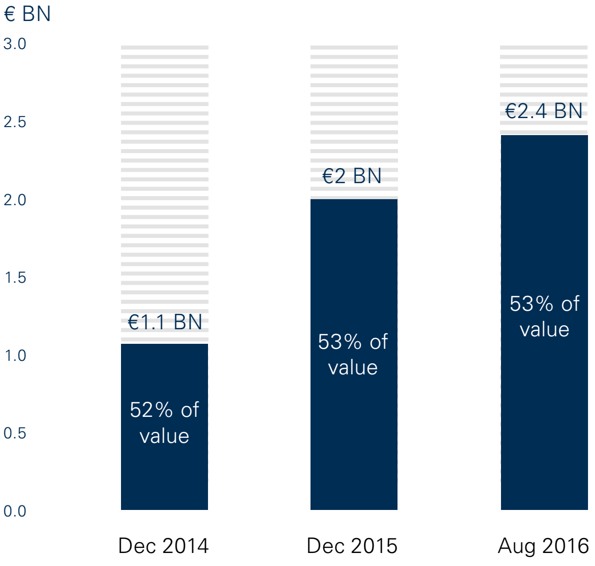
DEBT COVER RATIOS (H1 2016)



GCP's financial flexibility is becoming stronger over time, both due to improved fundamentals affecting coverage ratios and improving profitability. Adjusted EBITDA increased significantly while proportional debt service payments decreased. This led to a strong Interest Cover Ratio of 6.0x and a Debt Service Cover Ratio of 4.7x in the first six months of 2016. An increasing portion of assets are free of lien. As of August 2016, €2.4 billion of the held assets are unencumbered investment properties, in comparison to €2 billion in December 2015.

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

UNENCUMBERED ASSETS



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

FEB 16	Issuance of Series F, 2022 convertible bonds of € 450m, coupon of 0.25% p.a
JAN 16	Completion of the conversion of Series C convertible bonds (€275m)
SEP 15	Tap issuance of € 150m of 10 year straight bond to an aggregate nominal amount of € 550m
SEP 15	Equity capital increase of € 151m
JUL 15	Tap issuance of perpetual notes, (coupon 3.75%), of additional € 100m
APR 15	Issuance of Series E, 10 year straight bond of € 400m with a coupon of 1.5% p.a.
MAR 15	Tap issuance of perpetual notes of additional € 250m
FEB 15	Issuance of €150m perpetual notes, coupon 3.75%
OCT 14	Redemption of straight bonds with nominal amount of € 350m. Issuance of 7 year straight bond of € 500m with a coupon of 2% p.a.
JUN 14	Tap issuance of convertible bonds with gross proceeds of € 140m
APR 14	Tap issuance of existing straight bonds with gross proceeds of € 160m
FEB 14	Issuance of Series C, 5 year convertible bonds of € 150m and a coupon of 1.50% p.a
DEC 13	Equity capital increase of € 175m
OCT 13	Full conversion of € 100m Series A convertible bonds into equity
JUL 13	Issuance of Series B, 7 year straight bonds of € 200m with a coupon of 6.25% p.a.
FEB 13	Equity capital increase of € 36m
OCT 12	Issuance of Series A, 5 year convertible bonds of € 100m and a coupon of 8% p.a.
JUL 12	Equity capital increase of € 15m

JUN 16
BBB Positive outlook S&P rating

JUL 15
BBB S&P rating

FEB 15
Baa2 Moody's rating

NOV 14
BBB- S&P rating

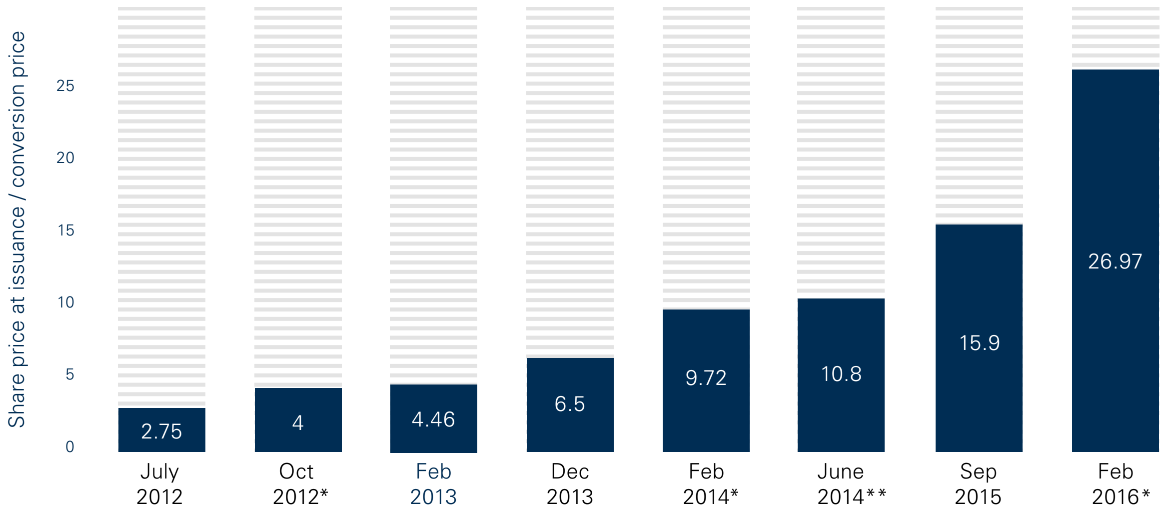
FEB 14
BB+ S&P rating

NOV 13
BB S&P rating

FEB 13
BB- S&P initial rating

EQUITY AND BOND BOOKRUNNERS

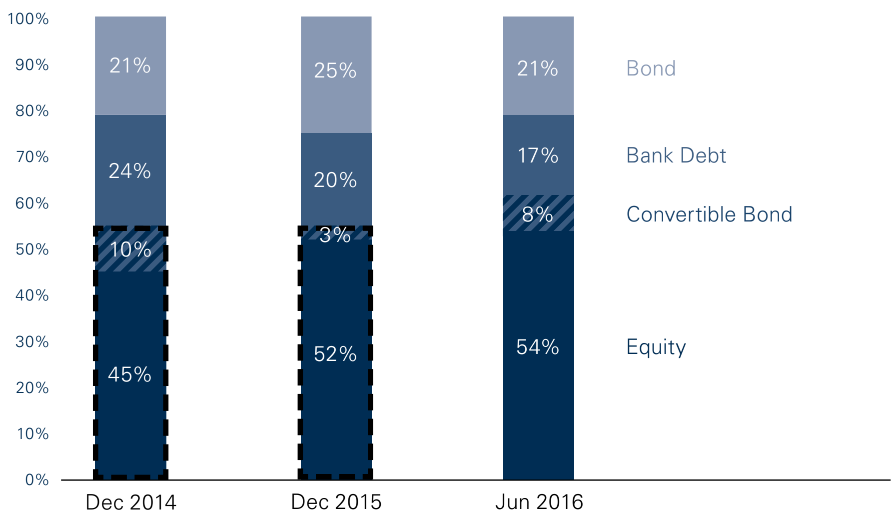
THE FOLLOWING ILLUSTRATION SHOWS THE SHARE PRICE/CONVERSION PRICE THROUGHOUT THE COMPANY'S ISSUANCES



* refers to the conversion price of the convertible bond issuance

**effective conversion price 10.8 (9.72 conversion at 111.25% of par)

FINANCING SOURCE MIX



COMPANY STRATEGY

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

GCP's investment focus is on the German real estate markets that it perceives to benefit from favorable fundamentals that will support stable profit and growth opportunities in the foreseeable future. The Group's current Portfolio is predominantly focused on North Rhine-Westphalia, Berlin, the metropolitan regions of Leipzig, Halle and Dresden and other major cities in Germany. The Company believes its platform has the right abilities and systems to continue to perform strongly and to further expand successfully in the German market. The Group also believes that there are acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

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

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

TARGETED CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME, INVESTMENT AND STRICT COST DISCIPLINE

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

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

Part of GCP's strategy to minimize tenant churn across its portfolio is to provide a high quality service to its tenants. The Company methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. GCP also focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, adding sport facilities or polishing aged facades. Reflecting the special needs of the elderly and tenants with physical disabilities, GCP continues to implement structural changes to facilitate their requirements.

OPERATIONS SUPPORTED BY ADVANCED AND CENTRALIZED IT/SOFTWARE

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

CONTINUE TO ACQUIRE PROPERTIES WITH POTENTIAL VALUE APPRECIATION

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

COMPANY STRATEGY

MAINTAIN A CONSERVATIVE CAPITAL STRUCTURE

GCP seeks to preserve its conservative capital structure with an LTV limit to remain below 45%, sustain excellent financial coverage ratios and the majority of assets unencumbered, low cost of debt that is mostly hedged, diversified financing sources and long maturities. A key feature of the Group's financing objectives is to maintain ample investment flexibility, in order to take advantage of investment opportunities when they arise.

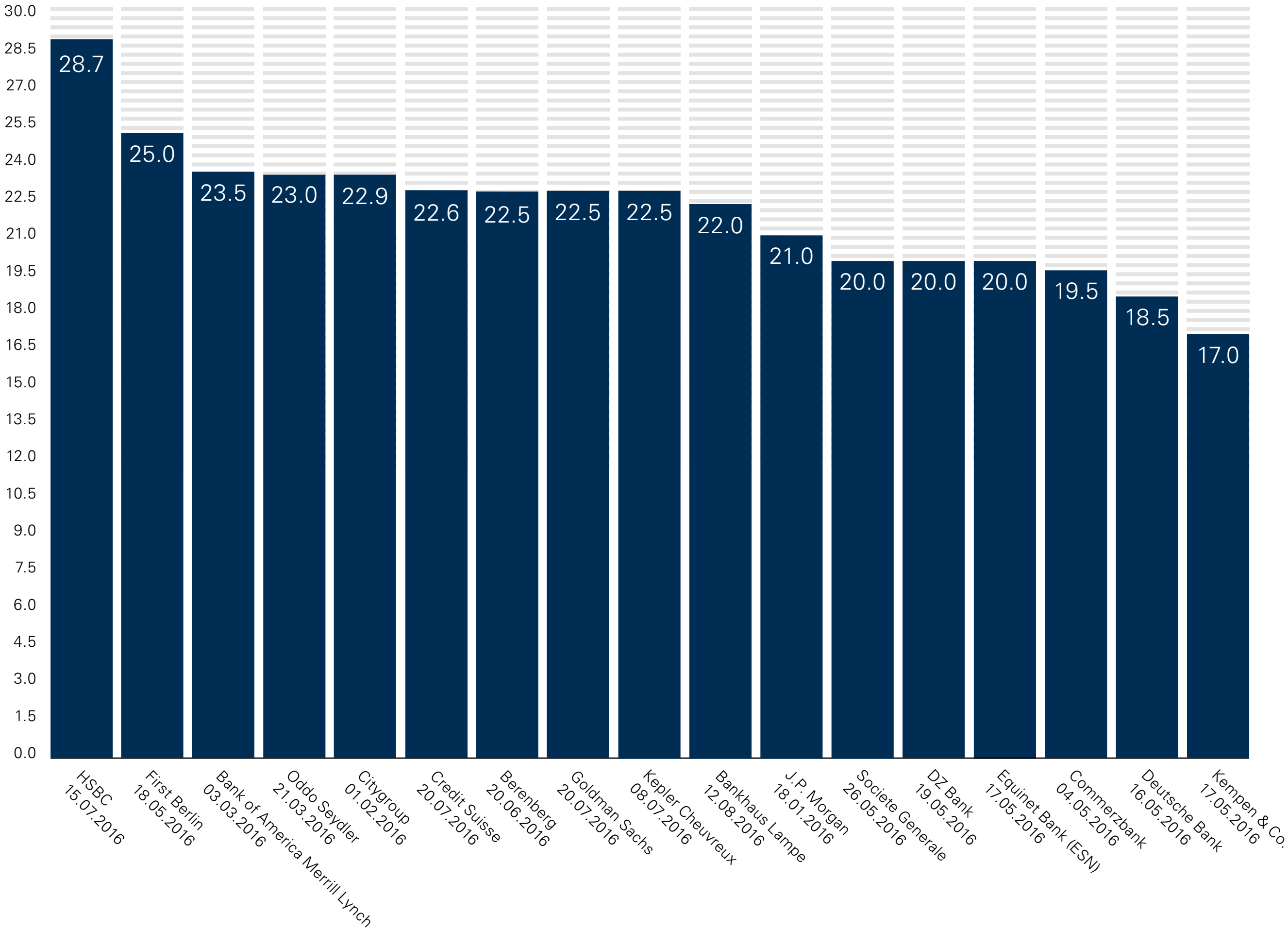
INVESTOR RELATIONS ACTIVITIES

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

GCP seizes these opportunities to create transparency and present a platform for open dialogue. The improved perception leads to a better understanding of GCP's business model, its competitive advantage and hence to a higher demand among the capital market players for participation in its success. Currently, GCP is being covered on an ongoing basis by 17 different equity analysts, who publish their reports regularly. GCP is part of major FTSE EPRA/NAREIT indices, including FTSE EPRA/NAREIT Global, Developed and Developed Europe, and the GPR 250 index.

Placement	Frankfurt Stock Exchange
First listing	Q2 2012
Number of shares (as of 30 June 2016)	153,788,883 ordinary shares with a par value of EUR 0.10 per share
Nominal Share Capital (as of 30 June 2016)	15,378,888 EUR
Number of shares on a fully diluted basis (as of 30 June 2016)	171,852,285
ISIN	LU0775917882
WKN	A1JXCV
Symbol	GYC
Market Cap (as of 30 June 2016)	2.8 bn EUR
Indices	FTSE EPRA/NAREIT Global FTSE EPRA/NAREIT Developed FTSE EPRA/NAREIT Developed Europe GPR 250 index

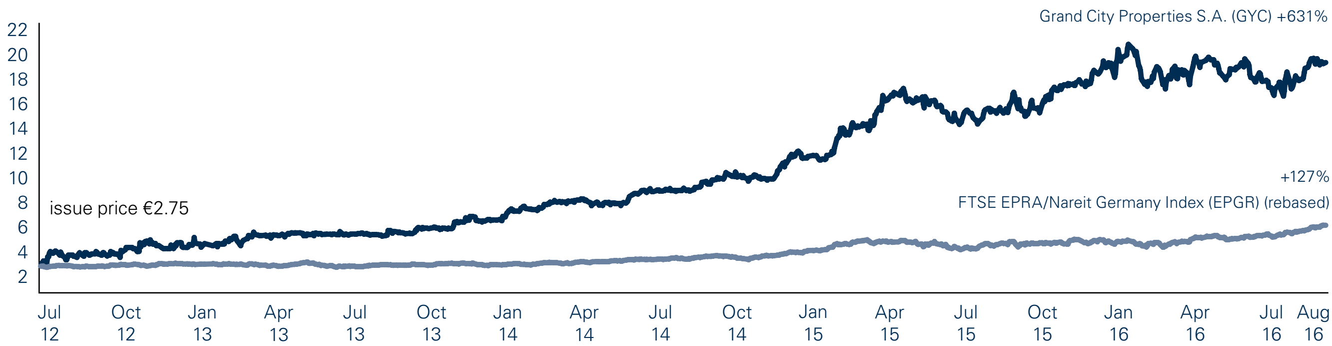
ANALYST RECOMMENDATIONS



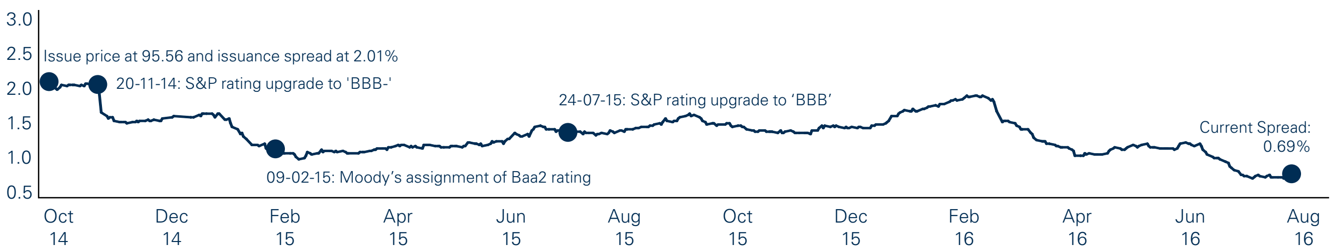
BUSINESS MODEL

COMPANY STRATEGY

SHARE PRICE PERFORMANCE COMPARISON SINCE FIRST EQUITY PLACEMENT (19.07.2012)



STRAIGHT BOND SERIES D - SPREAD OVER MID-€-SWAP, REMAINING 5.5 YEARS



CORPORATE GOVERNANCE

ANNUAL GENERAL MEETING

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

All of the items on the agenda were carried by a great majority, including the approval of the consolidated financial statements of the Group for the year ended December 31, 2015. The Annual General Meeting approved the distribution of a dividend in the amount of €0.25 per share for the holders of record on June 29, 2016.

EXTRAORDINARY GENERAL MEETING

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

CORPORATE GOVERNANCE

GCP puts a strong emphasis on corporate governance with high transparency, executed responsibly by the Board of Directors, Advisory Board and the management teams. The Company directs its efforts in maintaining the high trust it received from its shareholders to balance interests. GCP is proud of the high confidence of its investors, which is reflected in the impressive placement of funds by major global investment banks. GCP's shares and bonds were placed in recent issuances into many international leading institutional investors and major global investment and sovereign funds. The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. Section 161 of the German Stock Corporation Act (AktG) does not apply, since the Company is a joint stock corporation under the laws of the Grand Duchy of Luxembourg (société anonyme, S.A.) and not a German Stock Corporation. The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange do not apply, since the shares of the Company are not admitted to trading on a regulated market operated by the Luxembourg Stock Exchange. In addition, nor the UK Corporate Governance Code nor the Irish Corporate Governance Annex apply to the Company.

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

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

BOARD OF DIRECTORS

The Company is administered and managed by a Board of Directors that is vested with the broadest powers to perform all acts of administration and management in the Company's interest.
All powers not expressly reserved by the Luxembourg law or by the articles of incorporation to the general meeting of the shareholders fall within the competence of the Board of Directors.

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

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

MEMBERS OF THE BOARD OF DIRECTORS

NAME	POSITION
Ms Simone Runge-Brandner	Chairperson
Mr Daniel Malkin	Member
Mr Refael Zamir	Member, CFO

SENIOR MANAGEMENT

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

CORPORATE GOVERNANCE

ADVISORY BOARD

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

AUDIT COMMITTEE

The Board of Directors established an Audit Committee. The members of the Audit Committee are Mr Markus J. Leininger, Mr Reshef Ish-Gur as well as Mr Christian G. Windfuhr. The Board of Directors decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The responsibilities of the Audit Committee relate to the integrity of the financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes and monitoring the accounting processes.

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

RISK COMMITTEE

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

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

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

CORPORATE GOVERNANCE

INTERNAL RISK MITIGATION

Internal controls are constructed from four main elements:

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

EXTERNAL RISK MITIGATION

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

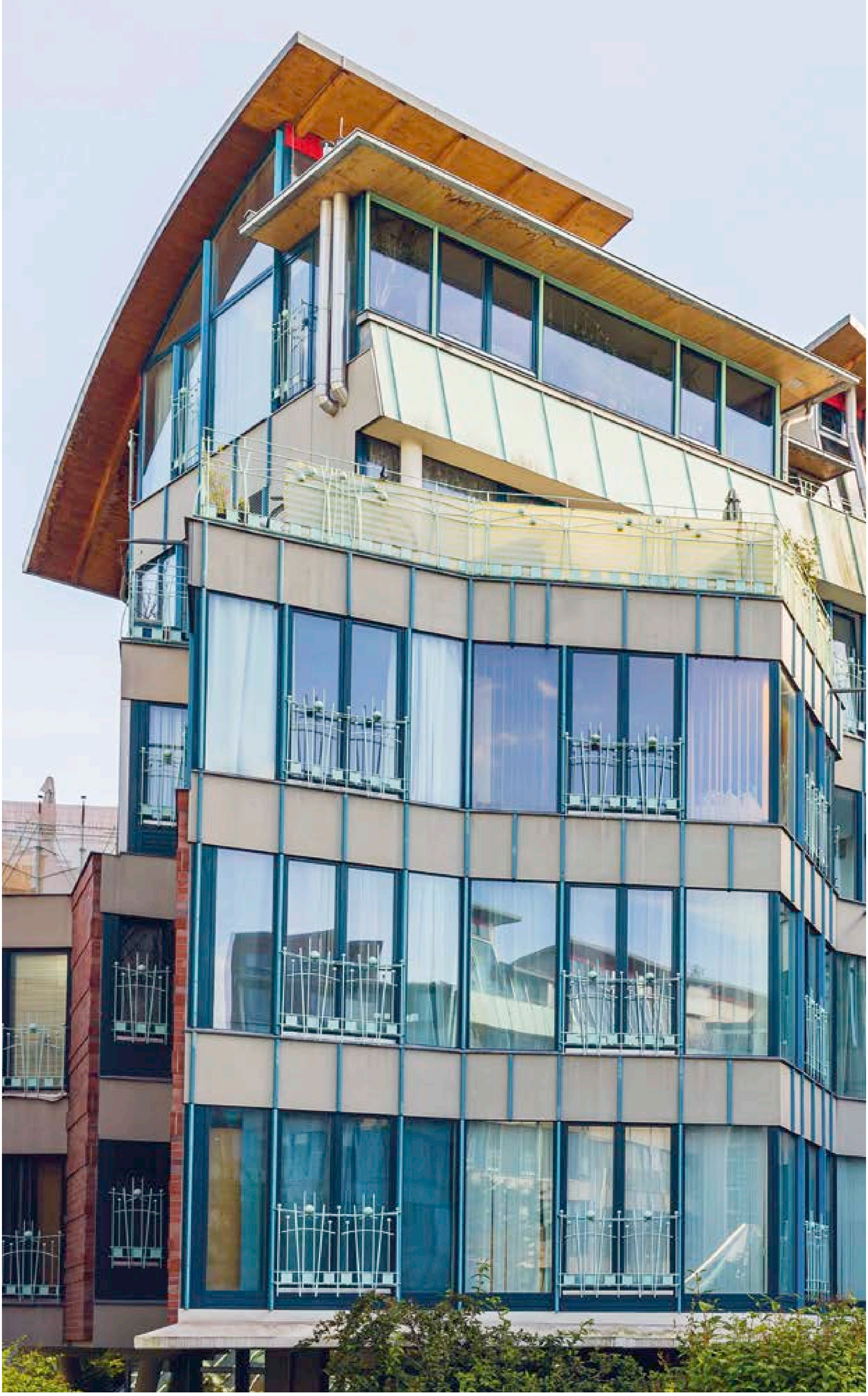
Grand City Properties S.A. sets direct and specific guidelines and boundaries to mitigate and address each risk, hedging and reducing to a minimum the occurrence of failure or potential default.

SHAREHOLDERS' RIGHTS

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

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

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



NOTES ON BUSINESS PERFORMANCE

SELECTED CONSOLIDATED INCOME STATEMENT DATA

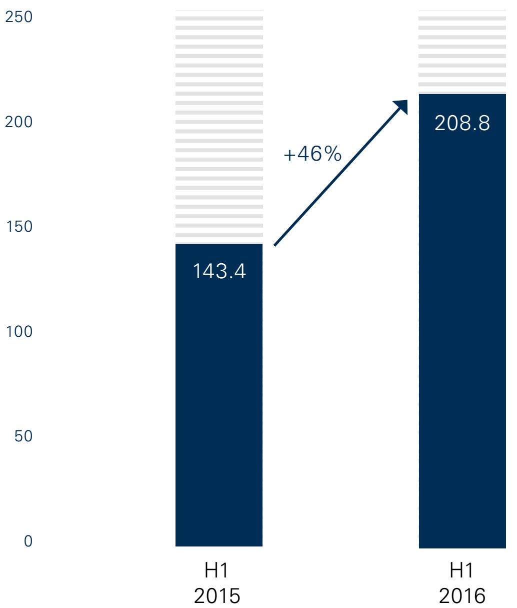
For the 6 months ended June 30,	2016	2015
	€'000	
Rental and operating income	**208,804**	**143,430**
Capital gains, property revaluations and other income	379,310	160,497
Property operating expenses	(98,431)	(66,343)
Administrative & other expenses	(4,038)	(3,115)
Operating profit	**485,575**	**234,469**
Adjusted EBITDA	**107,268**	**74,550**
Finance expenses	(17,764)	(12,299)
Other financial results	(5,873)	231
Current tax expenses	(12,670)	(7,776)
Deferred tax expenses	(57,180)	(19,276)
Profit for the period	**392,088**	**195,349**

REVENUE

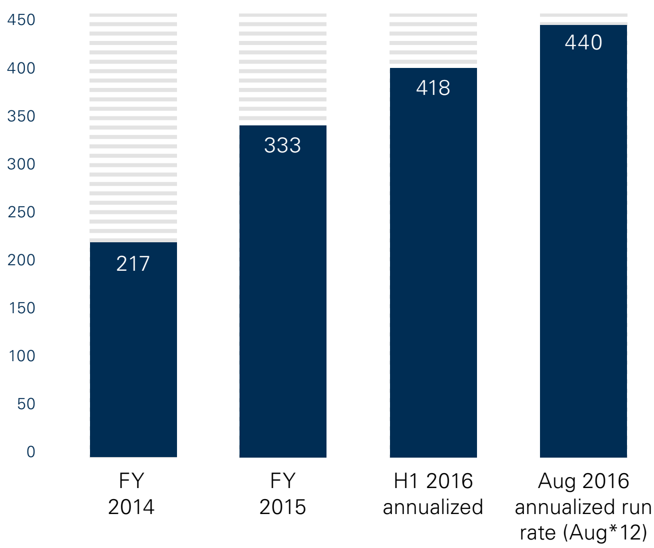
For the 6 months ended June 30,	2016	2015
	€'000	
Rental and operating income	208,804	143,430
Total revenue	**208,804**	**143,430**

Rental and operating income increased in the first six months of 2016 to €209 million, a 46% increase to the comparable period in 2015, resulting from GCP's continuously growing Portfolio's both in terms of external growth to 80,000 units in June 2016, and operational advancements in the existing units such as decreasing the vacancy rate and increasing rent levels.

RENTAL AND OPERATING INCOME DEVELOPMENT (IN € MILLION)



RENTAL AND OPERATING INCOME ANNUAL DEVELOPMENT (IN € MILLION)



Assets acquired during the first six months of the year did not contribute fully to the period's result. In order to reflect the current portfolios rental income generation, we present the monthly annualized rental income run rate. As of August 2016 the rental income run rate of 82,000 units is €440 million, up from €418 million annualized rental income for the first half of 2016 (H1 2016 * 2).

NOTES ON BUSINESS PERFORMANCE

CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

For the 6 months ended June 30,	2016	2015
	€'000	
Change in fair value in investment property	345,705	120,203
Profit arising from business combinations	33,442	40,294
Capital gains and other income	163	-
Total	**379,310**	**160,497**

GCP's capital gains, property revaluations and other income for the first six months of 2016 amounted to €379 million, reflecting the long term capitalized value of the operational improvements such as occupancy and rent increase in the portfolio over the period. The revaluation increase validates the Company's ability to extract the embedded potential in its portfolio. The fair values of GCP's investment properties are determined by external, market leading and independent qualified valuators.

Profit arising from business combinations is calculated for acquisitions made in share deals during the period, where the fair value of the total identifiable net assets of the company acquired exceeds the purchase price. The profit arising from business combination amounted in the first six months of 2016 to €33 million, demonstrating GCP's quality deal sourcing network that locates and provides acquisition opportunities fitting to the Company's skills and experience, often with the possibility to implement significant operational measures quickly, in a manner that allows for value creation to be captured following the acquisition. The decrease in this item compared to the first half 2015 is related to the considerably larger volume of acquisitions through share deals made in 2015. Further details can be found in note 4 to the consolidated financial statements.

Capital gains and other income refers mainly to gains from asset disposals above their book value. In the first 6 months of 2016 GCP recorded capital gains at the amount of €0.2 million. The capital gains refer to a sale of non-core assets. The disposal gains (sale price minus purchase cost) was €11.2 million.

PROPERTY OPERATING EXPENSES

For the 6 months ended June 30,	2016	2015
	€'000	
Total	**(98,431)**	**(66,343)**

Property operating expenses are mainly related to ancillary costs recoverable from the tenants, such as heating and water costs, and also include maintenance costs and personnel expenses related to operations.
Property operating expenses amounted in the first half of 2016 to €98 million, increasing by €32 million in comparison to the same period in 2015. This increase relates mainly to ancillary costs recovered by the tenants in newly occupied units, as well as in newly acquired properties. Due to the nature of recoverable expenses, this item increases in parallel to the increase in operating income.

The level of operational expenses is kept proportionally stable with relation to the strong growth of the portfolio's size, due to the Company's swift implementation of various cost saving measures related to its accumulated experience and economies of scale such as centralized management and service center, implementation of advanced metering systems, large scale service tenders, and valuable capex investments.

MAINTENANCE AND CAPITALIZED EXPENDITURES

GCP's puts high focus in keeping its properties well maintained and sustaining a good asset quality level, which is an integral part of its strategy to keep high tenant satisfaction and reduces the future capital expenses needed. The maintenance processes are supported by GCP's 24/7 Service Center, which provides very accessible contact opportunities for tenants wishing to report maintenance problems or receive information about the work's progression. The Service Center communicates with the maintenance teams to ensure works are executed professionally and quickly, while keeping the tenant interests in mind. GCP considers its in-house Service Center as a key for operational efficiency and tenant satisfac-

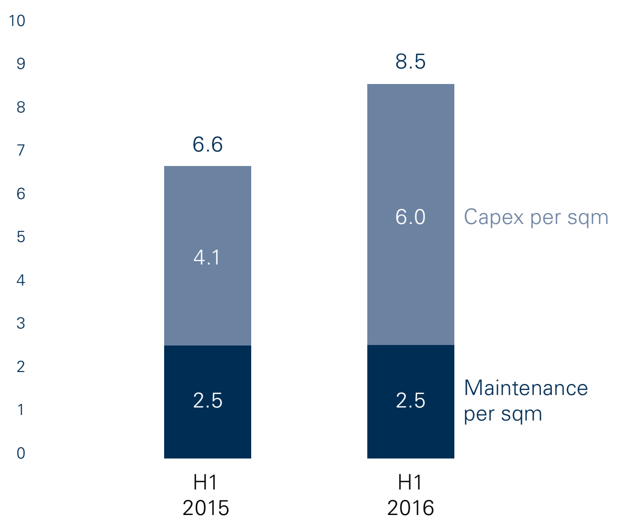
tion. The excellent tenant service quality of the Service Center received in the first quarter 2016 a certification from TÜV, Germany's leading international technical service provider, confirmed that it meets the highest European DIN standards.

Maintenance and refurbishment expenses amounted in the first half of 2016 to €12 million, which translates to €2.5 per sqm, or €5 per sqm on an annual basis.

Capex measures are targeted to increase the asset quality and create additional long term revenue drivers in specific instances where the Company identifies a high value add investment potential, such as in empty units that can attract significantly better tenant profiles or in implementing modern standards in windows, insulation, heating and other systems. The Company largely focuses on advancing letting activities and rent levels where a wide gap to market already exists.

With regard to investments in newly acquired properties, GCP strictly practices preparing a detailed inspection and investment plan prior to the acquisition, to make sure the expected costs are reflected in the price. The works are carried out closely following the plan, benefiting from GCP's experience in similar cases and large connection network of contractors, making sure suitable teams are selected. In the first half of 2016 the total capex amounted to €30 million, translating to €6.0 per sqm, compared with €4.1 per sqm in the first half of 2015.

CAPEX AND MAINTENANCE DEVELOPMENT



ADMINISTRATIVE AND OTHER EXPENSES

For the 6 months ended June 30,	2016	2015
	€'000	
Total	**(4,038)**	**(3,115)**

In the first six months of 2016 the administrative and other expenses amounted to €4.0 million. The increase of 30% in comparing to the same period in 2015 is significantly lower than the 46% increase in the rental income, demonstrating the Company's operational platform's scaling up potential utilizing a large amount of fixed overheads such as its central management, regional offices, and Service Center.

NOTES ON BUSINESS PERFORMANCE

NET FINANCE EXPENSES

For the 6 months ended June 30,	2016	2015
	€'000	
Finance expenses	(17,764)	(12,299)
Other financial results	(5,873)	231
Total	**(23,637)**	**(12,068)**

Finance expenses, that correspond to the Company's financing volume and cost of debt in bank loans and corporate bonds, increased by 44% from H1 2015 to an amount of €18 million in the first half of 2016. This modest increase in relation to the overall 54% increase in the Company's net debt since June 2015 is a result of the more favorable interest environment GCP enjoys as its portfolio matures and grows, and as the Company systematically maintains low leverage and keeps high interest coverage ratios of 6x. In June 2016 S&P revised the outlook on GCP's BBB credit rating to positive, acknowledging GCP's good track record in lifting occupancy and rent levels in its properties and thus creating higher cash flows. GCP's improved financing conditions and strong financial matrix are reflected in its low cost of debt of currently 1.6%.

Other financial expenses in the first six months of 2016 are mainly related to changes in the fair value of financial derivatives, traded securities and fund raising costs.

TAXATION

For the 6 months ended June 30,	2016	2015
	€'000	
Current tax expenses	(12,670)	(7,776)
Deferred tax expenses	(57,180)	(19,276)
Total	**(69,850)**	**(27,052)**

Tax expenses amounted in the first half of 2016 to €70 million, of which an amount of €12.7 million is attributed to current tax, composed of property and corporate tax expenses. The increase in current tax is a result of the overall increase in the scale of the Company's operations and profitability.

Additionally, a deferred tax expense of €57.2 million during the first half of 2016 is attributed to the high valuation gains over the period. GCP practices a conservative approach with regard to its deferred tax item, providing for the theoretical future property disposal through asset deals structures subject to the full German real estate tax of 15.825%. Deferred tax expense is a non-cash item that does not materialize as part of the long term operations of the Company's assets.

PROFIT FOR THE PERIOD

For the 6 months ended June 30,	2016	2015
	€'000	
Profit for the period	**392,088**	**195,349**

GCP's profit increased in the first 6 months of 2016 by over 100% to €392 million compared to the first 6 months of 2015. The substantial increase is a combined effect of higher revenues from the larger portfolio, operational achievements from increase in rent, occupancy and profitability, as well as the Company's substantial value generation reflected in strong revaluation gains.

EARNINGS PER SHARE

For the 6 months ended June 30,	2016	2015
Basic earnings per share in €	2.10	1.47
Diluted earnings per share in €	1.94	1.24
Weighted average basic shares in thousands	151,807	120,345
Weighted average basic shares (diluted) in thousands	165,254	143,719

Basic earnings per share increased in the first 6 months of 2016 to €2.10, an increase of 43% compared to the previous period. The profit increase was offset by a larger amount of outstanding shares from the full conversion of the convertible bond Series C completed in the beginning of 2016 and the equity increase in Q3 2015.
The diluted earnings per share amounted in the first half year of 2016 to €1.94, up by 56% compared to the comparable period in 2015.

ADJUSTED EBITDA AND FFO I

For the 6 months ended June 30,	2016	2015
	€'000	
Operating Profit	485,575	234,469
Total depreciation and amortization	1,003	578
EBITDA	**486,578**	**235,047**
Capital gains, property revaluations and other income	(379,310)	(160,497)
Adjusted EBITDA	**107,268**	**74,550**
Finance expenses	(17,764)	(12,299)
Current tax expenses	(12,670)	(7,776)
Minorities	(698)	(135)
FFO I	**76,136**	**54,340**
Weighted average basic shares in thousands	151,807	120,345
FFO I per share in €	**0.50**	**0.45**

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

Adjusted EBITDA increased in the first half of 2016 by 44% to €107 million, compared to the first half of 2015. The increase was driven both from increasing occupancy rates and higher rents and from external portfolio growth. The increase confirms GCP's capability to successfully integrate new acquisitions in its portfolio, while further extracting the operational potential of its existing properties.

FFO I increased in the first half of 2016 to €76 million, an increase of 40% to the comparable period in 2015. The growth in the FFO I was a direct result of the adjusted EBITDA growth, further supported by its improved financing conditions and reduced cost of debt.

GCP's operational growth is based on accretive additions to the portfolio and successful repositioning measures and therefore the Company is able to increase its FFO I generation period over period. The periodic FFO I growth reflects the continuous and sustainable bottom-line operational improvements. In the first half of 2016 the annualized FFO I amounted to €152 million, up 19% in comparison to full year 2015. As acquisitions materialized throughout the period, new acquisitions did not fully contribute to the FFO I of the whole period. The monthly annualized FFO I run rate as of August 2016 amounts to €159 million.

FFO I PER SHARE

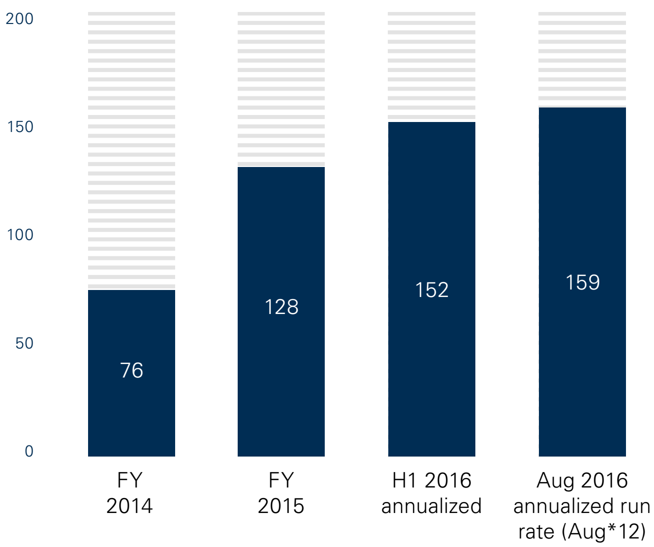
The FFO I per share amounted in the first half of 2016 to €0.50, an increase of 11% to the comparable period in 2015. The increase validates GCP's ability to translate its operational and corporate achievements into increased profits on a per share basis.

FFO I PER SHARE AFTER PERPETUAL NOTES ATTRIBUTION

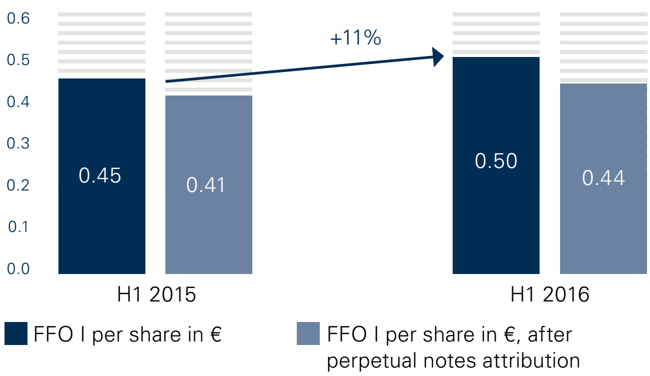
For the 6 months ended June 30,	**2016**	2015
	€'000	
FFO I	**76,136**	**54,340**
Adjustment for accrued perpetual notes attribution	(9,606)	(4,937)
FFO I after perpetual notes attribution	66,530	49,403
Weighted average basic shares in thousands	151,807	120,345
FFO I per share in €, after perpetual notes attribution	**0.44**	**0.41**

FFO I per share after perpetual notes attribution amounted to €0.44 in the first half of 2016. GCP provides this additional calculation as a supplementary FFO I per share calculation, as IFRS records attribution to perpetual notes through change in equity and does not recognize it as financial expenses in the P&L, thus not deducted otherwise from the FFO.

FFO I DEVELOPMENT (IN € MILLION)



FFO I PER SHARE (IN €)



NOTES ON BUSINESS PERFORMANCE

AFFO

For the 6 months ended June 30,	2016	2015
	€'000	
FFO I	**76,136**	**54,340**
Capex	(30,076)	(13,666)
AFFO	**46,060**	**40,674**

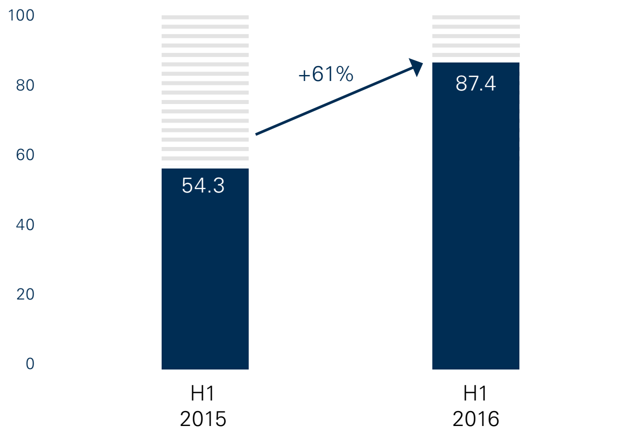
Adjusted funds from operations (AFFO) amounted to €46 million in the first half of 2016, and is considering the capitalized expenditures used to improve the properties quality and to increase the occupancy levels and thus deducts the capex from the FFO I.

FFO II

For the 6 months ended June 30,	2016**	2015**
	€'000	
FFO I	76,136	54,340
Result from disposal gain*	11,222	-
FFO II	**87,358**	**54,340**

*) the excess amount of the sale price to the cost price of the properties
**) the header was corrected in comparison to the initially published version due to a typo

FFO II DEVELOPMENT (IN € MILLION)



CASH FLOW

For the 6 months ended June 30,	2016	2015
	€'000	
Net cash provided by operating activities	95,270	66,534
Net cash used in investing activities	(298,501)	(636,953)
Net cash provided by financing activities	341,921	635,209
Net increase in cash and cash equivalents	**138,690**	**64,790**

The amount of net cash provided by operating activities increased by 43% from H1 2015 to €95 million in H1 2016, reflecting the growth of the portfolio between the periods, and the solid profitability level.

Net cash used in investing activities amounted in the first half of 2016 to €299 million, a 53% decrease to the €637 million invested during the first half of 2015. The investment amount in 2016 is offset by sums received through disposals during the period. GCP's acquisition strategy revolves around finding the right deal opportunities fitting to the Company's skills, and is not directed by a volume target. Therefore, amounts may relatively decrease, as the case in the first half of 2016, albeit keeping an absolute strong growth momentum also within this period demonstrating the considerable depth and scale of GCP's deal sourcing network.

Net cash provided by financing activities amounted in the first six months of 2016 to €342 million, tracing back to the amounts received in the issuance of convertible bond Series F during the first quarter, offset by amortization and redemption of bank loans and payment of dividend to the perpetual note holders. Total cash and cash equivalents increased by an amount of €139 million in the first six months of 2016, amounting to €375 million in June 2016. GCP's ample liquidity position as of June 30 2016, of €512 million including traded securities, supports the Company's investments in further attractive opportunities.

ASSETS

	June 2016	Dec 2015
	€'000	
Non-current assets	**4,819,811**	**4,061,699**
Investment property*	4,535,610	3,859,511
Current assets	**813,696**	**627,204**
Total Assets	**5,633,507**	**4,688,903**

*including advanced payments for investment properties and balance of inventories

Total assets increased in the first 6 months of 2016 by 20%, almost €1 billion, to over €5.6 billion. The sharp increase relates mainly to the increase in investment property which results from the external growth through acquisitions as well as from the success of GCP's value-add achievements. In its over 12 years' operations, GCP has become a specialist in acquiring assets with value-add potential and creating value along the assets' operational improvements. The increase in current assets is mainly the result of the increase in cash and liquid assets which stems from the latest convertible bond issuance, Series F, in the first half of 2016 and cash generation in the period and was offset to fund further acquisitions.

LIABILITIES

	June 2016	Dec 2015
	€'000	
Total loans and borrowings*	829,966	846,900
Straight bonds	1,048,625	1,045,413
Convertible bond	426,385	122,576
Deferred tax liabilities	309,005	239,374
Other long term liabilities and derivative financial instruments	59,037	39,704
Current liabilities**	292,905	222,641
Total Liabilities	**2,965,923**	**2,516,608**

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

Total liabilities increased in the first 6 months of 2016 by €449 million which is substantially below the increase of total assets and reflects GCP's conservative approach of accretive growth while maintaining a healthy capital structure and resulting in a decrease in the Company's LTV to 39% as of June 30, 2016. The increase in total liabilities is mainly the result of the latest convertible bond issuance in February 2016, offset by the full conversion of the in-the-money convertible, Series C, to a net increase of €304 million. Other increasing effects result from the increase in deferred tax liabilities, a subsequent effect of the generation of revaluation gains, and current liabilities which relate to the growth of the Company.
GCP conservative approach is also reflected in its deferred taxes accounting treatment by accounting for the full German real estate tax effect of 15.825% which assumes sales through asset deals instead of share deals.

Whereas GCP's conservative capital structure is reflected in maintaining a low leverage, accretive growth and a healthy funding source mix, the Company also focusses on replacing higher costing debt. GCP issued in the beginning of the year a convertible bond, Series F, with a volume of €450 million at a corporate record low coupon rate of 0.25%. Besides funding the Company's acquisitions, the proceeds were also used for debt replacements.

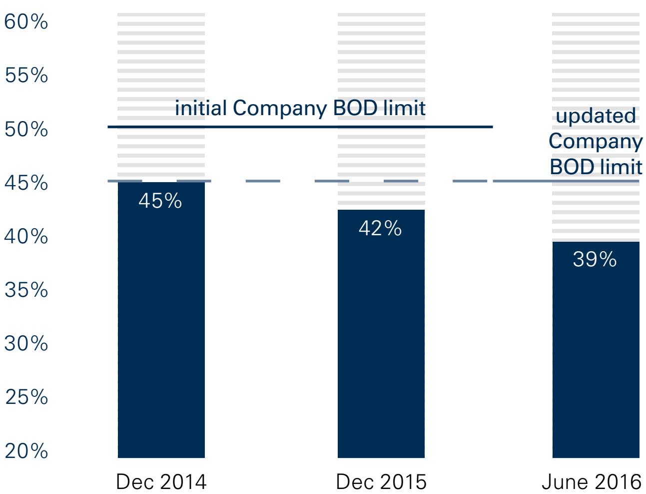
LOAN-TO-VALUE

	June 2016	Dec 2015
	€'000	
Investment property*	4,535,610	3,859,511
Equity accounted investees	6,518	-
Total value	**4,542,128**	**3,859,511**
Total Debt	2,304,976	2,014,889
Cash and liquid assets	511,776	388,925
Net debt	**1,793,200**	**1,625,964**
LTV	**39%**	**42%**

* including advanced payments for investment properties and balance of inventories

GCP has always been aiming for accretive growth while maintaining a healthy capital structure with a diverse funding mix of convertible bonds, straight bonds, band debt, equity and perpetual notes. This goal is reflected in the maintenance of low LTV levels. By the end of the first half of 2016, GCP decreased its LTV to 39% down from 42% as of year-end 2015. A substantial leverage headroom to the self-set conservative board of director's leverage limit, which has been updated to 45% LTV limit, provides GCP the flexibility to pursue attractive growth opportunities and comfort to focus its efforts on the value creation aspect of the business.In June 2016 Standard & Poor's acknowledged GCP's efforts by not only affirming its current investment grade rating of BBB but also increased its credit outlook to positive from stable.

LOAN-TO-VALUE



NOTES ON BUSINESS PERFORMANCE

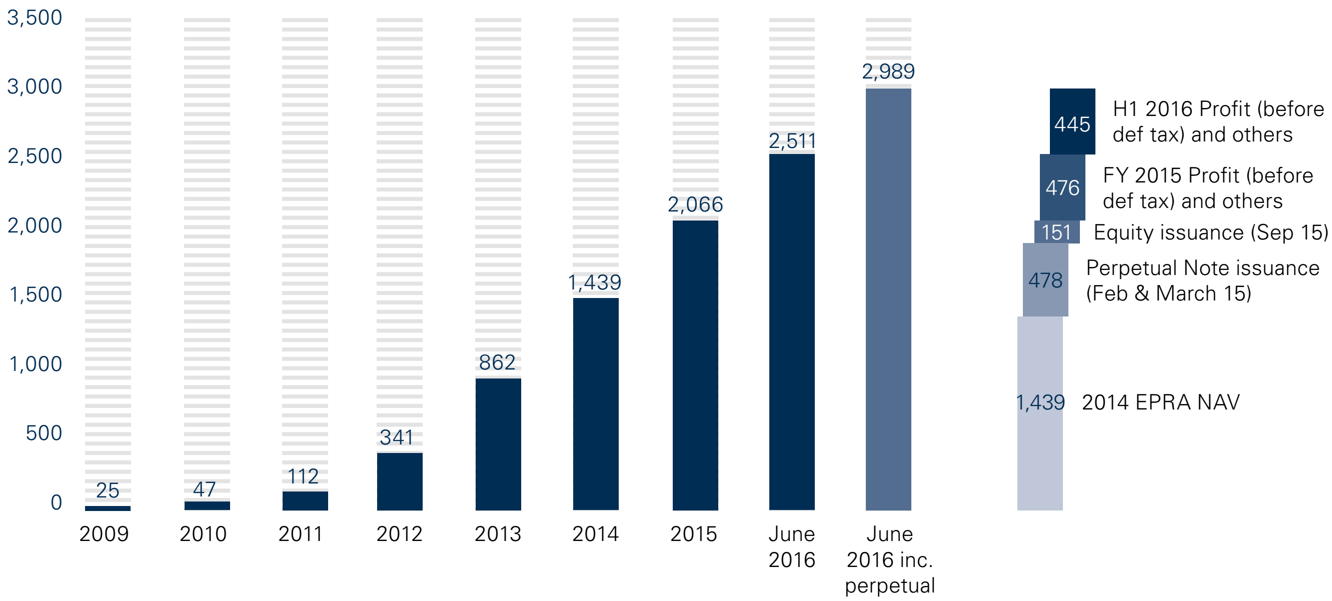
EPRA NAV

	June 2016	Dec 2015
	€'000	
Total Equity	2,667,584	2,172,295
Fair Value measurements of derivative financial instruments	12,245	6,995
Deferred tax liabilities	309,005	239,374
In-the-money Convertible bond*	-	125,683
EPRA NAV including perpetual notes	**2,988,834**	**2,544,347**
Equity attributable to perpetual capital investors	478,113	478,146
EPRA NAV	**2,510,721**	**2,066,201**

* The amount includes accrued interest

EPRA NAV increased in the first 6 months of 2016 by €445 million to €3 billion, including the equity attributable to perpetual investors, which reflects an increase of 17%. Excluding the perpetual equity, EPRA NAV amounts as of June 30, 2016 to more than €2.5 billion. The increase stems mainly from the sharp increase in total equity which is the result of GCP's value creation achievements and operational profits created in the period. As GCP's currently outstanding convertible bonds are as of the date of this report not in the money they are not included in the EPRA NAV calculation.

EPRA NAV DEVELOPMENT (IN € MILLION)



€'000	Total Equity*	EPRA NAV	EPRA NAV including perpetual notes	Total number of basic shares	EPRA NAV including perpetual notes & Conv. Bond F**	Fully diluted number of shares
June 2016	2,667,584	2,510,721	2,988,834	153,789	3,415,588	171,852
Dec 2015	2,172,295	2,066,201	2,544,347	140,971	2,544,347	154,910

* includes non-controlling interest of € 215.0 million in June 2016 and €142.3 million in Dec 2015.
** Convertible bond Series F conversion price at €26.97

DISCLAIMER

The financial data and results of the Group are affected by financial and operating results of its subsidiaries. Significance of the information presented in this report is examined from the perspective of the Company including its portfolio with the joint ventures. In several cases, additional information and details are provided in order to present a comprehensive representation of the subject described, which in the Group's view is essential to this report. These condensed interim consolidated financial statements have not been reviewed by the auditors.

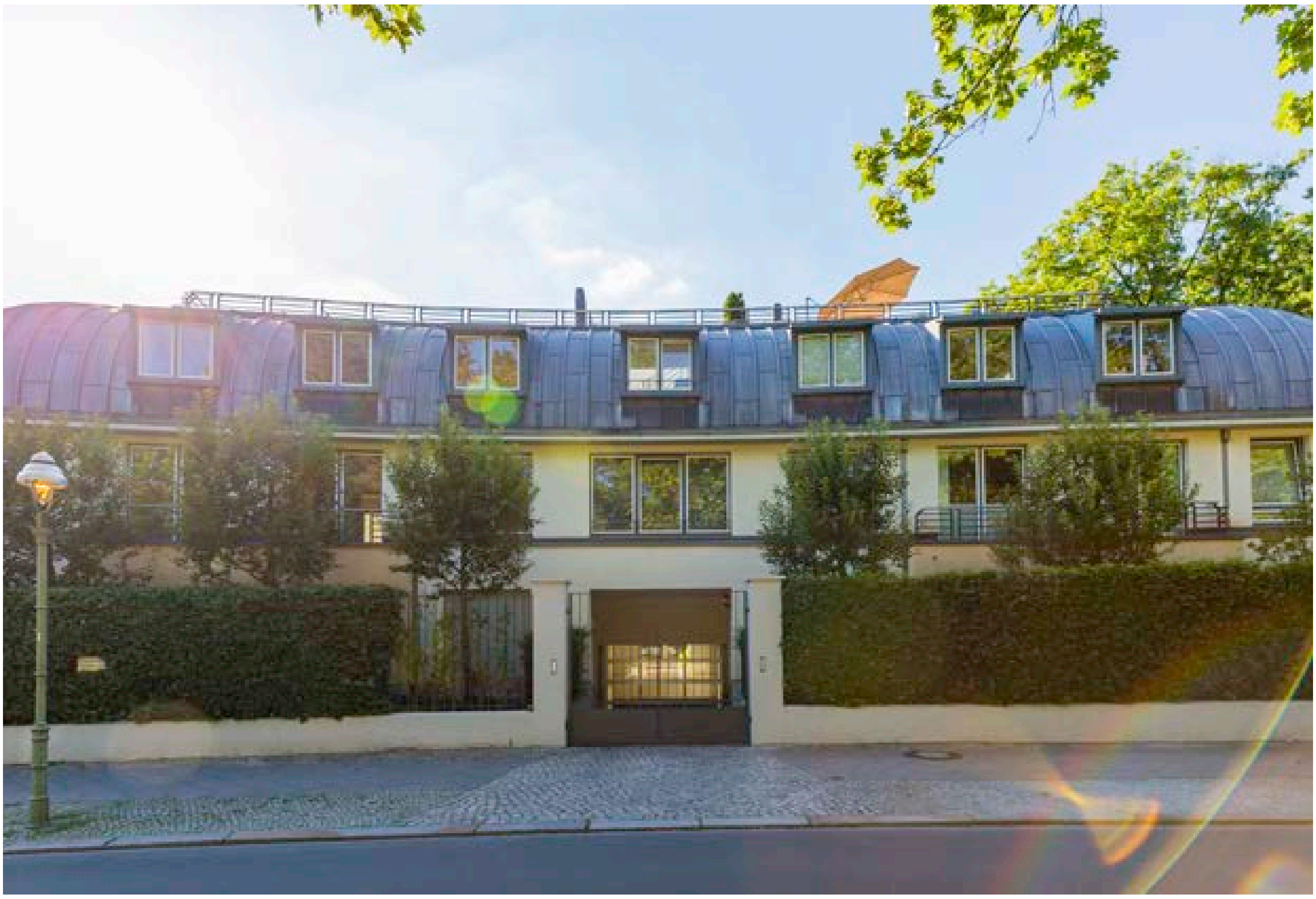
By order of the Board of Directors,
August 17, 2016

Simone Runge-Brandner Director	Refael Zamir Director, CFO	Daniel Malkin Director

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

 The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

		For the six months ended June 30,		For the three months ended June 30,	
		2016	2015	**2016**	2015
	Note	€'000		€'000	
Revenue		208,804	143,430	108,053	77,822
Capital gains, property revaluations and other income	4, 5	379,310	160,497	310,093	100,869
Share of profit from investments in equity-accounted investees		(70)	-	(70)	-
Property operating expenses		(98,431)	(66,343)	(52,267)	(36,131)
Administrative and other expenses		(4,038)	(3,115)	(2,176)	(1,703)
Operating profit		**485,575**	**234,469**	**363,633**	**140,857**
Finance expenses		(17,764)	(12,299)	(8,645)	(6,263)
Other financial results		(5,873)	231	(3,107)	(893)
Net finance expenses		**(23,637)**	**(12,068)**	**(11,752)**	**(7,156)**
Profit before tax		**461,938**	**222,401**	**351,881**	**133,701**
Current tax expenses	6	(12,670)	(7,776)	(6,238)	(4,776)
Deferred tax expenses	6	(57,180)	(19,276)	(44,012)	(13,874)
Tax and deferred tax expenses		**(69,850)**	**(27,052)**	**(50,250)**	**(18,650)**
Profit for the period		**392,088**	**195,349**	**301,631**	**115,051**
Other comprehensive income for the period, net of tax		-	-	-	
Total comprehensive income for the period		**392,088**	**195,349**	**301,631**	**115,051**

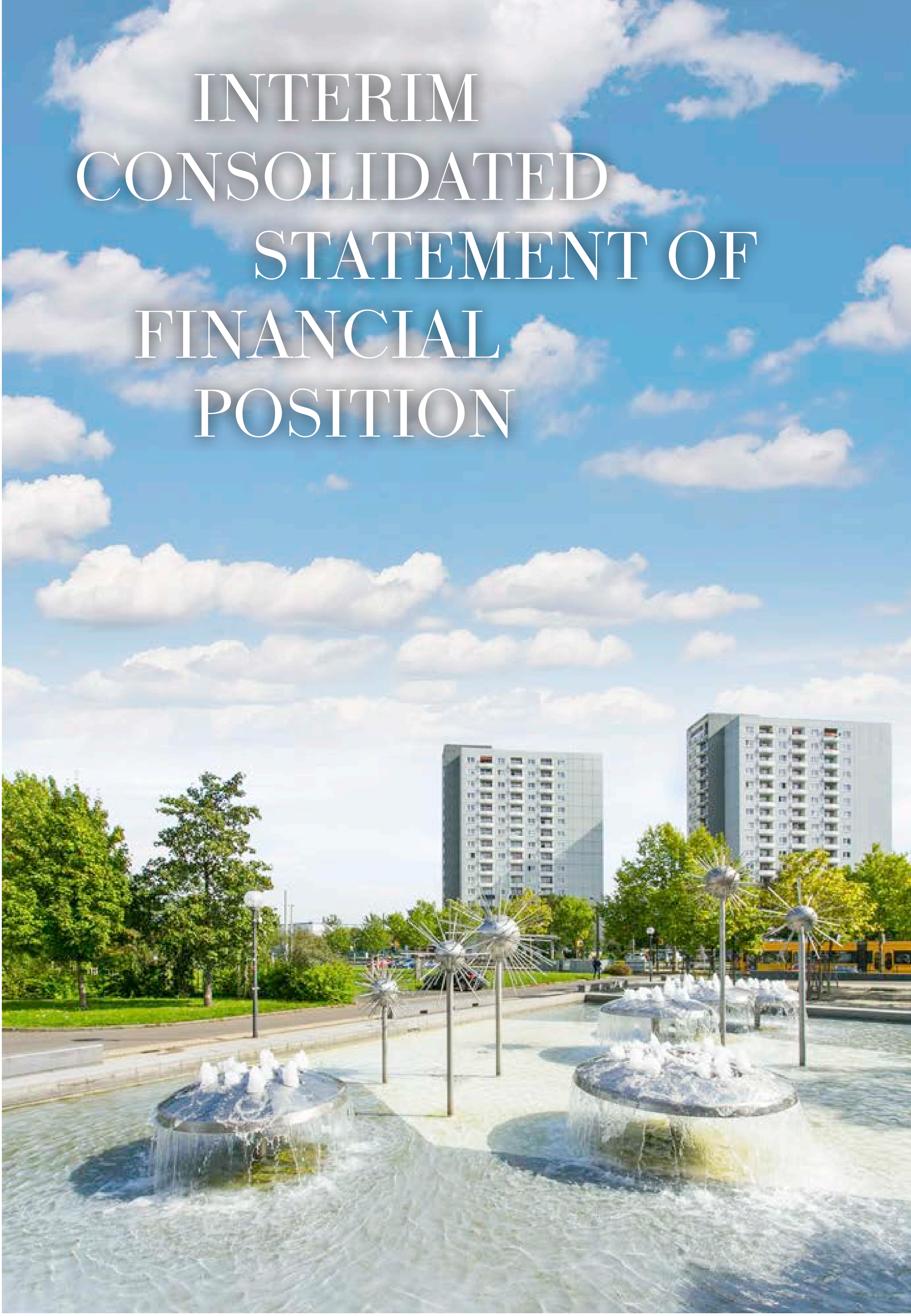


INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	For the six months ended June 30,		For the three months ended June 30,	
	2016	2015	**2016**	2015
	€'000		€'000	
Profit attributable to:				
Owners of the Company	319,327	176,725	249,454	101,677
Hybrid capital investors	9,606	4,937	4,675	3,740
Non controlling interests	63,155	13,687	47,502	9,634
	392,088	**195,349**	**301,631**	**115,051**
Net earnings per share attributable to the owners of the Company (in euro):				
Basic earnings per share	**2.10**	1.47	**1.62**	0.84
Diluted earnings per share	**1.94**	1.24	**0.91**	0.71

The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION



 The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

	Note	June 30 2016 Unaudited	December 31 2015 Audited
		€'000	
Assets			
Equipment and intangible assets		9,878	9,493
Investment property	5	4,497,927	3,845,979
Investment in equity-accounted investees		6,518	-
Other non-current assets		293,795	195,390
Deferred tax assets		11,693	10,837
Non-current assets		**4,819,811**	**4,061,699**
Cash and cash equivalents		374,691	236,001
Traded securities at fair value through profit and loss		137,085	152,924
Inventories – Trading property		12,692	11,877
Trade and other receivables		289,228	226,402
Current assets		**813,696**	**627,204**
Total assets		**5,633,507**	**4,688,903**

The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	June 30 2016 Unaudited	December 31 2015 Audited
		€'000	
Equity			
Share capital	8	15,379	14,097
Share premium		670,362	582,910
Other reserves		42,871	29,283
Retained earnings		1,245,908	925,599
Total equity attributable to the owners of the Company		**1,974,520**	**1,551,889**
Equity attributable to Hybrid capital investors	8	478,113	478,146
Total equity attributable to the owners of the Company and Hybrid capital investors		**2,452,633**	**2,030,035**
Non controlling interests		214,951	142,260
Total equity		**2,667,584**	**2,172,295**
Liabilities			
Loans and borrowings	7	816,573	792,224
Convertible bond	7B, 7F	426,385	122,576
Straight Bonds	7C- 7E	1,048,625	1,045,413
Derivative financial instruments		12,245	6,995
Other non-current liabilities		46,792	32,709
Deferred tax liabilities		309,005	239,374
Non-current liabilities		**2,659,625**	**2,239,291**
Current portion of long term loans	7	10,178	19,998
Loan redemption	7	3,215	34,678
Trade and other payables		251,784	190,358
Tax payable		20,600	13,389
Provisions for other liabilities and charges		20,521	18,894
Current liabilities		**306,298**	**277,317**
Total liabilities		**2,965,923**	**2,516,608**
Total equity and liabilities		**5,633,507**	**4,688,903**

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

Simone Runge-Brandner
Director

Refael Zamir
Director, CFO

Daniel Malkin
Director

The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Attributable to the owners of the Company									
€'000	Share capital	Share Premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total	Equity attributable to Hybrid capital investors	Total Equity attributable to the owners of the Company and Hybrid capital investors	Non-controlling interests	Total equity
Balance as at December 31, 2015 (Audited)	**14,097**	**582,910**	**7,131**	**22,152**	**925,599**	**1,551,889**	**478,146**	**2,030,035**	**142,260**	**2,172,295**
Profit for the period	-	-	-	-	319,327	319,327	9,606	328,933	63,155	392,088
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	319,327	319,327	9,606	328,933	63,155	392,088
Issuance of shares related to conversion of convertible bond C	1,282	125,899	(7,131)	-	-	120,050	-	120,050	-	120,050
Equity component of convertible bond F	-	-	20,351	-	-	20,351	-	20,351	-	20,351
Amount attributed to hybrid capital notes holders	-	-	-	-	-	-	(9,639)	(9,639)	-	(9,639)
Non-controlling interests arising from initially consolidated companies and other transactions	-	-	-	-	982	982	-	982	9,536	10,518
Equity settled share-based payment	-	-	-	368	-	368	-	368	-	368
Dividend distribution	-	(38,447)	-	-	-	(38,447)	-	(38,447)	-	(38,447)
Balance as at June 30, 2016 (Unaudited)	**15,379**	**670,362**	**20,351**	**22,520**	**1,245,908**	**1,974,520**	**478,113**	**2,452,633**	**214,951**	**2,667,584**

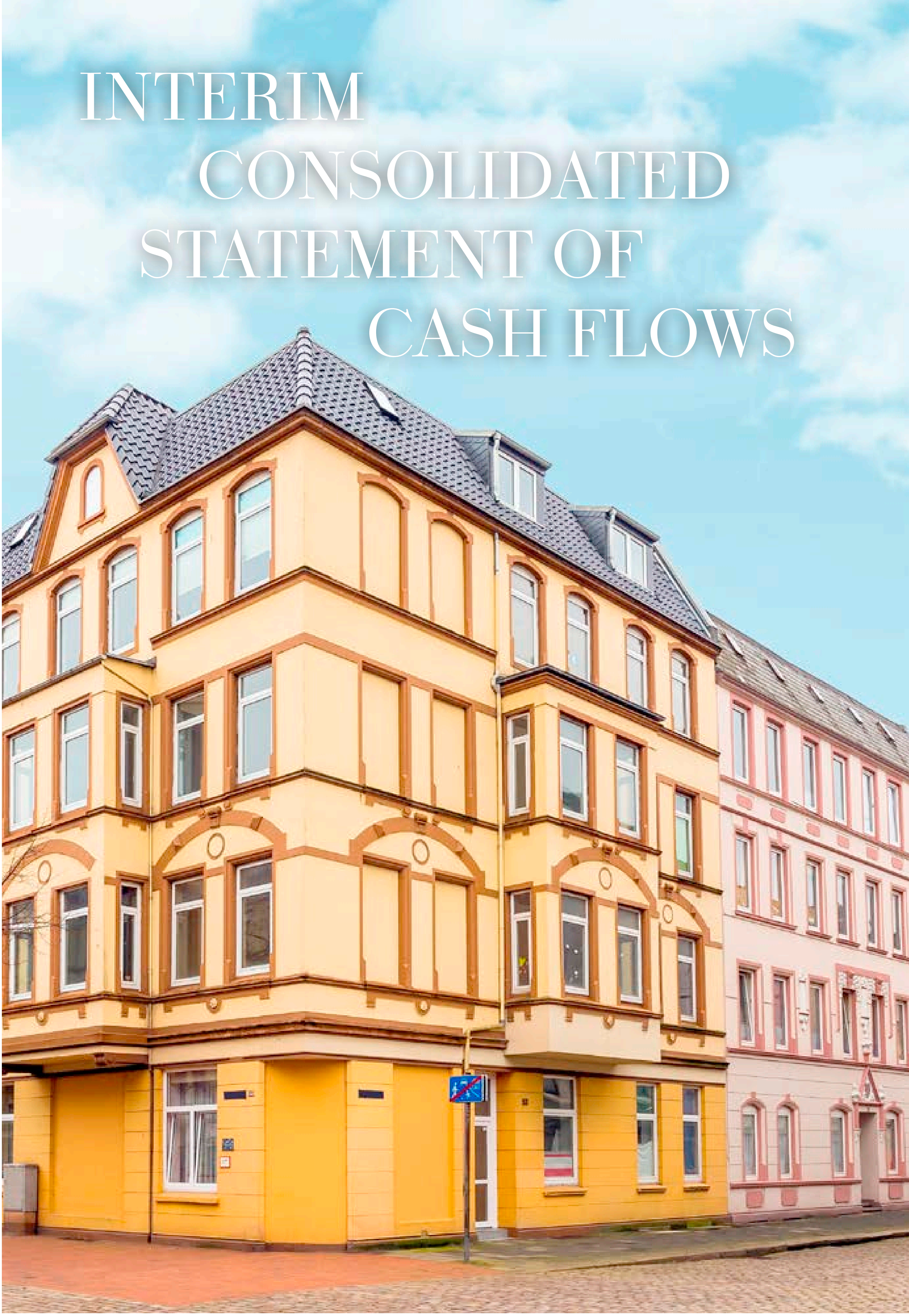
The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

€'000	Attributable to the owners of the Company									
	Share capital	Share Premium	Equity portion of convertible bond	Other reserves	Retained earnings	Total	Equity attributable to Hybrid capital investors	Total Equity attributable to the owners of the Company and Hybrid capital investors	Non-controlling interests	Total equity
Balance as at December 31, 2014 (Audited)	**11,854**	**335,171**	**7,841**	**14,382**	**581,666**	**950,914**	**-**	**950,914**	**90,736**	**1,041,650**
Profit for the period	-	-	-	-	176,725	176,725	4,937	181,662	13,687	195,349
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	176,725	176,725	4,937	181,662	13,687	195,349
Non-controlling interests arising from initially consolidated companies	-	-	-	-	-	-	-	-	5,136	5,136
Issuance of shares related to conversion of convertible bond C	428	41,513	(210)	-	-	41,731	-	41,731	-	41,731
Issuance of Hybrid capital notes	-	-	-	-	-	-	383,915	383,915	-	383,915
Equity settled share-based payment	-	-	-	329	-	329	-	329	-	329
Dividend distribution	-	(*) (24,333)	-	-	(*) -	(24,333)	-	(24,333)	-	(24,333)
Balance as at June 30, 2015 (Unaudited)	**12,282**	**352,351**	**7,631**	**14,711**	**758,391**	**1,145,366**	**388,852**	**1,534,218**	**109,559**	**1,643,777**

(*) Reclassified.

The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS



 The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

	Note	For the six months ended June 30, 2016	2015
		€'000	
Cash flows from operating activities:			
Profit for the period		392,088	195,349
Adjustments for the profit:			
Depreciation and amortization		1,003	578
Profit from business combinations, other income and sale of investments	4	(33,605)	(40,294)
Change in fair value of investment property	5	(345,705)	(120,203)
Share of profit from investments in equity accounted investees		70	-
Net finance expenses		23,637	12,068
Tax and deferred tax expenses	6	69,850	27,052
Equity settled share-based payment		368	329
		107,706	**74,879**
Changes in:			
Inventories – Trading property		(815)	(185)
Trade and other receivables		(23,123)	(34,960)
Trade and other payables		22,653	36,407
Provisions for other liabilities and charges		(315)	(4,553)
		106,106	**71,588**
Tax paid		(10,836)	(5,054)
Net cash provided by operating activities		**95,270**	**66,534**
Cash flows from investing activities			
Acquisition of equipment and intangible assets, net		(1,369)	(2,027)
Investments and acquisitions of investment property, capex and advances paid, net		(127,418)	(227,992)
Acquisition of investees and shareholder loans, net of cash acquired		(129,438)	(256,098)
Disposal of subsidiaries, net of cash disposed		40,257	-
Investment in trade securities and financial assets		(80,533)	(150,836)
Net cash used in investing activities		**(298,501)**	**(636,953)**

The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	For the six months ended June 30, 2016	2015
		€'000	
Cash flows from financing activities			
Amortization of loans from financial institutions		(4,923)	(4,116)
Repayments of loans from financial institutions, net		(53,975)	(112,056)
Proceeds from Convertible bonds, net	7F	445,454	-
Proceeds from Straight bonds, net		-	383,235
Proceeds (payment) from (to) Hybrid capital notes holders, net		(17,068)	383,915
Transactions with non-controlling interests		(4,067)	538
Interest and other financial expenses, net		(23,500)	(16,307)
Net cash provided by financing activities		**341,921**	**635,209**
Net increase in cash and cash equivalents		**138,690**	**64,790**
Cash and cash equivalents at the beginning of the period		236,001	270,131
Cash and cash equivalents at the end of the period		**374,691**	**334,921**

The notes on pages 64 to 80 form an integral part of these interim consolidated financial statements.

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

1. GENERAL

(A) INCORPORATION AND PRINCIPAL ACTIVITIES

Grand City Properties S.A. ("the Company") was incorporated in Luxembourg on December 16, 2011 as a société anonyme (private company with limited liability). Its registered office is at 24 Avenue Victor Hugo, L – 1750, Luxembourg. The condensed interim consolidated financial statements ("interim financial statements") for the six months ended June 30, 2016 consist of the financial statements of the Company and its subsidiaries ("the Group").

(B) CAPITAL AND BOND INCREASES DURING THE REPORTING PERIOD

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

(C) LISTING ON THE FRANKFURT STOCK EXCHANGE

On May 28, 2012 the Company was listed on the Frankfurt Stock Exchange in the Entry Standard market segment. The Company has registered 50,000,000 ordinary shares with a par value of euro 0.10 per share. As at the reporting date, the issued and fully paid share capital consists 153,788,883 shares with a par value of euro 0.1 per share.

(D) GROUP RATING

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

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

(E) DEFINITIONS

Throughout these notes to the interim financial statements:

The Company	Grand City Properties S.A.
The Group	The Company and its investees
Subsidiaries	Companies that are controlled by the Company (as defined in IFRS 10) and whose financial statements are consolidated with those of the Group
Associates	Companies over which the Company has significant influence (as defined in IAS 28) and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company using equity method of accounting.
Investees	Subsidiaries, jointly controlled entities and associates
Related parties	As defined in IAS 24
The reporting period	The six months ended on June 30, 2016

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 interim financial reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2015. These condensed interim consolidated financial statements have not been reviewed by the auditor.
For further information on the accounting and measurement policies used, please refer to the consolidated financial statements as at December 31, 2015, which are the basis for these interim consolidated financial statements.
These condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 17, 2016.

(B) JUDGMENTS AND ESTIMATES

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those that applied to the consolidated financial statements as at and for the year ended December 31, 2015.

(C) OPERATING SEGMENTS

The Group meets the definition of operating in two operating segments. An operating segment is a component of the Group that meets the following three criteria:

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

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

(D) SEASONALITY OF OPERATIONS

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

(E) GOING CONCERN

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(II) IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

4. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(A) ACQUISITIONS

During the reporting period the Group obtained control of several companies through acquisitions in a total consideration of euro 123 million, net of cash acquired. As an outcome of the business combinations, the Group recorded profit arising from bargain purchases at the amount of euro 33.4 million and non-controlling interests at the amount of euro 14.6 million.

Since the date whereby the Group obtained control on the above entities until the end of the reporting period, it recorded aggregated revenue and net profit at the amount of euro 3.6 million and euro 472 thousand, respectively.

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

	€'000
Investment property	228,516
Cash and Cash equivalents	2,626
	231,142
Working capital, net	(303)
Bank loans	(41,899)
Other liabilities, net	(15,438)
	(57,640)
Total identifiable net assets	**173,502**
Non-controlling interests arising from initial consolidation	(14,583)
Consideration paid	(125,477)
Profit arising from business combination (bargain purchase)	33,442

If all the above purchases were carried out at the beginning of the reporting period, the Group's revenue would have been increased by euro 6.7 million, and the Group's net profit would have been increased by euro 1.6 million.

(B) INVESTMENT IN ASSOCIATES

During the reporting period, the Group invested Euro 6.5 million in associates.

(C) DISPOSALS

During the reporting period, the Group sold several non-core properties (through share deals) for a total consideration of euro 40 million. The Group recorded capital gain in amount of euro 163 thousands as part of the consolidated statement of comprehensive income.

5. INVESTMENT PROPERTY

	Six months ended June 30	Year ended December 31
	2016	2015
	Unaudited	Audited
	€'000	
Balance as at January 1	3,845,979	2,179,982
Acquisitions of investment property during the period / year	120,427	409,912
Investment property arising from initial consolidation	228,516	1,138,494
Disposal of investment property	(42,700)	(101,720)
Transfer to Inventories – trading property	-	(5,120)
Fair value adjustment	345,705	224,431
Balance as at March 31 / December 31	4,497,927	3,845,979

6. TAX AND DEFERRED TAX EXPENSES

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

The Group tax and deferred tax expenses for the six months ended June 30, 2016, is euro 69,850 thousand (2015: euro 27,052 thousand). The Company recorded euro 5,834 thousand for corporation tax (2015: euro 3,198 thousand), euro 57,180 thousand for deferred tax and euro 6,836 thousand for property tax (2015: euro 19,276 thousand and euro 4,578 thousand, respectively).

7. LOANS AND BORROWINGS, CONVERTIBLE AND STRAIGHT BONDS

A. COMPOSITION

		June 30	December 31
		2016	2015
		Unaudited	Audited
	Note	€'000	
Long - term loans			
Loans and borrowings		816,573	792,224
Total long - term loans		**816,573**	**792,224**
Straight and Convertible bonds			
Convertible bond series C	B	-	122,576
Straight bond series D	C	480,685	479,032
Straight bond E	D	518,013	516,517
Straight bond CHF	E	49,927	49,864
Convertible bond series F	F	426,385	-
Total Straight and Convertible bonds		**1,475,010**	**1,167,989**
Short - term loans			
Loans and borrowings		10,178	19,998
Loan redemption		3,215	34,678
Total short - term loans		**13,393**	**54,676**

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

B. CONVERTIBLE BOND SERIES C

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

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

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

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

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

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

C. STRAIGHT BOND SERIES D

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

	Six months ended June 30, 2016	Year ended December 31
	2016	2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	480,758	478,107
Issuance costs	-	(610)
Expenses for the period / year	6,626	13,261
Expenses paid	(5,000)	(10,000)
Carrying amount of liability at the end of the period / year	482,384	480,758
Non-current portion of bond series D	480,685	479,032
Accrued interest	1,699	1,726
Total bond series D	482,384	480,758

D. STRAIGHT BOND SERIES E

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

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

	Six months ended June 30, 2016	Year ended December 31
	2016	2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	518,213	-
Proceeds from issuance of bond series E (550,000 notes at euro 100,000 par value)	-	520,860
Issuance costs	-	(5,854)
Net proceeds during the period	-	515,006
Expenses for the period	5,598	6,342
Expenses paid	(4,125)	(3,135)
Carrying amount of liability at the end of the period / year	519,686	518,213
Non-current portion of bond series E	518,013	516,517
Accrued interest	1,673	1,696
Total bond series E	519,686	518,213

E. STRAIGHT BOND CHF

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

	Six months ended June 30, 2016	From July 2, 2015 until December 31
	2016	2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / business combination (July 2, 2015)	51,029	54,582
Financial expenses (income) for the period, net	1,243	(1,058)
Expenses paid	-	(2,495)
Carrying amount of liability at the end of the period	52,272	51,029
Non-current portion of straight bond	49,927	49,864
Accrued interest	2,345	1,165
Total bond	52,272	51,029

F. CONVERTIBLE BOND SERIES F

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

	Six months ended June 30, 2016	Year ended December 31
	2016	2015
	Unaudited	Audited
	€'000	
Balance at the beginning of the period / year	-	-
Proceeds from issuance of Convertible bond series F (4,500 notes at euro 100,000 par value)	450,000	-
Issuance costs	(4,546)	-
Net proceeds during the period	445,454	-
Amount classified as equity component	(20,351)	
Expenses for the period	1,651	-
Expenses paid	-	-
Carrying amount of liability at the end of the period / year	426,754	-
Non-current portion of Convertible bond series F	426,385	-
Accrued interest	369	-
Total convertible bond series F	426,754	-

G. OTHER INFORMATION

(1) SECURITY, NEGATIVE PLEDGE

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

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

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

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

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

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

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

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

f. Will not permit any restriction on the ability of any subsidiary of the Company to (i) make or pay dividends or any other distributions on its share capital to the Company or any of the Company's investees or (ii) (a) pay any indebtedness owed to the Company or any of the Company's subsidiaries (b) make loans or advances to the Company or any of the Company's subsidiaries or (c) transfer any of its properties or assets to the Company or any of the Company's subsidiaries; and

g. The total indebtedness incurred by the group in respect of project financing debt shall not exceed the higher of euro 65 million or 25% of the portfolio value.

For straight CHF bond:

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

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

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

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

8. CAPITAL AND RESERVES

ISSUANCE OF ORDINARY SHARES

a. On September 10, 2015 the Company received gross proceeds of euro 151 million from a capital increase against a cash contribution. A total of 9.5 million new shares were placed at an issue price of euro 15.9 as part of a private placement to institutional investors.

b. On September 29, 2015 the Company received gross proceeds of euro 5 million from capital increase against a cash contribution. A total of 308.6 thousand new shares were placed at an issue price of euro 16.35.

c. On September 29, 2015 the Company received gross proceeds of euro 7 million from a placement of a financial instrument – a 1.1 million call options convertible to the Company's shares (in ratio of 1:1) for an additional price of euro 17.17 per option and exercisable in the period between March 2016 to August 2021.

d. Since the initial placement of Convertible bond series C and until June 30, 2016, a total amount of 274.8 million bonds were converted into shares. According to the convertible bond's terms, a total of 28.5 million shares were issued. (12.8 million shares were issued in 2016. See also Note 7B).

ISSUANCE OF HYBRID CAPITAL NOTES

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

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

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

d. These Hybrid capital notes are presented in the consolidated statement of financial position as equity reserve attributable to its holders, which is part of the total equity of the Group. The coupon is deferrable until payment resolution of a dividend to the shareholders. The deferred amounts shall not bear interest. Due to dividend distribution, an amount of euro 9.6 million payable to the Hybrid capital notes holders has been reclassified and presented in Trade and other payables.

RESOLUTION OF DIVIDEND DISTRIBUTION

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

For a decision to increase the authorized share capital of the Company after the reporting period, please see note 13.

Share capital composition:

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

9. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

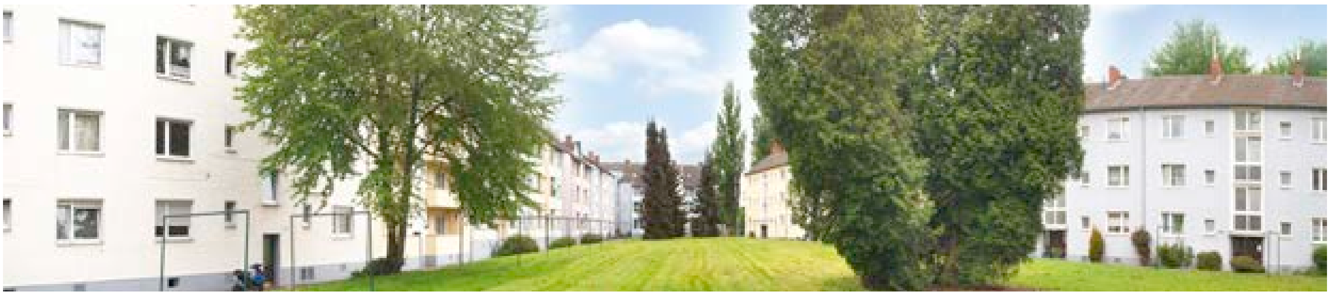
(i) Loans from associated undertakings

	June 30	December 31
	2016	2015
	Unaudited	Audited
	€'000	
Other associate undertakings	-	81

(ii) Interest on loans from related parties

	For the six months ended June 30,	
	2016	2015
	€'000	
Interest expenses	-	28

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



10. FINANCIAL INSTRUMENTS

FAIR VALUE HIERARCHY

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

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

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
	€'000			
June 30, 2016 (Unaudited)				
Traded securities at fair value through profit or loss	137,085	-	-	137,085
Total assets	**137,085**	**-**	**-**	**137,085**
Derivative financial instruments (a)	-	12,245	-	12,245
Total liabilities	**-**	**12,245**	**-**	**12,245**
December 31, 2015 (Audited)				
Traded securities at fair value through profit or loss	152,924	-	-	152,924
Total assets	**152,924**	**-**	**-**	**152,924**
Derivative financial instruments (a)	-	6,995	-	6,995
Total liabilities	**-**	**6,995**	**-**	**6,995**

(a) The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. All of the Group's derivatives financial instruments are linked to the bank loans maturity.

The calculation of the fair value of hedging instruments is based on discounted cash flows of future anticipated interest payments in place compared with the discounted cash flows of anticipated interest payments at market interest rates based on the hedging instrument agreement at the reporting date.

11. COMMITMENTS

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

12. CONTINGENT ASSETS AND LIABILITIES

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

13. EVENTS AFTER THE REPORTING PERIOD

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

GRAND CITY
Properties S.A.

GRAND CITY PROPERTIES S.A.

24, Avenue Victor Hugo
L-1750 Luxembourg

www.grandcityproperties.com