



Grand City Properties S.A.

(a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 6, Boulevard Pierre Dupong, L-1430 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register (*Registre de commerce et des sociétés*) under number B.165560)

Up to € 100,000,000 6.250 % Further Series B Bonds due 2020

Issue Price: 100 %

Grand City Properties S.A. (the "**Issuer**" or the "**Company**"), incorporated under the laws of the Grand Duchy of Luxembourg ("**Luxembourg**"), will issue on or about July 24, 2013 (the "**Issue Date**") up to € 100,000,000 6.250 % bonds due 2020 (the "**Further Series B Bonds**"). The Further Series B Bonds will bear interest from and including June 3, 2013 at a rate of 6.250 % per annum, payable semi-annually in arrear on June 3 and December 3, in each year, commencing on December 3, 2013.

The Further Series B Bonds will be consolidated and will form a single series with the existing Series B Bonds due 2020 with a principal amount of € 100,000,000 issued by the Issuer on June 3, 2013 (the "**Existing Series B Bonds**") and together with the Further Series B Bonds the "**Series B Bonds**"). The Further Series B Bonds are constituted by a trust deed dated as of October 15, 2012 as amended and restated by a supplemental trust deed dated May 15, 2013 and as further amended by a second supplemental trust deed dated June 3, 2013, a third supplemental trust deed dated June 14, 2013, a deed of replacement of trustee dated June 19, 2013 and a fourth supplemental trust deed to be entered into on or around July 24, 2013 (the "**Trust Deed**"). The Further Series B Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank at all times *pari passu* and rateably, without any preference among themselves, and *pari passu* with all other existing and future secured and unsubordinated obligations of the Issuer. Upon issuance, the Further Series B Bonds (together with the Issuer's obligations under the Existing Series B Bonds as well as under a certain convertible bond due 2017 described in this Prospectus, the "**Convertible Bond 2012-2017**" or the "**Original Bonds**") will be secured by the security granted by the Issuer and its subsidiary Grandcity Property Ltd. as described in this Prospectus (the "**Security**"). The Security will serve as security for the obligations of the Issuer in respect of the Series B Bonds and the Original Bonds. Prudential Trustee Company Limited (the "**Trustee**") will hold the Security for the benefit of the Trustee, the holders of the Series B Bonds and the holders of the Original Bonds.

The Series B Bonds will mature on June 3, 2020. The Series B Bonds are subject to discretionary early redemption by the Issuer and redemption on request by the holders of the Series B Bonds in the event of a change of control as specified in detail in the conditions of the Series B Bonds (See "*Conditions of Issue – Conditions of the Series B Bonds - Redemption and Purchase*").

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5 para. 3 of Directive 2003/71/EC of the European Parliament and the Council of November 4, 2003 (as amended, inter alia, by Directive 2010/73/EU) (the "**Prospectus Directive**"). This Prospectus will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu). This Prospectus has been approved by the Commission de Surveillance du Secteur Financier of the Grand Duchy of Luxembourg (the "**CSSF**") in its capacity as competent authority under the Luxembourg law of July 10, 2005 on prospectuses for securities, as amended (Loi relative aux prospectus pour valeurs mobilières telle que modifiée, the "**Luxembourg Prospectus Law**"), which implements the Prospectus Directive into Luxembourg law. This Prospectus will be notified to the Austrian financial markets authority (*Finanzmarktaufsichtsbehörde*, the "**FMA**") and the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht "BaFin"*) before any public offering will be made in the Republic of Austria ("**Austria**") and the Federal Republic of Germany ("**Germany**"). The CSSF assumes no responsibility with regard to the economic and financial soundness of the transaction and the quality and solvency of the Issuer. The CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Prospectus Law.

Application has been made to the Frankfurt Stock Exchange for the Series B Bonds to be included for trading on the Frankfurt Stock Exchange's Open Market (*Freiverkehr*) and listed on the Entry Standard segment for bonds of Deutsche Börse AG.

The Further Series B Bonds are issued in registered form with a denomination of € 1,000 each.

The Further Series B Bonds have been assigned the following securities codes: ISIN XS0951839991, WKN A1HNBM. On or around September 2, 2013 (being the forty-first calendar day after the Further Series B Bonds have been issued) the Further Series B Bonds will be included in the existing ISIN XS0937063310 currently assigned to the Existing Series B Bonds.

An investment in the Further Series B Bonds involves certain risks. Prospective investors should consider carefully the factors described under the heading "Risk Factors".

Lead Manager
quirin bank AG

The date of this Prospectus is July 9, 2013.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer further confirms that (i) this Prospectus contains all information with respect to the Issuer as well as to the Issuer's subsidiaries taken as a whole (the "**GCP Group**" or the "**Group**") and to the Further Series B Bonds which is material in the context of the issue and offering of the Further Series B Bonds, including all information which, according to the particular nature of the Issuer and of the Further Series B Bonds is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, and the Group and of the rights attached to the Further Series B Bonds; (ii) the statements contained in this Prospectus relating to the Issuer, the Group and the Further Series B Bonds are in every material particular true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Group and the Further Series B Bonds the omission of which would, in the context of the issue and offering of the Further Series B Bonds, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

CONSENT

The Issuer consents to the use of this prospectus for subsequent resale or final placement of the Further Series B Bonds exclusively by quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany, as the financial intermediary, from the beginning of the offer period, presumably July 10, 2013, until the end of the offer period, i.e. presumably until July 19, 2013, 14:00 CEST in the Grand Duchy of Luxembourg, the Federal Republic of Germany and the Republic of Austria. The Issuer accepts the responsibility for the content of the prospectus also with respect to subsequent resale or final placement of securities by quirin bank AG. The Prospectus may only be delivered to potential investors together with all supplements to the Prospectus, if any, published before such delivery. Any supplement to the Prospectus is available for viewing in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu). When using the Prospectus, the Lead Manager and/or relevant further financial intermediary must make certain that it complies with all applicable laws and regulations in force in the respective jurisdictions.

In the event of an offer of the Further Series B Bonds being made by the Lead Manager and/or a further financial intermediary, the Lead Manager and/or the further financial intermediary shall provide information to investors on the terms and conditions of such of-

fer of the Further Series B Bonds at the time such offer of the Further Series B Bonds is made.

Any financial intermediary using the Prospectus shall state on its website that it uses the Prospectus in accordance with the consent and the conditions attached thereto.

NOTICE

No person is authorised to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer or the Lead Manager (as defined in "*The Offer of the Further Series B Bonds*"). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or any of their affiliates since the date of this Prospectus, or that the information herein is correct at any time since its date.

Neither the Lead Manager nor any other person mentioned in this Prospectus (including, for the avoidance of doubt, the Trustee), except for the Issuer is responsible for the information contained in this Prospectus, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents. The Lead Manager has not independently verified any such information and accepts no responsibility for the accuracy thereof. Each investor contemplating purchasing any Further Series B Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer. This Prospectus does not constitute an offer of Further Series B Bonds or an invitation by or on behalf of the Issuer or the Lead Manager to purchase any Further Series B Bonds.

Neither this Prospectus nor any other information supplied in connection with the Further Series B Bonds should be considered as a recommendation by the Issuer or the Lead Manager to a recipient hereof and thereof that such recipient should purchase any Further Series B Bonds.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The offer, sale and delivery of the Further Series B Bonds and the distribution of this Prospectus in certain jurisdictions are restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. In particular, the Further Series B Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain limited exceptions, the Further

Series B Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons.

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “*anticipate*”, “*believe*”, “*could*”, “*estimate*”, “*expect*”, “*intend*”, “*may*”, “*plan*”, “*predict*”, “*project*”, “*will*” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Group’s business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Group’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Group’s business is also subject to a number of risks and uncertainties that could cause a forward looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: “*Summary*”, “*Risk Factors*” and “*General Information on the Issuer and the Group*”. These sections include more detailed descriptions of factors that might have an impact on the Group’s business and the markets in which it operates. In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Lead Manager assumes any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

In this Prospectus, the GCP Group relies on and refers to information regarding its business and the markets in which it operates and competes. Certain economic and industry data, market data and market forecasts set forth in this Prospectus were extracted from market research, governmental and other publicly available information and independent industry publications. These external sources include: website of Standard & Poor’s (<http://www.standardandpoors.com>), website of city of Berlin (<http://www.berlin.de> and www.stadtentwicklung.berlin.de), publications by Federal Statistics Office (*Statistisches Bundesamt*) (“*Statistisches Jahrbuch 2012*“ and “*Vorläufige Ergebnisse der Bevölkerungsfortschreibung 2011*“), Ministerium für Bauen und Verkehr des Landes Nordrhein-Westfalen (“*Veränderung der Wohnungsnachfrage und Reaktion des Wohnungsangebots in Nordrhein-Westfalen bis 2015*“), BayernLB (“*Long-term trends and their Significance for the Real Estate Market*“), International Monetary Fund (“*IMF World Economic*

Outlook and its Database October 2012“) as well as Jones Lang LaSalle (“Market Consideration - North Rhine-Westphalia“, “Residential Market Report Germany Spring 2012“ and “Residential Property Market Berlin - 1st half of 2012“), among others.

Where information in this Prospectus has been specifically identified as having been extracted from third party documents, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Although the Issuer has no reason to believe that any of this information is inaccurate in any material respect, the Issuer has not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. Neither the Issuer nor the Lead Manager makes any representation as to the accuracy of such information.

The language of the Prospectus is English. Any part of this Prospectus in the German language constitutes a translation.

The English text of the Conditions of Issue is controlling and binding.

The Prospectus can be found on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of the Issuer (www.grandcityproperties.com/anleihe) and is obtainable in printed form free of charge at the address of the Paying Agent (as defined in “*Conditions of the Issue*”).

In this Prospectus all references to “€”, “EUR” or “Euro” are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of May 3, 1998 on the introduction of the Euro, as amended.

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SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements known as elements (“**Elements**”). These Elements are numbered in Sections A - E (A.1 to E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with the mention of “not applicable”.

Section A - Introduction and Warnings

A.1 Warnings This summary should be read as an introduction to this Prospectus. Any decision to invest in the securities should be based on consideration on the Prospectus as a whole by the investor.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Further Series B Bonds

A.2 Consent The Issuer consents to the use of this prospectus exclusively by quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany, as financial intermediary subject to the following conditions:

- The use of the Prospectus is strictly limited to the offer period which will commence not earlier than July 10, 2013 and will be open until July 19, 2013, 14:00 CEST subject to a shortening or extension of the offer period;
- All offering and/or resale activities (including, but not limited to, all related information, marketing and distribution activities) (“**Resale Activities**”) taken by the financial intermediary must comply with: (i) all applicable laws (including all laws applicable to Resale Activities in the jurisdictions where the respective investors and/or potential investors are located or resident when they are approached by, or have access to, Resale Activities) and (ii) all requirements and selling restric-

tions described in this Prospectus;

- The use of the Prospectus is limited to the following jurisdictions: Luxembourg, Germany and Austria; and
- All Resale Activities must be accompanied by the direct hand-over of the Prospectus in its up-to-date form, including all amendments, supplements, additional information, as available at the website of the Luxembourg Stock Exchange (www.bourse.lu) (the “**Up-to-date Prospectus**”).

At the time of the offer made by any financial intermediary investors must be provided with the Up-to-date Prospectus (including the terms and conditions of the offer) by the financial intermediary, as the case may be. Further, all financial intermediaries must state on their website that each of them uses the Prospectus in accordance with the consent and the conditions attached thereto.

Section B - Issuer

- | | | |
|------|---|---|
| B.1 | Legal and commercial name | Grand City Properties S.A., Luxembourg, Grand-Duchy of Luxembourg (the “ Issuer ” or the “ Company ” and, together with its subsidiaries the “ GCP Group ” or the “ Group ”). |
| B.2 | Domicile and legal form, legislation under which the issuer operates and country of incorporation | Grand City Properties S.A was incorporated as a public limited liability company (<i>société anonyme</i>) in the Grand Duchy of Luxembourg. The Company operates under the legislation of Luxembourg. The Company has its domicile in Luxembourg. |
| B.4b | Description of any known trends affecting the issuer and the indus- | The business of the Issuer is subject to the general market conditions of the real estate industry in Germany, in particular the market for residential real estate in densely populated areas with a focus on North-Rhine Westphalia, one of Germany most productive and populous federal states and in Berlin, the country’s capital. The ongoing demand for residential real estate in these areas has a positive effect on the Group’s rental income. |

tries in
which it
operates.

- | | | |
|------|--|--|
| B.5 | Description of the group and the issuer's position within the group | Grand City Properties S.A. is the parent company of the Group, which consists of approximately 120 companies in Luxembourg, Cyprus and Germany. Its primary role within the GCP Group is to function as holding company. The operating business with respect to the Group's property portfolio is conducted primarily by the subsidiaries of the GCP Group. The properties of the Group are primarily directly held by its German subsidiaries. |
| B.9 | Profit forecast and estimates | Not applicable. No profit forecast and estimation has been made. |
| B.10 | Qualifications in the audit report on the historical financial information | Not applicable. The consolidated financial statements of the Issuer, prepared in accordance with the International Financial Reporting Standards as adopted by the EU (" IFRS ") as of and for the fiscal year ended December 31, 2012 with comparative figures for the fiscal year ended December 31, 2011 were audited by KPMG Luxembourg S.à.r.l, Luxembourg, which has issued an unqualified auditors' report. |
| B.12 | Selected historical key financial information | The following table shows selected financial information of the Group as at and for the years ended December 31, 2011 and 2012. Unless expressly indicated, the following summary of financial information is derived from the audited consolidated financial statements of the Issuer, prepared in accordance with the International Financial Reporting Standards as adopted by the EU (" IFRS ") as of and for the fiscal year ended December 31, 2012 with comparative figures for the fiscal year ended December 31, 2011 (" 2012 IFRS Consolidated Financial Statements "). The 2012 IFRS Consolidated Financial Statements are included in the Financial Information section of this Prospectus starting on page F-1. |

	As at and for the year ended December 31,	
	2012 (audited, unless indicated otherwise)	2011 (audited, unless indicated otherwise)
	In thousands of Euro	
Revenue	60,327	26,402
Operating Profit	122,366	84,420
EBITDA ⁽¹⁾ (unaudited)	122,366	84,420
Profit for the year	92,916	58,657
Total Assets	554,720	289,326
Loans and Borrowings	171,752	138,149
Convertible Bond 2012-2017	95,920	-
Short-term portion of long-term loans	4,249	2,599
Total liabilities	351,777	200,095
Total Equity	202,943	89,231
EPRA NAV ⁽²⁾ (unaudited)	338,979	110,947
Net cash provided by operating activities	35,507	14,927
LTV Ratio ⁽³⁾ (unaudited)	46.63	50.32

- (1) Non-IFRS-financial measures: Earnings before interest, tax, depreciation and amortization (“**EBITDA**”) is defined as result from continuing operations for a given period before income taxes, interest, and similar expenses, other financial result, interests and similar income as well as depreciation, amortization and impairment, net of write-ups and write-downs on property, plant and equipment and other intangible assets.
- (2) Non-IFRS-financial measures: According to the definition of net asset value recommended by the European Public Real Estate Association (“**EPRA NAV**”). It is used as a measure of the Group’s long term equity. The Company calculates the EPRA NAV on the basis of the net assets value excluding the fair value of financial instruments (net) and deferred taxes and includes the effects from exercising the Convertible Bond 2012-2017. The EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value as part of the NAV in the IFRS accounts.
- (3) Non-IFRS-financial measures: The loan-to-value ratio (“**LTV Ratio**”) is the ratio of the Convertible Bond 2012-2017, plus loans and borrowings and

loans and borrowings relating to assets held for sale, deducted by cash and cash equivalents, divided by the investment properties and assets held for sale.

There has been no material adverse change in the prospects of the Issuer since December 31, 2012, the date of the last published audited financial statements.

Since December 31, 2012 the equity of the Company was increased through a capital increase against cash contributions in February 2013 in the amount of € 35.7 million and through conversions under the Convertible Bond 2012-2017 in the amount of approximately €57.1 million. Accordingly the liabilities under the Convertible Bond 2012-2017 were reduced to approximately € 42.9 million. In addition the non-current liabilities were increased by € 100 million through the issue of the Existing Series B Bonds in June 2013. Furthermore, since December 31, 2012 the Group has acquired approximately 1,770 units and obtained control in further approximately 2,550 units, which qualified as Joint Venture Properties as of December 31, 2012. Besides the economic effect of the aforementioned there have been no significant changes in the financial or trading position of the Issuer since December 31, 2012, the last date covered by the historical financial information.

B.13 Description of any recent events particular to the issuer which are to material extent relevant to the evaluation of the issuer's solvency

Not applicable. There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency

B.14 Dependence on

Not applicable. See element B 5. The Issuer is the parent company of the Group and is not dependent on other companies of the Group. However,

other entities within the Group

the Issuer is a holding company, and its financial position and cash flow depend on the profitability and cash flow of the Group's subsidiaries, in particular of such subsidiaries directly owning the properties and generating rental income as well as of such subsidiaries realising any cash flows from the sale of properties.

B.15 Description of the issuer's principal activities

The Issuer acts as the holding company of the GCP Group. The Issuer is a specialist turnaround company focused on investing in and managing German residential properties. This focus is complemented by a German commercial property portfolio. The portfolio of the Group consists of properties which are held through fully consolidated subsidiaries of the Company ("**Investment Properties**") and of properties which are held by entities, in which subsidiaries of the Company hold 50% of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees" ("**Joint Venture Properties**"). As of December 31, 2012, the Group's real estate portfolio consisted of 10,549 residential units and 1,108 commercial units. Hereof 7,001 residential and 1,095 commercial units were Investment Properties while 3,548 residential and 13 commercial units were Joint Venture Properties. As of the date of this Prospectus the Group still holds approximately 1,000 units as Joint Venture Properties, the remaining approximately 2,550 units, which originally qualified as Joint Venture Companies as of December 31, 2012, qualify as Investment Properties as of the date of this Prospectus as the Group obtained control in the respective companies. The Group's Investment Properties and Joint Venture Properties are managed by the GCP Group and are located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous Federal State, and the capital city Berlin. The GCP Group's total portfolio as of December 31, 2012 consisting of Investment Properties and Joint Venture Properties was valued at € 591.65 million (of which € 14.68 million refer to properties the Group purchased in 2012 but acquired legal ownership in after December 31, 2012) according to the Property Appraisal Report included elsewhere in this Prospectus.

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

	create significant value in its portfolio.
B.16 Direct and indirect control of the issuer	Edolaxia Ltd., Zanelo Ltd. and Valuemonth Holdings Ltd., holding together approximately 52.43 percent of the voting rights in the Company are controlled by Mr. Yakir Gabay. Thus, Mr. Gabay currently controls 52.43 percent of the voting rights in the Company and indirectly controls the Company as he is as of the date of this Prospectus able to influence all decisions and resolutions to be adopted by the general meeting of the Company which require the majority of the votes.
B.17 Rating of the issuer	<p>As of the date of this Prospectus, the Company and the Convertible Bond 2012-2017 and the Series B Bonds are individually assigned a "BB-" rating with a stable outlook by Standard & Poor's Rating Services. The credit rating opinions awarded by Standard & Poor's Rating Services range from the highest rating "AAA", which is defined as „extremely strong capacity to meet financial commitments" to the lowest rating "D", which is defined as "Payment default on financial commitments" (<i>Source: website Standard & Poor's</i>). Standard & Poor's Rating Services define a "BB" rating as follows: Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.</p> <p>Standard & Poor's Rating Services is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of May 11, 2011.</p>
B.18 Description of the nature and scope of the guarantees	<p>The Further Series B Bonds, together with the Issuer's obligations under the Existing Series B Bonds and the Convertible Bond 2012-2017 will have the benefit of the following security as security for the obligations of the Issuer in respect of the Further Series B Bonds, the Existing Series B Bonds and the Original Bonds (the "Security"): </p> <ul style="list-style-type: none"> • a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Issuer in Grandcity Property Ltd. (previously Admond Trading & Investments Limited) ("GrandCity"); • a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Issuer with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch (the "GCP Account");

- an assignment by way of security, governed by Luxembourg law, of the Issuer's receivables and rights under, and claims against GrandCity for payment of principal and interest under, the loan agreement between the Issuer and GrandCity in an aggregate principal amount equal to the net issuance proceeds of the Original Bonds ("**GCP Loans**") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) outstanding and relating to monies lent by the Issuer to GrandCity, and all other loan agreements relating to any loan in respect of the net issuance proceeds in respect of any further secured bonds and relating to monies lent by the Issuer to GrandCity;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by GrandCity with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch (the "**GrandCity Luxembourg Account**"); and
- first-ranking charges, governed by Cypriot law, over each bank account held by GrandCity with Bank of Cyprus Public Co Ltd, ex Laiki Bank Public Co Ltd network.

The Security will be held by the Trustee for the benefit of, *inter alios*, the holders of the Further Series B Bonds, the holders of the Existing Series B Bonds and the holders of the Original Bond.

B.19 Section B
informa-
tion about
the Guar-
antors

The Issuer and its subsidiary, GrandCity provide the Security for the Further Series B Bonds. In the following certain additional information on GrandCity as required by Element B 19 are presented. Information on the Issuer which also acts as a guarantor in the meaning of Element B.19, can be found under Element B 1 et seq. above.

B.19 B.1
Legal and com-
mercial name of
the Guarantor

The legal and commercial name of the guarantor is Grandcity Property Ltd.

B.19 B.2
Domicile and
legal form of the
Guarantors, the
legislation under
which the Guar-
antor operate
and their country
of incorporation

GrandCity was incorporated as limited liability company (Limited) in the Republic of Cyprus. It has its domicile in the Republic of Cyprus and operates under the legislation of Cyprus.

<p>B.19 B.4b Description of any known trends affecting the Guarantors and the industries in which they operate</p>	<p>The business of GrandCity is subject to the general market conditions of the real estate industry in Germany, in particular the market for residential real estate in densely populated areas with a focus on North-Rhine Westphalia, one of Germany most productive and populous federal states and in Berlin, the country's capital. The ongoing demand for residential real estate in these areas has a positive effect on the Group's rental income.</p>
<p>B.19. B.5 Description of the group and the Guarantor's position within the group</p>	<p>The Group consists of approximately 120 companies in Luxembourg, Cyprus and Germany. GrandCity is a sub-holding company and a direct subsidiary of the Issuer. Its primary role within the GCP Group is to function as a sub-holding company and also – through its permanent establishment in Germany – to conduct the asset and property management activities of the GCP Group with respect to the properties held primarily by the Group's German property companies.</p>
<p>B.19 B.9 Profit forecast and estimations</p>	<p>Not applicable. GrandCity has not included a profit forecast or estimation.</p>
<p>B19. B.10 Description of the nature of qualifications in the audit report on the historical financial information</p>	<p>Not applicable. The audited consolidated financial statements of GrandCity, prepared in accordance with IFRS as of and for the fiscal year ended December 31, 2011 with compare figures for the fiscal year ended December 31, 2010 ("2011 IFRS Consolidated Financial Statements") and the audited individual financial statements information of GrandCity, prepared in accordance with Cypriot general accepted accounting principles, as of and for the fiscal years ended December 31, 2011 and 2012 ("GrandCity Individual Financial Statements 2011 and 2012") each have been applied with an unqualified auditors report of its statutory auditor KPMG Limited, Cyprus.</p>
<p>B.19 B.12 Selected historical key financial information</p>	<p>As of January 1, 2012 the Issuer received from its then existing shareholders the control of, rights to and interests in 94.8% of the shares in GrandCity as part of a group restructuring under common control and thus became the holding company of the GCP Group in its current form. Therefore, GrandCity has not prepared consolidated financial statements for the fiscal year ended December 31, 2012.</p>
	<p>The following table shows selected individual financial information of</p>

GrandCity which has been derived from the GrandCity Individual Financial Statements 2011 and 2012. As GrandCity forms part of the GCP Group the information below should be read together with the 2011 IFRS Consolidated Financial Statements and the 2012 IFRS Consolidated Financial Statements.

	Grandcity Property Ltd. (individual financial information)		
	As at and for the year ended December 31,		
	2012 (audited, unless indicated other- wise)		2011 (audited, unless indicated otherwise)
	in Euro		
Revenue	11,247,141		10,067,040
Profit for the year	7,617,847		15,451,656
Assets	149,692,554		39,634,219
Total Equity	28,029,916		20,412,069
Total Liabilities	121,662,628		19,222,150

There has been no material adverse change in the prospects of GrandCity since December 31, 2012, the date of the last published audited financial statements.

In June 2013 the Company issued of the € 100 million Existing Series B Bonds and granted a loan with respect to the net proceeds thereof to GrandCity. Furthermore, since December 31, 2012 the Group has acquired approximately 1,770 units and obtained control in further approximately 2,550 units, which qualified as Joint Venture Properties as of December 31, 2012. Besides the economic effect of the aforementioned there have been no significant changes in the financial or trading position of the GrandCity since December 31, 2012, the last date covered by the historical financial information.

B19. B.13
Recent events
particular to the
Guarantors
which are to a

Not applicable. There are no recent events particular to GrandCity which are to a material extent relevant to the evaluation of GrandCity's solvency.

material extent relevant to the evaluation of the Guarantor's solvency

B.19 B.14
Dependence on other entities within the Group

GrandCity is a member of the GCP Group and a direct subsidiary of the Issuer which holds 94.8 percent of the shares in and thus controls GrandCity.

B.19. B.15
Principal Activities of the Guarantors

GrandCity is a sub-holding company and holds shares in other subsidiaries of the GCP Group. Since March 2013, GrandCity furthermore has formed a permanent establishment in Berlin, Germany, which conducts the asset and property management activities of the GCP Group. On a general level, the GCP Group divides its asset management activities into property management, sales and marketing, construction management and property transaction management as well as key support functions such as finance, accounting and IT. The GCP Group has a platform that provides efficient in-house management of its existing portfolio and support for the execution of its growth strategy.

B.19. B.16
Direct and indirect control of the Guarantors

GrandCity is directly controlled by the Issuer.

B.19 B.17
Ratings of the Guarantors

Not applicable. There is no rating of GrandCity.

Section C - Securities

C.1 Description of the type and the class of the securities being of-

The securities offered ("**Further Series B Bonds**") are senior secured bonds in registered form. Upon issue, the Further Series B Bonds are to be consolidated and to form a single series with the existing Series B Bonds due 2020 with a principal amount of € 100,000,000 issued by the Issuer on June 3, 2013 (the "**Existing Series B Bonds**" and together with the Further Series B Bonds the "**Series B Bonds**"). The Series B Bonds are governed by, and shall be construed in accordance with, English law.

ferred and/or admitted to trading, including any secu- rity identi- fication number	The Further Series B Bonds have been assigned the following security codes: ISIN XS0951839991; WKN A1HNBM. On or around September 2, 2013 (being the forty-first calendar day after the Further Series B Bonds have been issued), the Further Series B Bonds shall be included in the existing ISIN XS0937063310 currently assigned to the Existing Series B Bonds.
C.2 Currency of the se- curities is- sue	The currency of the Further Series B Bonds is Euro.
C.5 Descrip- tion of any restric- tions on the free transfer- ability of the securi- ties	<p>Not applicable. The Further Series B Bonds are freely transferable subject to applicable laws and selling restrictions.</p> <p>In the event, that the global certificate representing the Further Series B Bonds will be exchanged for definitive registered bonds, transfer of the Further Series B Bonds is subject to lodging the relevant definitive bond certificate at the specified office of a registrar or any Paying and Transfer Agent and subject to registration of the respective holder of Further Series B Bonds in a bond register.</p>
C.8 Descrip- tion of rights at- tached to the securi- ties, in- cluding ranking and limita- tion to those rights	<p><i>Status of the Further Series B Bonds (ranking)</i></p> <p>The Further Series B Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank at all times pari passu and rateably, without any preference among themselves, and pari passu with all other existing and future secured and unsubordinated obligations of the Issuer.</p> <p><i>Security</i></p> <p>The Further Series B Bonds, together with the Issuer's obligations under the Existing Series B Bonds and the Issuer's obligations under the € 100,000,000 8% convertible bond due 2017 of the Issuer ("Convertible Bond 2012-2017" or "Original Bonds") will have the benefit of the security as described in Element B. 18.</p>

Early Redemption

The Issuer may redeem at its option at any time falling three years from June 3, 2013 all of the aggregate principal amount of the Series B Bonds initially issued on the relevant date at a redemption price equal to between 102.5% and 100 % depending on the date of such redemption together with accrued but unpaid interest to such date. The Issuer may also redeem all or only some of the Series B Bonds at their principal amount together with accrued but unpaid interest if prior to such redemption purchases and/or redemptions have been effected in respect of 80 % or more in principal amount of the Series B Bonds. The Issuer further may redeem all (but not only some) of the Series B Bonds at their principal amount together with interest accrued to the date of such redemption, in the event of certain tax changes. In addition, upon the occurrence of a change of control as defined in the Conditions of the Series B Bonds the holder of each Series B Bond will have the right to require the Issuer to redeem such Series B Bond at a redemption price equal to 101 % of its principal amount together with accrued interest to such date.

Events of Default

The Conditions of the Further Series B Bonds provide for events of default, inter alia: the Issuer fails to pay the principal of or any interest on any of the Further Series B Bonds when due; the Issuer does not perform or comply with any one or more of its other obligations in respect of the Further Series B Bonds or the Trust Deed; certain other indebtedness of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); the Issuer fails to make any payment in respect of certain other indebtedness on the due date for payment as extended by any originally applicable grace period; any security given by the Issuer for certain other indebtedness is enforced; default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to certain other indebtedness of any other person; a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the assets of the Issuer; any step is taken to enforce any Security; bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), reprieve from payment (*sursis de paiement*) or comparable events; the Issuer admits inability to, pay, its debts as they fall due, or is

deemed unable to pay its debts pursuant to or for the purposes of any applicable law, a final judgment for the payment of money are rendered against the Issuer; the Trustee declares any other indebtedness secured by the Security due and repayable or the Issuer fails to pay any amount of interest or principal upon the maturity of any other indebtedness secured by the Security.

The Issuer may remedy events of default within certain periods.

Cross Default

The Conditions of the Further Series B Bonds contain a cross default clause relating to events of default under the Original Bonds and the Series B Bonds. Any event of default under the Original Bonds will constitute an event of default of the Series B Bonds and *vice versa*.

Resolutions of Holders

The Trust Deed contains provisions pursuant to which holders of the Series B Bonds may consent to amend (with the consent of the Issuer) the Trust Deed, the Conditions as well as any other agreement relating to the Series B Bonds and decide upon certain other matters regarding the Series B Bonds. Resolutions of holders properly adopted are binding upon all holders of the Series B Bonds. Any extraordinary resolution to direct the Trustee to take or refrain from taking enforcement action of the Security, shall only be capable of being passed at a single meeting of the holders of Series B Bonds, the holders of the Original Bonds and the holders of any other secured bonds issued by the Issuer and then outstanding, taken together as a single series.

The provisions of articles 86 to 94-8 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended, are excluded.

Trustee

Prudential Trustee Company Limited has been appointed as Trustee under the Trust Deed. The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee shall have regard to the interests of the holders of the Series B Bonds as a class but shall not have

regard to any interests arising from circumstances particular to individual holders of Series B Bonds (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise or performance of its trusts, powers or discretions for individual holders of the Series B Bonds.

C.9 Description of rights attached to the securities, including ranking and limitation to those rights and information with respect to interest

See element C 8 above.

The Further Series B Bonds bear interest from (and including) June 3, 2013 at the rate of 6.250 % per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear on June 3 and December 3 in each year (each an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on December 3, 2013, subject to any early redemption. The yield of the Further Series B Bonds is 6.250 % per annum.

C.10 Derivate component in the interest payment

Not applicable. The interest payments do not have a derivative component.

C.11 Admission to trading

Not applicable. No application for admission to trading of the Series B Bonds will be made at a regulated market mentioned in the list issued by the European Commission pursuant to Directive 2004/39/EC of April 21, 2004 on markets in financial instruments ("**MIFID**").

Section D - Risks

D.2 Key information on

Grand City Properties S.A is the parent company of the GCP Group and functions as a holding company. The ability to fulfill its payment obliga-

the key risks that are specific to the Issuer and the Guarantor

tions under the Further Series B Bonds depends on its financial position and the cash flows generated by its subsidiaries.

The GCP Group is exposed to various risks due to its business activities. Existing risks can be summarized as follows:

Risk relating to the Real Estate Market

- Since the majority of its properties are located in North Rhine-Westphalia and Berlin, the business of the GCP Group is dependent on regional market conditions in these areas and the respective sub-markets, in particular their economic and demographic status and the respective trends, which in turn may be influenced by developments of these market factors in Germany.
- The German real estate market and the business of the GCP Group are affected by changes in general economic and business conditions, such as the recent sovereign debt crisis connected with a financial and economic crisis. The current economic situation is dominated by historically low interest rates. A rising interest rate could have a negative effect on the German real estate market and on the business of the GCP Group.
- Deterioration in the general economic conditions may lead to insolvencies of the Group's business partners and may have a negative impact on the demand of potential buyers or tenants.
- The further growth of the GCP Group depends on the development of its specific market for residential properties. The availability of property portfolios for sale at attractive prices is an important part of its business model. Increased competition could make it more difficult for the GCP Group to implement this strategy.

Risks Related to the Business of the GCP Group

- The loss of in-place rent, rent reductions and higher vacancy rates could have a negative effect on the GCP Group's business, net assets, cash flows, financial condition and results of operations.
- The GCP Group could fail with the turnaround of acquired properties or could not be as successful as intended to reduce vacancy rates and/or to increase in-place rent.
- The GCP Group is exposed to risks related to maintenance and repair of its properties. Besides general investments into the maintenance of the Group's real estate properties, the business model of the GCP Group requires investment activities for the targeted modernization and repositioning of the real estate properties. The modernization and repositioning of acquired properties as well as projects of maintenance could take more time or could become more expensive than originally expected.
- The success of the GCP Group's growth strategy depends on its continuing ability to acquire properties with upside potential. A main factor for the success of the GCP Group in the past was its ability to acquire properties in using its sourcing network. It cannot be excluded that the

GCP Group could fail in its ability to source attractive deals.

- The GCP Group may be unable to make acquisitions if it is unable to obtain the necessary funds.
- The acquisitions and investments of the GCP Group involve risks that cannot be avoided despite prior due diligence.
- There is a risk that the GCP Group could incorrectly appraise the value of acquired properties or property portfolios or real estate companies.
- The investments of the GCP Group are predominantly investments in real estate. Due to the potentially illiquid nature of the real estate market the Group may not be able to sell any portion of its portfolio on favorable terms.
- The GCP Group may be exposed to losses and liabilities (including tax liabilities) in respect of its assets as a result of the acts or omissions of vendors or previous owners or occupiers or relating to the prior period of ownership.
- Following an acquisition, the GCP Group is exposed to integration risks.
- Some of the Group's properties are located in areas outside its core regions North Rhine-Westphalia and Berlin, which may lead to higher management costs and may prevent the GCP Group from providing a service in a quality equal to the service provided for properties in its core regions.
- With respect to approximately 1,000 units the GCP Group is a joint venture partner which may impose obligations and certain restrictions on the GCP Group. Joint venture partners may not comply with existing agreements or become insolvent.
- Minority interests of third parties in certain of the subsidiaries of the GCP Group may make it difficult to implement significant structural changes or other material decisions with regard to these entities, in particular, where those resolutions require a qualified majority or the unanimous consent of all shareholders.
- The Group's business is exposed to risks from possible violations of the building code and other regulations.
- The GCP Group may incur environmental liabilities, e.g. from residual pollution including wartime ordnance, soil conditions and contaminants in building materials.
- The GCP Group could sustain substantial losses not covered by, or exceeding the coverage limits of, its insurance policies.
- The GCP Group may be unable to replace key personnel if it loses them.
- Damage to or interruptions in the Group's information technology system could lead to diminished data security and limit the GCP Group's business operations.

- The GCP Group is exposed to the risk of impairments of its reputation. Negative publicity or press speculation might cause potential business partners to distance themselves from a relationship with the GCP Group.

Valuation Risks

- Real estate valuation is based on assumptions that may change and are inherently subjective and uncertain, and the property appraisal reports contained in this Prospectus may not accurately reflect the value of the GCP Group's property portfolio.
- In the event of a downturn in the real estate market, the fair value model could require the GCP Group to adjust current fair values of its properties (such as in the case of a change in interest rate levels or a deterioration of the market), which could have adverse effects on the valuation of the Group's property portfolios.

Financial Risks

- The GCP Group may not be able to extend its existing credit arrangements, refinance its debt on substantially similar terms when it matures or obtain acquisition financing on financially attractive terms as and when needed.
- A rise in general interest rate levels could increase the Group's financing costs. When it attempts to mitigate interest rate risk by entering into hedge agreements, the Group also becomes exposed to the risks associated with the valuation of hedge instruments and these hedges' counterparties.
- A downgrading of the Group's current rating may impact the ability to raise further debt and may adversely influence the debt costs.
- The redemption of the Convertible Bond 2012-2017 depends on a successful refinancing when it becomes due. Besides the maturity date as stipulated in the terms and conditions, the breach of covenants of the conditions of the Convertible Bond 2012-2017 or a default of other obligations of the Company arising from the Convertible Bond 2012-2017 may result in a substantial payment obligation for the Company before the final maturity date. The failure to refinance may cause the enforcement of security granted by the Company in favor of the Trustee and the holders of the Convertible Bond 2012-2017 and the Series B Bonds. Such enforcement may cause the enforcement of a pledge on the shares of the Company in Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited), which are the only material assets of the Company.
- A change of control in the Company or a delisting of the shares in the Company may result in a substantial payment obligation for the Company with respect to the Convertible Bond 2012-2017.
- There are risks of foreclosure if the respective borrower of the GCP

Group does not fulfill its obligation under loans granted by banks. A breach of covenants or undertakings under loan agreements and/or a change of control within the GCP Group could result in substantial payment obligations for the Company and could lead to the enforcement of the related collateral.

- The Group's historical earnings and other historical financial data are not necessarily predictive of earnings or other key financial figures of the Group going forward.

Legal and Regulatory Risks

- The Group's business is subject to the general legal environment in Germany, which may change to its detriment. German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to evict tenants, increase the rents of residential units the GCP Group owns or pass on ancillary costs or modernization investment cost. Moreover, there are current political efforts to further restrict rent level increases.
- The Group's use of standardized contracts could lead to additional legal risks.
- The GCP Group could be liable for properties it has sold.
- Entities of the GCP Group may be subject to litigation, administrative proceedings and similar claims.
- There is a risk that the risk management system of the GCP Group proves to be partially or completely insufficient or fails so that unknown, unrecognized or unexpected risks may materialize.
- The GCP Group could be exposed to restitution claims.

Tax Risks

- With all its properties situated in Germany, the GCP Group is subject to the general tax environment in Germany. The Group's tax burden may increase as a consequence of current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.
- The structure of the GCP Group is influenced by the general tax environment in Germany, Cyprus and Luxembourg and changes in the tax environment in these countries may increase the tax burden of the GCP Group.

Risks specific to the Guarantor

As GrandCity is a member of the GCP Group, the risks listed above also apply to the business of GrandCity.

D.3 Key information on the key risks that	An investment in the Further Series B Bonds involves certain risks associated with the characteristics, specification and type of the Further Series B Bonds which could lead to substantial losses that holders of the Further Series B Bonds (" Holders ") would have to bear in the case of selling their
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are specific to the securities and the guarantees

Further Series B Bonds or with regard to receiving interest payments and repayment of principal. Risks regarding the Further Series B Bonds comprise, *inter alia*, the following risks:

- Further Series B Bonds may not be a suitable investment for all Investors.
- The rating of the Further Series B Bonds and the rating of the Issuer is no recommendation to buy, sell or hold the Further Series B Bonds. Any of the ratings may be suspended, reduced or withdrawn at any time.
- A liquid market for the Further Series B Bonds may not develop, or if it does develop, it may not continue.
- The Further Series B Bonds may be redeemed by the Issuer prior to the maturity date.
- An investment in the Further Series B Bonds involves market price risks and currency risks.
- The market value of the Further Series B Bonds could decrease if the creditworthiness of the Group worsens.
- The Further Series B Bonds are fixed rate Further Series B Bonds.
- Important decisions regarding the Further Series B Bonds are subject to resolutions of Holders and individual Holders may be outvoted by a majority of Holders.
- The Further Series B Bonds will be structurally subordinated to indebtedness of the majority of subsidiaries.
- The Further Series B Bonds will be effectively subordinated to the GCP Group's debt to the extent such debt is secured by assets that are not also securing the Further Series B Bonds.
- The Issuer and its subsidiaries will be able to incur additional amounts of debt, which could further exacerbate the risks associated with its indebtedness.
- The GCP Group may not be able to generate sufficient cash flows to meet its debt service obligations.
- The Issuer is a holding company; its material assets are the shares held in its subsidiary GrandCity. Thus, its source of income is limited to distributions of dividends and claims against GrandCity from intercompany loans and therefore the Issuer relies on distributions from GrandCity to service its debt obligations and repay the Further Series B Bonds.
- The proceeds from the enforcement of the Security may not be sufficient to satisfy the obligations under the Further Series B Bonds.
- Holders will be able to direct the enforcement of the Security only under certain limited circumstances.

- Local insolvency laws may not be as favorable to the investor as the bankruptcy or insolvency laws of the jurisdiction with which the investor is familiar and may preclude Holders from recovering payments due on the Further Series B Bonds.
- There may not be sufficient Security to pay all or any of the Further Series B Bonds.
- The Issuer and its subsidiary GrandCity will have control over the Security, and ordinary course of business activities could reduce the pool of assets securing the Further Series B Bonds.

Section E - Offer

E.2b Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risk

The Issuer will lend on the net proceeds under an intercompany loan agreement to its subsidiary GrandCity, which will use a significant portion of the net proceeds for the financing of new acquisitions of real estate property portfolios by the GCP Group according to the Issuer's growth strategy. The remaining portion, if any, shall be used for general corporate purposes.

E.3 Description of the terms and conditions of the offer

Principal Amount: Up to € 100,000,000

Issue Price: 100 %

Issue Date: July 24, 2013

Denomination: € 1,000 each.

Public Offer of the Further Series B Bonds:

The Further Series B Bonds will be offered to the public during an offer period which will commence not earlier than July 10, 2013 and will end on July 19, 2013, 14:00 CEST subject to a shortening or extension of the offer period. The Further Series B Bonds will be offered to institutional investors and retail investors in compliance with applicable public offer restrictions. A public offer may be made in Luxembourg following the ap-

proval of the Prospectus by the CSSF and a public offer may be made in Germany and Austria following the notification of the approval of the Prospectus by the CSSF according to Article 18 of the Prospectus Directive. The Lead Manager does not participate in the public offering.

There are no conditions to which the offer is subject.

Investors may submit their offers through banking institutions in Luxembourg, Germany and Austria. Any investor who submitted an order in relation to the Further Series B Bonds whose order is accepted will receive a confirmation by electronic mail, fax or through commonly used information systems relating to the respective allotment of Further Series B Bonds. In addition, investors may place offers with the subscription system provided by the Frankfurt Stock Exchange, the so called XETRA subscription functionality (the “**Subscription Functionality**”) during the offer period. If the Further Series B Bonds offered are oversubscribed, the Subscription-Functionality may cease to be available. The Issuer and the Lead Manager reserve the right to organise a “trading on terms of issue” (*Handel per Erscheinen*).

Should the Issuer and the Lead Manager determine any shortening or extension of the offer period, which could be the result of changing market conditions, such changes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of the Issuer (www.grandcityproperties.com/anleihe), or, if applicable, by a supplement to the Prospectus which will be prepared and published in accordance with Article 13 of the Luxembourg Prospectus Law.

The number of Further Series B Bonds to be issued will be determined on the basis of the orders received during the offer period.

Delivery and payment of the Further Series B Bonds will be made on or about July 24, 2013. The Further Series B Bonds will be delivered via bookentry through the Clearing System and its account holding banks against payment of the Issue Price.

Selling Restrictions:

The offer and sale of Further Series B Bonds and the distribution of offering materials are subject to specific restrictions. The relevant restrictions namely apply in accordance with the applicable laws in the European

Economic Area, the United States of America, the United Kingdom of Great Britain and Northern Ireland and Switzerland.

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|-----|---|---|
| E.4 | Description of any interest that is material to the issue/offer including conflicting interests | The Lead Manager or its affiliates have established contractual relationships with the Issuer with regard to the offer of up to € 100,000,000 6.250% Further Series B Bonds and the proposed trading on the stock exchange. Subject to the successful issue, the Lead Manager will be entitled to a commission the amount of which will depend on the aggregate principal amount of the Further Series B Bonds issued. Moreover, the Lead Manager has provided from time to time, and expects to provide in the future, investment services to the Issuer, for which the Lead Manager or its affiliates have received or will receive customary fees and commissions. Besides that, there are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue. |
| E.7 | Estimated expenses charged to the investor by the issuer or the offeror | Not applicable. The expenses for the issuance of the Further Series B Bonds shall be borne by the Issuer. Neither the Issuer, nor the Lead Manager, charge any costs, expenses, and taxes directly to any investor. |

GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS

Die Zusammenfassung setzt sich aus Offenlegungspflichten zusammen, die als „Elemente“ bezeichnet werden. Diese Elemente sind in den Abschnitten A – E nummeriert (A.1 – E.7).

Diese Zusammenfassung enthält alle diejenigen Elemente, welche für eine Zusammenfassung für diese Art von Wertpapieren und Emittenten erforderlich sind. Da einige Elemente nicht genannt werden müssen, können Lücken in der Nummerierung der Abfolge der Elemente auftreten.

Auch dann, wenn ein Element in die Zusammenfassung aufgrund der Art der Wertpapiere und des Emittenten enthalten ist, ist es möglich, dass keine relevanten Informationen zu dem Element zur Verfügung gestellt werden können. In einem solchen Fall ist in die Zusammenfassung eine kurze Beschreibung des Elements mit dem Hinweis „Entfällt“ eingefügt.

Abschnitt A - Einleitung und Warnhinweise

A.1 Warnhinweise
Diese Zusammenfassung (die „**Zusammenfassung**“) sollte als Einleitung zum Prospekt verstanden werden. Bei jeder Entscheidung, in die Schuldverschreibungen zu investieren, sollte sich der Anleger auf den Prospekt als Ganzes stützen. Ein Anleger, der wegen der in dem Prospekt enthaltenen Angaben Klage einreichen will, muss nach den nationalen Rechtsvorschriften seines Mitgliedstaats möglicherweise für die Übersetzung des Prospekts aufkommen, bevor das Verfahren eingeleitet werden kann.

Zivilrechtlich haften nur diejenigen Personen, die die Zusammenfassung samt etwaiger Übersetzungen vorgelegt und übermittelt haben, und dies auch nur für den Fall, dass die Zusammenfassung verglichen mit den anderen Teilen des Prospekts irreführend, unrichtig oder inkohärent ist oder verglichen mit den anderen Teilen des Prospekts wesentliche Angaben, die in Bezug auf Investitionen in die Weiteren Schuldverschreibungen Serie B für die Anleger eine Entscheidungshilfe darstellen, vermissen lassen.

A.2 Zustimmung
Der Emittent hat ausschließlich der quirin bank AG, Kurfürstendamm 119, 10711 Berlin, als Finanzintermediär die ausdrückliche Zustimmung zur Verwendung dieses Prospekts unter folgenden Bedingungen erteilt:

Die Verwendung des Prospekts ist begrenzt auf die Zeitspanne der Angebotsfrist, welche nicht vor dem 10. Juli 2013 beginnt und bis zum

19. Juli 2013, 14.00 Uhr MESZ dauern wird, es sei denn die Angebotsfrist wird verlängert oder verkürzt;

Sämtliche Angebots- und/oder Veräußerungsaktivitäten (einschließlich, aber nicht begrenzt auf alle hiermit in Zusammenhang erfolgenden Informations-, Marketing- und Vertriebsaktivitäten) („**Veräußerungsaktivitäten**“) des Finanzintermediärs müssen in Übereinstimmung mit (i) geltendem Recht (einschließlich sämtlicher Rechtsvorschriften, die auf die Veräußerungsaktivitäten in den jeweiligen Jurisdiktionen, in denen die jeweiligen Anleger und/oder potentiellen Anleger, die angesprochen werden oder die Zugang zu den Veräußerungsaktivitäten haben, ansässig oder wohnhaft sind) und (ii) den Verkaufsbeschränkungen wie sie in diesem Prospekt beschrieben sind, erfolgen;

Die Verwendung des Prospekts ist ausschließlich in folgenden Ländern zulässig: Großherzogtum Luxemburg, Bundesrepublik Deutschland sowie Republik Österreich; und

Bei sämtlichen Veräußerungsaktivitäten ist der Prospekt in seiner aktuellen Fassung, einschließlich sämtlicher etwaiger Nachträge, Ergänzungen oder zusätzlicher Informationen wie sie auf der Internetseite der Börse Luxemburg (www.bourse.lu) zugänglich sind, unmittelbar zur Verfügung gestellt werden (der „**Aktuelle Prospekt**“).

Für den Fall, dass ein Finanzintermediär ein Angebot unterbreitet, muss den Anlegern von dem Finanzintermediär der Aktuelle Prospekt (einschließlich der Angebotsbedingungen) zur Verfügung gestellt werden. Ferner haben sämtliche Finanzintermediäre auf ihrer Internetseite zu erklären, dass sie den Prospekt in Übereinstimmung mit der Zustimmung und den anwendbaren Bedingungen nutzen.

Abschnitt B - Emittent

B.1	Gesetzliche und kommerzielle Bezeichnung des	Grand City Properties S.A., Luxemburg, Großherzogtum Luxemburg (der „ Emittent “ oder die „ Gesellschaft “ und, zusammen mit ihren Tochtergesellschaften die „ GCP Gruppe “ oder die „ Gruppe “).
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	Emittenten	
B.2	Sitz, Rechtsform, geltendes Recht und Land der Gründung des Emittenten	Grand City Properties S.A. wurde als Aktiengesellschaft (<i>société anonyme</i>) im Großherzogtum Luxemburg gegründet. Die Gesellschaft unterliegt dem Recht von Luxemburg. Die Gesellschaft hat ihren Sitz in Luxemburg.
B.4b	Alle bereits bekannten Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken	Die Geschäftstätigkeit der Gesellschaft ist abhängig von den allgemeinen Marktbedingungen der Immobilienindustrie in Deutschland, insbesondere dem Markt für Wohnimmobilien in dicht besiedelten Gebieten wie Nordrhein-Westfalen, einem der produktivsten und bevölkerungsreichsten Bundesländer, und Berlin, der Hauptstadt der Bundesrepublik Deutschland. Die anhaltende Nachfrage nach Wohnimmobilien in diesen Gebieten hat einen positiven Effekt auf die Mieteinnahmen der Gruppe.
B.5	Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe	Grand City Properties S.A. ist die Konzernobergesellschaft der Gruppe, die aus ungefähr 120 Gesellschaften in Luxemburg, Zypern und Deutschland besteht. Innerhalb der Gruppe ist die Gesellschaft in erster Linie als Holding-Gesellschaft tätig. Das operative Geschäft in Bezug auf das Portfolio der Gruppe wird überwiegend durch die Tochtergesellschaften der GCP Gruppe ausgeübt. Die Immobilien der Gruppe werden überwiegend unmittelbar durch die deutschen Tochtergesellschaften gehalten.
B.9	Gewinnprognosen oder -schätzungen	Entfällt. Die Gesellschaft hat keine Gewinnprognosen oder Schätzungen abgegeben.
B.10	Beschränkungen im Bestätigungsver-	Entfällt. Der Konzernabschluss des Emittenten, welcher in Übereinstimmung mit den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind (im Folgenden „IFRS“), für das am 31. Dezember 2012 endende Geschäftsjahr mit Vergleichszahlen für

merk zu den historischen Finanzinformationen.

das am 31. Dezember 2011 endende Geschäftsjahr erstellt wurde, ist von KPMG Luxemburg S.à.r.l., Luxemburg geprüft und mit einem uneingeschränkten Bestätigungsvermerk versehen worden.

B.12 Ausgewählte wesentliche historische Finanzinformationen.

Die folgende Tabelle zeigt ausgewählte Finanzinformationen der Gruppe für die jeweils zum 31. Dezember endenden Geschäftsjahre 2011 und 2012. Soweit nicht ausdrücklich gekennzeichnet ist die folgende Zusammenfassung der Finanzinformationen dem geprüften Konzernabschluss des Emittenten, der in Übereinstimmung mit den IFRS erstellt wurde, für das am 31. Dezember 2012 endende Geschäftsjahr mit Vergleichszahlen für das am 31. Dezember 2011 endende Geschäftsjahr (der „IFRS-Konzernabschluss 2012“) entnommen. Der IFRS-Konzernabschluss 2012 ist im Finanzteil dieses Prospekts auf den Seiten F-1 ff. abgedruckt.

	Für die am 31. Dezember endenden Geschäftsjahre	
	2012 (geprüft, es sei denn anderweitig gekennzeichnet)	2011 (geprüft, es sei denn anderweitig gekennzeichnet)
	In Tausend EUR	
Umsatzerlöse	60.327	26.402
Ertrag aus gewöhnlicher Geschäftstätigkeit	122.366	84.420
EBITDA ⁽¹⁾ (ungeprüft)	122.366	84.420
Jahresüberschuss	92.916	58.657
Summe der Aktiva	554.720	289.326
Darlehensverbindlichkeiten und Verbindlichkeiten	171.752	138.149
Wandelschuldverschreibung 2012-2017	95.920	-
Anteil kurzfristiger Verbindlichkeiten an langfristigen Darlehensverbindlichkeiten	4.249	2.599
Summe der Verbindlichkeiten	351.777	200.095
Eigenkapital	202.943	89.231
EPRA NAV ⁽²⁾ (ungeprüft)	338.979	110.947
Netto-Cashflow aus betrieblicher Tätigkeit	35.507	14.927

LTV Ratio ⁽³⁾ (ungeprüft)	46,63%	50,32%
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- (1) Nicht IFRS-Kennzahl: "EBITDA" (*Earning before interest, tax, depreciation and amortization*) wird definiert als Ergebnis der laufenden Geschäftstätigkeit in einer bestimmten Periode unter Nichtberücksichtigung von Einkommenssteuern, Zins- und ähnlichen Aufwendungen, des sonstigen Finanzergebnisses, Zins- und ähnlichen Einnahmen, Gewinnen und Verlusten aus Eigenkapitalveränderungen bei assoziierten Unternehmen sowie von Abschreibungen und Wertminderungen, dem Ergebnis aus Zu- und Abschreibungen auf Immobilien, Sachanlagen und sonstigen immateriellen Vermögenswerten.
- (2) Nicht IFRS-Kennzahl: "EPRA NAV": Entsprechend der Empfehlung der European Public Real Estate Association für das Nettovermögen wird der EPRA NAV als Indikator für das langfristige Eigenkapital der Gruppe verwendet. Die Gesellschaft errechnet den EPRA NAV auf Basis des Nettovermögens unter Ausschluss des Nettozeitwerts von Finanzinstrumenten und von latenten Steuern errechnet und beinhaltet die Effekte der Ausübung von Wandlungsrechten aus der Wandelschuldverschreibung 2012-2017. EPRA NAV berücksichtigt auch Zeitwerthochschreibungen oder –abschreibungen für alle Hauptbilanzposten, welche nach IFRS nicht zu Zeitwerten als Teil des NAV angesetzt werden.
- (3) Nicht IFRS-Kennzahl: "LTV Ratio" (Loan-to-value ratio) ist die Beleihungsquote, die das Verhältnis von Finanzschulden aus der Wandelschuldverschreibung zuzüglich Darlehen und Ausleihungen und Darlehen und Ausleihungen in Bezug auf zur Veräußerung gehaltenen Immobilien, abzüglich des Finanzmittelbestands, zur Summe der als Finanzinvestition und zur Veräußerung gehaltenen Immobilien.

Seit dem letzten geprüften Konzernabschluss zum 31. Dezember 2012 hat es keine wesentlichen nachteiligen Veränderungen in den Aussichten des Emittenten gegeben.

Im Zeitraum seit dem 31. Dezember 2012 wurde das Grundkapital der Gesellschaft durch eine Kapitalerhöhung gegen Bareinlagen um € 35,7 Mio. sowie um ca. € 57,1 Mio. durch Ausübung von Wandlungsrechten aus der Wandelschuldverschreibung 2012-2017 erhöht. Dementsprechend haben sich die Verbindlichkeiten aus der Wandelschuldverschreibung 2012-2017 auf ca. € 42,9 Mio. verringert. Die langfristigen Verbindlichkeiten haben sich um € 100 Mio. durch die Begebung der Bestehenden Schuldverschreibungen Serie B im Juni 2013 erhöht. Ferner hat die Gruppe seit dem 31. Dezember 2012 weitere ca. 1.770 Einheiten erworben und übernommen sowie hinsichtlich ca. 2.550 Einheiten, die zum 31. Dezember 2012 noch als Joint Venture Immobilien gehalten wurden,

	<p>die Kontrolle der diese Einheiten haltenden Gesellschaften erlangt. Außer dem Vorgenannten und dessen wirtschaftlichem Effekt ist seit dem 31. Dezember 2012, dem letzten von den historischen Finanzinformationen abgedeckten Datum, ist keine wesentliche Veränderung in der Finanzlage oder Handelsposition des Emittenten eingetreten.</p>
<p>B.13 Ereignisse aus der jüngsten Zeit der Geschäftstätigkeit des Emittenten, die für die Bewertung seiner Zahlungsfähigkeit in hohem Maße relevant sind.</p>	<p>Entfällt. Es bestehen keine Ereignisse aus der jüngsten Zeit der Geschäftstätigkeit des Emittenten, die für die Bewertung seiner Zahlungsfähigkeit in hohem Maße relevant sind.</p>
<p>B.14 Abhängigkeit von anderen Unternehmen der Gruppe.</p>	<p>Entfällt. Siehe Element B.5: Der Emittent ist die Konzernobergesellschaft der Gruppe und nicht von anderen Unternehmen der Gruppe abhängig. Da der Emittent eine Holding-Gesellschaft ist, ist seine Finanz- und Ertragslage aber abhängig von der Profitabilität und den Erträgen der Tochtergesellschaften der Gruppe, insbesondere von denen der Tochtergesellschaften, die unmittelbar Immobilien halten und sowohl Mieteinnahmen als auch Einnahmen aus dem Verkauf von Immobilien erzielen.</p>
<p>B.15 Beschreibung der Haupttätigkeiten des Emittenten.</p>	<p>Der Emittent ist die Holding-Gesellschaft der GCP Gruppe. Der Emittent ist eine auf den Turnaround von Immobilien spezialisierte Gesellschaft mit einem Fokus auf die Investition in und die Verwaltung von Wohnimmobilien in der Bundesrepublik Deutschland. Dies wird ergänzt durch ein Portfolio von Gewerbeimmobilien in der Bundesrepublik Deutschland. Das Portfolio der Gruppe besteht aus Immobilien, welche von voll konsolidierten Tochtergesellschaften gehalten werden („Investment Immobilien“) und Immobilien, die von Gesellschaften gehalten werden, an denen Tochtergesellschaften 50 % der Stimmrechte halten und die in</p>

den Jahresabschlüssen als Investitionen in kapitalkonsolidierte Gesellschaften (*investments in equity-accounted investees*) erfasst werden („**Joint Venture Immobilien**“). Zum 31. Dezember 2012 verfügte die Gruppe über 10.549 Wohneinheiten und 1.108 Gewerbeeinheiten wovon 7.001 Wohneinheiten und 1.095 Gewerbeeinheiten Investment Immobilien und 3.548 Wohneinheiten und 13 Gewerbeeinheiten Joint Venture Immobilien waren. Zum Datum dieses Prospekts hält die Gruppe noch ca. 1.000 Einheiten als Joint Venture Immobilien. Die weiteren ca. 2.550 Einheiten, welche zum 31. Dezember 2012 noch Joint Venture darstellten, sind zum Datum des Prospekts Investment Immobilien, da die Gesellschaft an den betreffenden Immobiliengesellschaften Kontrolle erlangt hat. Die Investment Immobilien und die Joint Venture Immobilien der Gruppe werden von der GCP Gruppe verwaltet; sie befinden sich in dicht besiedelten Gebieten mit einem Fokus auf Nordrhein-Westfalen, Deutschlands meist besiedeltem Bundesland und der Hauptstadt Berlin. Das Gesamtportfolio der GCP Gruppe zum 31. Dezember 2012 bestehend aus Investment Immobilien und Joint Venture Immobilien wurde gemäß dem in diesem Prospekt abgedruckten Bewertungsgutachten mit einem Wert in Höhe von € 591,65 Millionen bewertet, wovon ein Betrag in Höhe von € 14,68 Millionen auf Immobilien entfällt, die im Jahr 2012 erworben, hinsichtlich derer die Gruppe aber erst nach dem 31. Dezember 2012 Eigentum erlangt hat.

Die GCP Gruppe ist in sämtlichen Bereichen der Wertschöpfungskette der Immobilienverwaltung tätig. Der Fokus der Gruppe besteht darin, Immobilien mit guten Fundamentalwerten, die nicht optimal verwaltet oder positioniert sind, zu erwerben und diese durch eine intensive Immobilienverwaltung und Mieterbetreuung sowie gezielte Modernisierung zu restrukturieren und somit einen Turnaround zu erreichen. Dies ermöglicht es der Gesellschaft wesentliche Wertsteigerungen in ihrem Portfolio zu generieren.

B.16 Unmittelbare oder mittelbare Kontrolle des Emittenten.

Edolxia Ltd., Zanelo Ltd. and Valuemonth Holdings Ltd., die gemeinsam 52,43 % der Stimmrechte der Gesellschaft halten, werden kontrolliert von Herrn Yakir Gabay. Somit kontrolliert Herr Yakir Gabay derzeit 52,43 % der Stimmrechte der Gesellschaft und somit indirekt die Gesellschaft, da er zum Zeitpunkt dieses Prospekts in der Lage ist, sämtliche Entscheidungen and Beschlussfassungen, die von der Generalversammlung zu treffen sind und die die einfache Mehrheit der Stimmen bedürfen, zu beeinflussen.

B.17 Rating des Emittenten.

Zum Zeitpunkt dieses Prospekt verfügt sowohl die Gesellschaft als auch die Wandelschuldverschreibung 2012-2017 und die Schuldverschreibungen Serie B über ein von Standard & Poors Rating Services vergebenes Rating von „BB-“ mit stabilem Ausblick. Die von der Agentur Standard & Poors Rating Services vergebenen Ratings reichen von dem höchst möglichen Rating „AAA“, das definiert ist als „extrem starke Fähigkeit finanzielle Verpflichtungen zu erfüllen“ bis zum niedrigsten möglichen Rating „D“, das definiert ist als „Zahlungsausfälle bei finanziellen Verpflichtungen“ (Quelle: Internetseite von Standard & Poors). Die Agentur Standard & Poors Rating Services definiert ein „BB-“ Rating wie folgt: Kurzfristig weniger gefährdet, aber mit großen anhaltenden Unsicherheiten bei negativen Geschäfts-, Finanz- und Wirtschaftsbedingungen. Ratings von „AA“ bis „CCC“ können um ein Plus (+) oder Minus (-) ergänzt werden, um das jeweilige Verhältnis innerhalb der Rating Kategorie darzustellen.

Standard & Poors Rating Services ist eine in der Europäischen Union gegründete und gemäß der EU-Verordnung Nr. 1060/2009 des Europäischen Parlaments und des Rates vom 16. September 2009 über Ratingagenturen, geändert gemäß der EU-Verordnung Nr. 513/2011 des Europäischen Parlaments und des Rates vom 11. Mai 2011 registrierte Ratingagentur.

B.18 Beschreibung von Art und Umfang der Garantie.

Sowohl die Weiteren Schuldverschreibungen Serie B, die Verpflichtungen des Emittenten aus den Bestehenden Schuldverschreibungen Serie B als auch die Wandelschuldverschreibung 2012-2017 werden mit den folgenden Sicherheiten als Sicherheiten für die Verpflichtungen des Emittenten in Bezug auf die Weiteren Schuldverschreibungen Serie B, die Bestehenden Schuldverschreibungen Serie B und die Wandelschuldverschreibung 2012-2017 (die „**Sicherheiten**“) besichert sein:

- Erstrangiges Pfandrecht nach dem Recht der Republik Zypern an sämtlichen vom Emittenten an der Grandcity Property Ltd. (vormals Adminond Trading & Investments Limited) („**GrandCity**“) gehaltenen Geschäftsanteilen;
- Erstrangige Verpfändung nach luxemburgischen Recht des Kontos des Emittenten bei der Bank Hapoalim (Switzerland) Ltd., Niederlassung Luxemburg (das „**Konto GCP**“);
- Sicherungsabtretung nach luxemburgischen Recht sämtlicher Ansprüche und Rechte des Emittenten gegen GrandCity auf Rückzahlung des Darlehensbetrags nebst Zinsen aus dem Dar-

lehensvertrag zwischen dem Emittenten und GrandCity in Höhe des Nettoerlöses aus der Wandelschuldverschreibung 2012-2017 (die „**GCP Darlehen**“) sowie allen anderen Darlehensverträgen gleich welcher Art und welchen Zwecks zwischen dem Emittenten als Darlehensgeber und GrandCity, die noch nicht zurückgezahlt wurden, sowie allen zukünftig vom Emittenten an GrandCity gewährten Darlehen in Bezug auf Nettoerlöse aus zukünftigen besicherten Schuldverschreibungen;

- Erstrangige Verpfändung nach luxemburgischen Recht des Kontos von GrandCity bei der Bank Hapoalim (Switzerland) Ltd., Niederlassung Luxemburg (das „**Konto GrandCity Luxemburg**“);
- Erstrangige Verpfändung nach dem Recht der Republik Zypern sämtlicher Konten von GrandCity bei der Bank of Cyprus Public Co Ltd (vormals Gruppe Laiki Bank Public Co Ltd).

Die Sicherheiten werden vom Treuhänder im Interesse unter anderem der Inhaber der Weiteren Schuldverschreibungen Serie B, der Bestehenden Schuldverschreibungen Serie B und der Wandelschuldverschreibung 2012-2017 gehalten.

B.19 Informationen über den Garant

Der Emittent und seine Tochtergesellschaft, GrandCity stellen die Sicherheiten für die Weiteren Schuldverschreibungen Serie B. Nachfolgend werden ausgewählte Informationen in Bezug auf die GrandCity wie von Element B.19 gefordert, dargestellt. Für Informationen zum Emittenten, der ebenfalls als Garant im Sinne von Element B. 19 anzusehen ist, siehe oben Element B.1 ff.

B.19 B.1 Gesetzliche und kommerzielle Bezeichnung des Garanten

Die Firma und der kommerzielle Name des Garanten lautet Grandcity Property Ltd.

B.19. B.2 Sitz und Rechtsform des Garanten, das für den Garant geltende Recht und Land der Gründung der Gesellschaft

GrandCity wurde als Gesellschaft mit beschränkter Haftung (Limited) in der Republik Zypern gegründet. GrandCity unterliegt dem Recht von Zypern und hat seinen Sitz in Zypern.

B.19. B.4b
Alle bereits be-
kannten Trends,
die sich auf den
Garanten und die
Branchen, in de-
nen er tätig ist,
auswirken

Die Geschäftstätigkeit von GrandCity ist abhängig von den allgemeinen Marktbedingungen für die Immobilienindustrie in Deutschland, insbesondere den Markt für Wohnimmobilien in dicht besiedelten Gebieten wie Nordrhein-Westfalen, einem der produktivsten und am dichtesten besiedelten Bundesländer sowie Berlin, der Hauptstadt der Bundesrepublik Deutschland. Die anhaltende Nachfrage nach Wohnimmobilien in diesen Gebieten hat einen positiven Effekt auf die Mieteinnahmen der Gruppe.

B.19. B.5
Beschreibung der
Gruppe und der
Stellung des Ga-
ranten innerhalb
dieser Gruppe

Die Gruppe besteht aus ungefähr 120 Gesellschaften in Luxemburg, Zypern und Deutschland. GrandCity ist eine Zwischenholding-Gesellschaft und direkte Tochtergesellschaft des Emittenten. Innerhalb der GCP Gruppe ist GrandCity in erster Linie als Zwischenholding-Gesellschaft und - aufgrund ihrer dauerhaften Niederlassung in Deutschland - als Vermögens- und Immobilienverwaltungsgesellschaft innerhalb der GCP Gruppe in Bezug auf die Immobilien, welche überwiegend von den deutschen Tochtergesellschaften der Gruppe gehalten werden, tätig.

B.19. B.9
Gewinnprognosen
und -schätzungen

Entfällt. GrandCity hat keine Gewinnprognosen oder -schätzungen abgegeben.

B.19 B.10
Beschreibung der
Art der Beschrän-
kungen im Bestä-
tigungsvermerk zu
den historischen
Finanzinformatio-
nen

Entfällt. Der geprüfte Konzernabschluss von GrandCity, welcher in Übereinstimmung mit den IFRS für das am 31. Dezember 2011 endende Geschäftsjahr mit Vergleichszahlen für das am 31. Dezember 2010 endende Geschäftsjahr aufgestellt wurde (der „**IFRS-Konzernabschluss 2011**“) sowie die geprüften Jahresabschlüsse von GrandCity, welche in Übereinstimmung mit den in Zypern geltenden Bilanzierungsvorschriften für die am 31. Dezember 2011 und 2012 endenden Geschäftsjahre aufgestellt wurden (die „**GrandCity Einzelabschlüsse 2011 und 2012**“), sind von KPMG Limited, Zypern geprüft und mit einem uneingeschränkten Bestätigungsvermerk versehen worden.

B.19 B.12
Ausgewählte we-
sentliche histori-
sche Finanzinfor-
mationen

Seit dem 1. Januar 2012 hält der Emittent 94,8 % der Geschäftsanteile und Stimmrechte an GrandCity, welche er im Rahmen einer gruppeninternen Umstrukturierung unter gemeinsamer Kontrolle von den seinerzeitigen Gesellschaftern erlangt hat, so dass der Emittent seitdem die Konzernobergesellschaft der GCP Gruppe in ihrer derzeitigen Form bildet. Aus diesem Grund hat GrandCity keinen Konzernabschluss für

das am 31. Dezember 2012 endende Geschäftsjahr aufgestellt.

Die nachfolgende Tabelle zeigt ausgewählte historische Finanzinformationen von GrandCity, welche den GrandCity Einzelabschlüssen 2011 und 2012 entnommen sind. Da GrandCity Mitglied der GCP Gruppe ist, sollten die nachfolgenden Informationen zusammen mit dem IFRS-Konzernabschluss 2011 und dem IFRS-Konzernabschluss 2012 gelesen werden.

	Grandcity Properties Ltd. (Einzelabschlussinformationen)	
	Für die am 31. Dezember endenden Geschäftsjahre	
	2012 (geprüft, es sei denn anderweitig gekennzeichnet)	2011 (geprüft, es sei denn anderweitig gekennzeichnet)
	In EUR	
Umsatzerlöse	11.247.141	10.067.040
Jahresüberschuss	7.617.847	15.451.656
Summe der Aktiva	149.692.554	39.634.219
Summe der Verbindlichkeiten	121.662.628	19.222.150
Eigenkapital	28.029.916	20.412.069

Seit dem letzten geprüften Jahresabschluss zum 31. Dezember 2012 hat es keine wesentlichen nachteiligen Veränderungen in den Aussichten von GrandCity gegeben.

GrandCity hat ein Darlehen in Höhe der Nettoerlöse aus der von der Gesellschaft im Juni 2013 begebenen € 100 Mio Bestehenden Schuldverschreibung Serie B erhalten. Ferner hat die Gruppe seit dem 31. Dezember 2012 weitere ca. 1.770 Einheiten erworben und übernommen sowie hinsichtlich ca. 2.550 Einheiten, die zum 31. Dezember 2012 noch als Joint Venture Immobilien gehalten wurden, die Kontrolle der diese Einheiten haltenden Gesellschaften erlangt. Außer dem Vorgenannten und dessen wirtschaftlichem Effekt ist seit dem 31. Dezember 2012, dem letzten von den historischen Finanzinformationen abgedeckten Datum, ist keine wesentliche Veränderung in der Finanzlage oder Handelsposition von GrandCity eingetreten.

B.19 B.13
Ereignisse aus der

Entfällt. Es bestehen keine Ereignisse aus der jüngsten Zeit der Geschäftstätigkeit von GrandCity, die für die Bewertung seiner Zahlungsfä-

jüngsten Zeit der Geschäftstätigkeit des Garanten, die für die Bewertung seiner Zahlungsfähigkeit in hohem Maße interessant sind

higkeit in hohem Maße relevant sind.

B.19 B.14
Abhängigkeit von anderen Unternehmen der Gruppe

GrandCity ist Mitglied der GCP Gruppe und eine direkte Tochtergesellschaft des Emittenten, der 94,8 % der Geschäftsanteile an GrandCity hält und somit GrandCity kontrolliert.

B.19 B.15
Haupttätigkeiten des Garanten

GrandCity ist eine Zwischenholding-Gesellschaft, die Anteile an anderen Tochtergesellschaften der GCP Gruppe hält. Seit März 2013 hat GrandCity eine dauerhafte Niederlassung in Berlin, Deutschland, errichtet, welche die Vermögens- und Immobilienverwaltungsaktivitäten der GCP Gruppe ausübt. Grundsätzlich unterteilt die GCP Gruppe ihre Vermögens- und Immobilienverwaltungsaktivitäten in Immobilienverwaltung, Vertrieb, Bau- und Instandhaltungsmanagement und Immobilientransaktionen sowie Finanzen, Buchhaltung und IT. Die GCP Gruppe hat eine Plattform welche eine effiziente gruppeninternes Verwaltung und Betreuung ihres bestehenden Portfolios sowie die Umsetzung der Wachstumsstrategie gewährleistet.

B.19 B.16
Unmittelbare oder mittelbare Beteiligung an dem Garanten

GrandCity wird unmittelbar vom Emittenten kontrolliert.

B.19 B.17
Rating des Garanten

Entfällt. Es besteht kein Rating von GrandCity.

Abschnitt C - Wertpapiere

- C.1 Beschreibung von Art und Gattung der angebotenen und/oder zum Handel zuzulassenden Wertpapiere, einschließlich der Wertpapierkennung.
- Die angebotenen Wertpapiere (die „**Weiteren Schuldverschreibungen Serie B**“) sind besicherte auf den Namen lautende Schuldverschreibungen. Im Zeitpunkt ihrer Begebung werden die Weiteren Schuldverschreibungen Serie B mit den bestehenden Schuldverschreibungen Serie B mit Fälligkeit im Jahr 2020 und einem Gesamtbetrag von € 100.000.000, die am 3. Juni 2013 vom Emittenten begeben wurden (die „**Bestehenden Schuldverschreibungen Serie B**“ und gemeinsam mit den Weiteren Schuldverschreibungen Serie B die „**Schuldverschreibungen Serie B**“) zusammengefasst und bilden eine einheitliche Serie mit diesen.
- Die Schuldverschreibungen Serie B unterliegen englischem Recht und werden in Übereinstimmung hiermit begeben.
- Die Weiteren Schuldverschreibungen Serie B haben die ISIN XS0951839991 und die WKN A1HNBM. Am oder um den 2. September 2013 (am 41. Kalendertag nach Begebung der Weiteren Schuldverschreibungen Serie B) werden die Weiteren Schuldverschreibungen Serie B in die bestehende ISIN XS0937063310 der Bestehenden Schuldverschreibungen Serie B einbezogen.
- C.2 Währung der Wertpapieremission.
- Die Währung der Weiteren Schuldverschreibungen Serie B ist Euro („€“).
- C.5 Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.
- Entfällt. Die Weiteren Schuldverschreibungen Serie B sind im Rahmen des anwendbaren Rechts und der Verkaufsbeschränkungen frei übertragbar. Für den Fall, dass die Globalurkunde der Weiteren Schuldverschreibungen Serie B im Wege der Verbriefung durch Einzelurkunden ersetzt werden soll, ist die Übertragung der Weiteren Schuldverschreibungen Serie B abhängig von der Hinterlegung der jeweiligen Urkunde für die Schuldverschreibungen bei der bezeichneten Zahlstelle und von der Eintragung des jeweiligen Inhabers der Weiteren Schuldverschreibungen Serie B in ein Schuldverschreibungsregister.

C.8 Beschreibung der mit den Wertpapieren verbundenen Rechte einschließlich der Rangordnung und Beschränkung dieser Rechte.

Status der Weiteren Schuldverschreibungen Serie B (Rang)

Die Weiteren Schuldverschreibungen Serie B begründen besicherte, direkte, nicht bedingte und nicht nachrangige Verbindlichkeiten des Emittenten, die untereinander und mit allen anderen gegenwärtigen und zukünftigen besicherten und nicht nachrangigen Verbindlichkeiten des Emittenten gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

Sicherheiten

Die Weiteren Schuldverschreibungen Serie B, die Verpflichtungen des Emittenten aus den Bestehenden Schuldverschreibungen Serie B sowie die Verpflichtungen des Emittenten aus der im Jahr 2017 fälligen € 100,000,000 8 % Wandschuldverschreibung des Emittenten („**Wandelschuldverschreibung 2012-2017**“ oder „**Ursprüngliche Schuldverschreibung**“) sind mit den in Element B.18 beschriebenen Sicherheiten besichert.

Vorzeitige Rückzahlung

Der Emittent kann nach seiner Wahl jederzeit, erstmals jedoch drei Jahre nach dem 3. Juni 2013, den ursprünglich unter den Schuldverschreibungen Serie B zu den jeweiligen Zeitpunkten ausgegebenen Gesamtbetrag vollständig zu einem Preis zwischen 102,5 % und 100 % des Nominalbetrags abhängig vom jeweiligen Rückzahldatum zuzüglich angefallener und noch nicht bezahlter Zinsen zurückzahlen. Der Emittent kann ferner sämtliche oder einzelne Schuldverschreibungen Serie B zu einem Preis in Höhe des jeweiligen Nominalbetrags zuzüglich angefallener und noch nicht bezahlter Zinsen vorzeitig zurückzahlen, wenn bereits mindestens 80 % der Schuldverschreibungen Serie B zurückgekauft oder zurückgezahlt worden sind. Der Emittent kann ferner im Fall von bestimmten steuerlichen Veränderungen sämtliche (und nicht nur einzelne) Schuldverschreibungen Serie B zu einem Preis in Höhe des jeweiligen Nominalbetrags zuzüglich angefallener und noch nicht bezahlter Zinsen vorzeitig zurückzahlen. Zusätzlich haben die Inhaber der Schuldverschreibungen Serie B im Fall eines Kontrollwechsels wie in den Bedingungen der Schuldverschreibungen Serie B definiert das Recht, vom Emittenten die Rückzahlung der jeweiligen Serie B Schuld-

verschreibung zu einem Preis in Höhe von 101 % des jeweiligen Nominalbetrags einschließlich angefallener Zinsen zu verlangen.

Verzugsereignisse (Events of Default)

Die Anleihebedingungen der Weiteren Schuldverschreibungen Serie B enthalten eine Reihe definierter Verzugsereignisse (*Events of Default*). Hierzu zählen unter anderem: Der Emittent zahlt den Nominalbetrag oder Zinsen nicht zurück, obwohl diese fällig sind; der Emittent verletzt eine oder mehrere Pflichten aus den Schuldverschreibungen Serie B oder der Treuhandvereinbarung; andere Verbindlichkeiten des Emittenten werden aufgrund anderweitiger Verzugseignisse zur Zahlung fällig; der Emittent kommt Zahlungsverpflichtungen aus anderen Verbindlichkeiten trotz einer eingeräumten Nachfrist (*grace period*) nicht nach; es erfolgt die Vollstreckung in eine vom Emittenten für andere Verbindlichkeiten gewährte Sicherheit, der Emittent kommt einer fälligen Zahlungspflicht aus einer Garantie oder sonstigen Freistellung, die er in Bezug auf andere Verbindlichkeiten abgegeben hat, nicht nach; ein Pfändungs-, Beschlagnahme-, Zwangsvollstreckungs- oder sonstiges Verfahren wird in Bezug auf sämtliche oder einen wesentlichen Teil der Vermögenswerte des Emittenten eingeleitet, durchgeführt oder vollstreckt; jegliche Maßnahmen der Zwangsvollstreckung in die Sicherheiten; Konkurs, Insolvenz, freiwillige oder zwingende Liquidation, Zahlungsaufschub oder vergleichbare Ereignisse; der Emittent erklärt, zahlungsunfähig zu sein oder der Emittent gilt nach den Vorschriften anwendbaren Rechts als zahlungsunfähig; der Emittent wird rechtskräftig zu einer Geldzahlung verurteilt, der Treuhänder erklärt, dass Verbindlichkeiten, die ebenfalls von den Sicherheiten besichert werden, fällig sind und der Emittent kommt seiner Zahlungspflicht im Hinblick auf den Nominalbetrag oder Zinsen trotz Fälligkeit derselben nicht nach.

Der Emittent kann Verzugsereignisse innerhalb bestimmter Fristen heilen.

Cross Default

Die Anleihebedingungen der Weiteren Schuldverschreibungen Serie B enthalten eine Cross-Default-Klausel (Drittverzugsklausel) im Hinblick auf Verzugsereignisse unter den Ursprünglichen Schuldverschreibungen und den Schuldverschreibungen Serie B, wonach ein Verzugsergebnis im Zusammenhang mit den Ursprünglichen Schuldverschreibun-

gen ein Verzugsereignis der Schuldverschreibungen Serie B begründet und umgekehrt.

Beschlüsse der Schuldverschreibungsinhaber

Die Treuhandvereinbarung sieht vor, dass Änderungen der Treuhandvereinbarung, der Anleihebedingungen und bestimmten sonstigen Maßnahmen und Vereinbarungen in Bezug auf die Schuldverschreibungen Serie B unter dem Vorbehalt der Zustimmung der Inhaber der Schuldverschreibungen Serie B (mit Zustimmung des Emittenten) stehen. Ordnungsgemäß gefasste Beschlüsse sind für alle Schuldverschreibungsinhaber verbindlich. Jedwede außerordentliche Beschlussfassung, die den Treuhänder anweisen soll, Zwangsvollstreckungsmaßnahmen in die Sicherheiten einzuleiten und zu unterlassen können nur in einer gemeinsamen Versammlung der Inhaber der Schuldverschreibungen Serie B, der Ursprünglichen Schuldverschreibungen und etwaiger zukünftiger vom Emittenten begebener besicherter Schuldverschreibungen, die dann noch ausstehen, behandelt als eine gemeinsame Serie, gefasst werden.

Die Anwendbarkeit der Regelungen von Artikel 86 bis 94-8 des Luxemburger Gesetzes vom 10. August 1915 ist ausgeschlossen.

Treuänder

Als Treuänder gemäß der Treuhandvereinbarung wurde Prudential Trustee Company Limited bestellt. Die Treuhandvereinbarung enthält Bestimmungen über die Schadloshaltung des Treuhänders sowie der Haftungsfreistellung, einschließlich der Befreiung keine Verfahren einzuleiten, es sei denn es erfolgt eine entsprechend Schadloshaltung und/oder Sicherung und/oder Vorfinanzierung. Der Treuänder vertritt die Interessen der Inhaber der Schuldverschreibungen Serie B als Ganzem, nicht jedoch die Interessen einzelner Inhaber der Schuldverschreibungen Serie B, insbesondere unabhängig und ungeachtet der Konsequenzen seiner Handlungen oder Leistungen für das Treuhandvermögen, Weisungen oder Befugnisse einzelner Inhaber der Schuldverschreibungen Serie B.

C.9 Beschreibung der mit den

Siehe Element C.8

Die Weiteren Schuldverschreibungen Serie B werden ab dem 3. Juni

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2013 (einschließlich) mit 6,250 % per annum auf Basis des jeweiligen Nominalbetrags verzinst und sind, vorbehaltlich vorzeitiger Rückzahlung, halbjährlich in Bezug auf die vorherige Zinsperiode jeweils am 3. Juni und 3. Dezember zahlbar (jeweils ein „**Zinszahlungstag**“), beginnend am 3. Dezember 2013. Die Rendite der Weiteren Schuldverschreibungen Serie B beträgt 6,250 % per annum.

lungsver-
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gabe der
Rendite,
Name des
Vertreters
der Schuld-
titelinhaber.

C.10 Derivative Komponenten bei der Zinszahlung. Entfällt. Die Zinszahlungen enthalten keine derivativen Komponenten.

C.11 Börsenzulassung Entfällt. Für die Weiteren Schuldverschreibungen Serie B wird keine Zulassung zum Handel in einem regulierten Markt im Sinne der von der Europäischen Kommission gemäß der Richtlinie 2004/39/EG vom 21. April 2004 über Märkte für Finanzinstrumente („MIFID“) veröffentlichten Liste beantragt.

Abschnitt D - Risikofaktoren

D.2 Zentrale Angaben zu zentralen Risiken, die dem Emittenten eigen sind. Grand City Properties S.A. ist die Konzernobergesellschaft der GCP Gruppe. Sie ist als Holding-Gesellschaft tätig. Die Fähigkeit ihre Zahlungsverpflichtungen aus den Schuldverschreibungen zu erfüllen ist abhängig von ihrer Finanzlage und den Erträgen, die ihre Tochtergesellschaften generieren.

Die GCP Gruppe ist aufgrund ihrer geschäftlichen Aktivitäten verschiedenen Risiken ausgesetzt. Die bestehenden Risiken können wie folgt zusammengefasst werden:

Risiken im Zusammenhang mit dem Immobilienmarkt

- Da die Mehrheit der Immobilien der GCP Gruppe in Nordrhein-Westfalen und Berlin belegen sind, ist die GCP Gruppe abhängig von den dortigen regionalen Marktbedingungen und den entsprechenden Teilmärkten, insbesondere von deren wirtschaftlichen und demographischen Bedingungen und Entwicklungen, welche ihrerseits durch die Entwicklung dieser Marktfaktoren in der Bundesrepublik Deutschland

beeinflusst werden können.

- Der deutsche Immobilienmarkt und die Geschäftstätigkeit der GCP Gruppe werden von Änderungen der allgemeinen Markt- und Geschäftsbedingungen wie der jüngsten Staatsschuldenkrise sowie der Finanz- und Wirtschaftskrise beeinflusst. Die derzeitige Wirtschaftslage ist gekennzeichnet durch ein historisch niedriges Zinsniveau. Ein Anstieg des Zinsniveaus kann negative Auswirkungen auf den deutschen Immobilienmarkt und die Geschäftstätigkeit der GCP Gruppe haben.
- Eine Verschlechterung der allgemeinen Wirtschaftsbedingungen kann zu Insolvenzen von Geschäftspartnern der GCP Gruppe führen und somit negative Auswirkungen auf die Nachfrage durch potentielle Käufer oder Mieter haben.
- Das weitere Wachstum der GCP Gruppe hängt von der Entwicklung des Markts für Wohnimmobilien, in dem die GCP Gruppe tätig ist, ab. Die Möglichkeit Immobilienportfolien zu attraktiven Preisen erwerben zu können ist ein wesentlicher Teil der Geschäftsstrategie der GCP Gruppe. Ein gesteigerter Wettbewerb könnte die Umsetzung dieser Strategie für die GCP Gruppe erschweren.

Risiken im Zusammenhang mit der Geschäftstätigkeit der GCP Gruppe

- Der Verlust von Mieteinnahmen, Mietminderungen und höhere Leerstandsquoten könnten einen negativen Effekt auf die Geschäftstätigkeit sowie die Vermögens-, Finanz- und Ertragslage haben.
- Der GCP Gruppe könnte der Turnaround erworbener Immobilien nicht gelingen oder der Versuch Mieteinnahmen zu erhöhen und/oder Leerstandsquoten zu vermindern könnte weniger erfolgreich sein als beabsichtigt.
- Die GCP Gruppe ist Risiken im Zusammenhang mit der Instandhaltung und Instandsetzung ihrer Immobilien ausgesetzt. Neben allgemeinen Investitionen in für die Instandhaltung der Immobilien der Gruppe, erfordert das Geschäftsmodell der GCP Gruppe Investitionen für die gezielte Modernisierung und Neupositionierung von Immobilien. Sowohl die Modernisierung und Neupositionierung erworbener Immobilien als auch die Instandhaltung könnten länger dauern und teurer werden als ursprünglich angenommen.
- Der Erfolg der Wachstumsstrategie der GCP Gruppe ist abhängig von der anhaltenden Möglichkeit Immobilien mit Wertsteigerungspotential zu erwerben. Ein wesentlicher Faktor für den Erfolg der GCP Gruppe in der Vergangenheit war, die Fähigkeit der GCP Gruppe entsprechende Immobilien aufgrund ihres Netzwerks zu erwerben. Es kann nicht ausgeschlossen werden, dass es der GCP Gruppe zukünftig nicht gelingt, entsprechend attraktive Geschäftsabschlüsse zu tätigen.
- Die GCP Gruppe könnte nicht in der Lage sein Akquisitionen durchzuführen, wenn sie nicht in der Lage ist, die erforderliche Finanzierung zu erhalten.
- Die Akquisitionen und Investitionen der GCP Gruppe beinhalten Risiken, die trotz Durchführung einer vorangehenden Due Diligence Prüfung nicht ausgeschlossen werden können.

- Es besteht das Risiko, dass die GCP Gruppe den Wert von Immobilien, Immobiliengesellschaften oder Immobilienportfolios unrichtig einschätzt oder bewertet.
- Die Investitionen der GCP Gruppe sind überwiegend Investitionen in Immobilien. Aufgrund der illiquiden Natur des Immobilienmarktes kann es vorkommen, dass die Gruppe nicht ihr Portfolio nur teilweise oder gar nicht zu günstigen Konditionen veräußern kann.
- Die GCP Gruppe kann Verlusten und Verpflichtungen (einschließlich Steuerverpflichtungen) in Bezug auf Vermögenswerte als Ergebnis der Handlungen oder Unterlassungen des jeweiligen Verkäufers, Rechtsvorgängers oder Besitzers oder sonst in Bezug auf frühere Eigentumsverhältnisse ausgesetzt sein.
- Im Anschluss an eine Akquisition ist die GCP Gruppe Risiken im Zusammenhang mit der Integration ausgesetzt.
- Einige der Immobilien der Gruppe sind außerhalb der Kerngebiete Nordrhein-Westfalen oder Berlin belegen, was zu höheren Verwaltungskosten und einer niedrigeren Servicequalität als in den Kerngebieten führen kann.
- Etwa 1.000 Einheiten werden von der GCP Gruppe als Partner im Rahmen von Joint Ventures gehalten. Dies kann zu Verpflichtungen und bestimmten Beschränkungen der GCP Gruppe führen. Außerdem können die Partner des jeweiligen Joint Ventures Verpflichtungen nicht erfüllen oder insolvent werden.
- Minderheitsgesellschafter in einigen Tochtergesellschaften der GCP Gruppe könnten die Umsetzung von Strukturänderungen oder anderer wesentlicher Maßnahmen in den betreffenden Tochtergesellschaften erschweren, insbesondere dort, wo solche Gesellschafterbeschlüsse der betreffenden Gesellschaften mit qualifizierter Mehrheit oder einstimmig zu fassen sind.
- Die Geschäftstätigkeit der Gruppe ist Risiken im Zusammenhang mit etwaigen Verstößen gegen Baugesetze oder andere Vorschriften ausgesetzt.
- Die GCP Gruppe kann Verpflichtungen aufgrund von Umweltsachverhalten auferlegt bekommen, etwa wegen Altlasten einschließlich Kampfmitteln, Bodenbelastungen oder Schadstoffen in Baumaterial.
- Die GCP Gruppe könnte erhebliche Verluste erleiden, wenn Schäden nicht oder nicht vollständig vom Versicherungsumfang gedeckt sind.
- Die GCP Gruppe könnte nicht in der Lage sein, Personal in Schlüsselpositionen zu ersetzen, wenn sie solches Personal verlieren würde.
- Störungen oder Beeinträchtigungen der EDV-Systeme der Gruppe könnten zu einer verminderten Datensicherheit und zu einer Beeinträchtigung der Geschäftstätigkeit der Gruppe führen.
- Die GCP Gruppe ist Risiken in Bezug auf die Beeinträchtigung ihrer Reputation ausgesetzt. Negative Berichterstattung oder Spekulationen in der Presse können sich negativ in der Beziehung zu Geschäftspart-

nen auswirken dazu führen, dass sich diese von der GCP Gruppe distanzieren.

Bewertungsrisiken

- Die Bewertung von Immobilien basiert auf Annahmen, die sich ändern können, und die subjektiv und unsicher sind. Ferner könnten die in diesem Prospekt enthaltenen Bewertungsgutachten den Wert des Immobilienportfolios der GCP Gruppe nicht richtig abbilden.
- Im Fall eines Abschwungs des Immobilienmarktes könnte es aufgrund der Bewertung nach dem Marktwert erforderlich sein, dass die GCP Gruppe den Marktwert ihrer Immobilien anpassen müsste (z. B. bei der Veränderung des Zinsniveaus oder einer Verschlechterung des Marktumfelds), was einen negativen Effekt auf die Bewertung der Immobilien der Gruppe haben könnte.

Finanzielle Risiken

- Die GCP Gruppe könnte nicht in der Lage sein, bestehende Finanzierungen zu verlängern, Verbindlichkeiten zu im Wesentlichen gleichen Bedingungen zu refinanzieren, wenn diese fällig werden oder Akquisitionsfinanzierungen zu finanziell günstigen Bedingungen zu erhalten, wenn diese benötigt werden.
- Die Erhöhung des allgemeinen Zinsniveaus könnte die Finanzierungskosten der Gruppe erhöhen. Sofern die GCP Gruppe versucht, dem Risiko eines steigenden Zinsniveaus mit dem Abschluss von Zinssicherungsgeschäften zu begegnen, ist sie Risiken im Zusammenhang mit der Bewertung von Sicherungsgeschäften und den Vertragspartei dieser Sicherungsgeschäfte ausgesetzt.
- Eine Herabsenkung des derzeitigen Ratings der Gruppe könnte die Möglichkeit der weiteren Finanzierungsaufnahme beeinträchtigen und einen negativen Einfluss auf die Finanzierungskosten haben.
- Die Rückzahlung der Wandelschuldverschreibung 2012-2017 hängt von einer erfolgreichen Refinanzierung im Zeitpunkt der Fälligkeit ab. Neben dem in den Vertragsbedingungen festgelegten Fälligkeitsdatum können auch die Verletzung von bestimmten Nebenpflichten (*covenants*) oder sonstiger Verpflichtungen der Gesellschaft aus der Wandelschuldverschreibung 2012-2017 zu erheblichen Zahlungsverpflichtungen der Gesellschaft vor dem Fälligkeitsdatum führen. Sollte eine Refinanzierung nicht gelingen, könnte dies dazu führen, dass die Inhaber der Wandelschuldverschreibung 2012-2017 die von der Gesellschaft zugunsten des Treuhänders und der Inhaber der Wandelschuldverschreibung 2012-2017 und der Schuldverschreibungen Serie B gestellten Sicherheiten verwerten können. Eine solche Verwertung könnte auch in der Verwertung des Pfandrechts an den Geschäftsanteilen der Gesellschaft an GrandCity, welche der einzige wesentliche Vermögensgegenstand der Gesellschaft sind, führen.
- Ein Kontrollwechsel bei der Gesellschaft oder ein Delisting der Aktien der Gesellschaft können eine wesentliche Zahlungsverpflichtung der Gesellschaft im Zusammenhang mit der Wandelschuldverschreibung 2012-2017 begründen.

- Es bestehen Risiken im Zusammenhang mit der Zwangsvollstreckung, wenn Darlehensnehmer der GCP Gruppe Verpflichtungen aus ihren Darlehen mit Banken nicht erfüllen. Die Verletzung von bestimmten Nebenpflichten (*covenants*) oder sonstigen Verpflichtungen aus den Darlehensverträgen und/oder ein Kontrollwechsel bei der GCP Gruppe kann zu wesentlichen Zahlungsverpflichtungen der Gesellschaft und zur Verwertung der jeweils gewährten Darlehenssicherheiten führen.
- Die bisherigen Erträge der Gruppe und sonstige historische Finanzinformationen bieten nicht zwingend einen Anhaltspunkt für zukünftige Erträge oder andere wesentliche Finanzkennzahlen der Gruppe.

Rechtliche und behördliche Risiken

- Die Geschäftstätigkeit der Gruppe ist von den allgemeinen rechtlichen Rahmenbedingungen in der Bundesrepublik Deutschland abhängig, welche sich zum Nachteil verändern können. Mieterschutzbestimmungen und bestehende Begrenzungen von Mietzinserhöhungen können die Möglichkeiten einer Räumung, Mietzinserhöhungen in Bezug auf Wohneinheiten der GCP Gruppe oder die Weiterbelastung von Betriebs- oder Modernisierungskosten weiter erschweren. Darüber hinaus bestehen derzeit auf politischer Ebene Bestrebungen, Mietzinserhöhungen weiter zu beschränken.
- Die von der Gruppe verwendeten standardisierten Mietverträge können zu zusätzlichen rechtlichen Risiken führen.
- Die GCP Gruppe könnte für von ihr verkaufte Immobilien haften.
- Gesellschaften der GCP Gruppe können Parteien oder sonst Gegenstand von Rechtsstreitigkeiten, Verwaltungsverfahren und ähnlichen Angelegenheiten sein.
- Das Risikomanagementsystem der GCP Gruppe könnte sich als teilweise oder vollständig unzureichend herausstellen, so dass sich unbekannte, unerwartete oder unberücksichtigte Risiken verwirklichen könnten.
- Die GCP Gruppe könnte Entschädigungsansprüchen ausgesetzt sein.

Steuerliche Risiken

- Aufgrund der Belegenheit der Immobilien der GCP Gruppe in Deutschland, unterliegt die GCP Gruppe den allgemeinen steuerlichen Rahmenbedingungen in Deutschland. Die Steuerlast der Gruppe könnte sich durch derzeitige oder zukünftige Einschätzungen, Steuerprüfungen, Gerichtsverfahren basierend auf der Änderung von Steuergesetzes oder Änderungen in deren Anwendung oder Interpretation erhöhen.
- Die Struktur der GCP Gruppe ist beeinflusst von den allgemeinen steuerlichen Rahmenbedingungen in Deutschland, Zypern und Luxemburg und Änderungen der steuerlichen Rahmenbedingungen in diesen Ländern können zu einer Erhöhung der Steuerlast der GCP Gruppe führen.

Risiken in Bezug auf den Garanten

Da GrandCity Mitglied der GCP Gruppe ist, treffen die vorstehend beschriebenen Risiken auch auf GrandCity zu.

D.3 Zentrale Angaben zu zentralen Risiken, die den Wertpapieren eigen sind:

Die Investition in die Weiteren Schuldverschreibungen Serie B beinhaltet eine Reihe von Risiken im Zusammenhang mit der Art, den Besonderheiten und den Spezifikationen der Weiteren Schuldverschreibungen Serie B, die zu erheblichen Verlusten bei den Inhabern der Weiteren Serie B Schuldverschreibung (die „**Inhaber**“) im Fall der Veräußerung der Schuldverschreibungen, dem Erhalt von Zinszahlungen oder im Zusammenhang mit der Rückzahlung führen können. Risiken im Zusammenhang mit den Weiteren Schuldverschreibungen Serie B sind unter anderem die folgenden:

- Die Weiteren Schuldverschreibungen Serie B sind möglicherweise nicht für alle Investoren eine geeignete Investition.
- Das Rating der Weiteren Schuldverschreibungen Serie B und das Rating des Emittenten sind keine Empfehlung, die Schuldverschreibungen zu kaufen, zu verkaufen oder zu halten. Die jeweiligen Ratings können jederzeit ausgesetzt, reduziert oder zurückgenommen werden.
- Es könnte kein liquider Markt für die Weiteren Schuldverschreibungen Serie B entstehen oder ein einmal entstandener liquider Markt könnte nicht fortbestehen.
- Die Weiteren Schuldverschreibungen Serie B könnten vor dem Fälligkeitsdatum durch den Emittenten zurückgezahlt werden.
- Der Marktpreis der Weiteren Schuldverschreibungen Serie B könnte sinken, wenn die Kreditwürdigkeit der Gruppe sinkt.
- Eine Investition in die Weiteren Schuldverschreibungen Serie B beinhaltet Risiken im Zusammenhang mit dem Marktpreis und Wechselkursänderungen.
- Die Weiteren Schuldverschreibungen Serie B haben einen festen Zinssatz.
- Wichtige Entscheidungen hinsichtlich der Weiteren Schuldverschreibungen Serie B sind Gegenstand von Beschlussfassungen der Inhaber, wobei einzelne Inhaber durch die Mehrheit von Inhabern überstimmt werden können.
- Die Weiteren Schuldverschreibungen Serie B sind strukturell nachrangig zu Verbindlichkeiten der Mehrheit der Tochtergesellschaften.
- Die Weiteren Schuldverschreibungen Serie B sind nachrangig zu anderen Verbindlichkeiten der GCP Gruppe, sofern und soweit solche Verbindlichkeiten mit Vermögenswerten besichert sind, die nicht auch die Weiteren Schuldverschreibungen Serie B besichern.

- Der Emittent und seine Tochtergesellschaften können weitere Finanzverbindlichkeiten eingehen, was zu einer weiteren Erhöhung des Risikos im Zusammenhang mit der Verschuldung der GCP Gruppe führt.
- Die GCP Gruppe könnte nicht in der Lage sein, ausreichende Erträge zu generieren, um ihre Finanzverbindlichkeiten zu erfüllen.
- Der Emittent ist eine Holding-Gesellschaft; sein wesentlicher Vermögensgegenstand sind die Geschäftsanteile an seiner Tochtergesellschaft GrandCity. Der Emittent erwirtschaftet seine Erträge somit ausschließlich aus Gewinnausschüttungen und Rückzahlungsansprüchen aus Konzernfinanzierungen gegenüber GrandCity, so dass der Emittent hierauf angewiesen ist, um seine Finanzverbindlichkeiten zu erfüllen und die Schuldverschreibungen zurückzuzahlen.
- Die Erträge einer etwaigen Zwangsvollstreckung in die Sicherheiten könnten nicht ausreichen, um die Verbindlichkeiten aus den Weiteren Schuldverschreibungen Serie B zu bedienen.
- Die Inhaber können die Verwertung der Sicherheiten nur unter bestimmten begrenzten Voraussetzungen selbst veranlassen.
- Lokale Insolvenzvorschriften könnten nicht im gleichen Maße vorteilhaft für die Investoren sein wie Konkurs- und Insolvenzgesetze in Jurisdiktionen, mit denen der jeweilige Investor vertraut ist. Sie könnten dazu führen, dass Inhaber von fälligen Zahlungen ausgeschlossen werden.
- Die Sicherheiten könnten nicht ausreichen, um sämtliche Schuldverschreibungen zurückzuzahlen.
- Der Emittent und seine Tochtergesellschaft GrandCity haben Kontrolle über die Sicherheiten und im Rahmen der üblichen Geschäftstätigkeit könnten die Vermögensgegenstände, welche die Schuldverschreibungen besichern, verringert werden.

Abschnitt E - Angebot

E.2b Gründe für das Angebot UND Zweckbestimmung der Erlöse, sofern diese nicht in der Gewinnerzielung und/oder der Absicherung

Der Emittent wird die Nettoerträge im Rahmen eines Konzerndarlehens an seine Tochtergesellschaft GrandCity weiterreichen. GrandCity wird einen wesentlichen Teil dessen für die Finanzierung neuer Akquisitionen von Immobilienportfolios durch die GCP Gruppe im Rahmen der Wachstumsstrategie des Emittenten verwenden. Ein etwaig verbleibender Teil soll im Rahmen der satzungsmäßigen Geschäftstätigkeit verwendet werden.

bestimmter Risiken liegt.

E.3 Beschreibung der Angebotskonditionen.

Nennbetrag: bis zu € 100.000.000

Ausgabepreis: 100 %

Ausgabedatum: 24. Juli 2013

Stückelung: Die Weiteren Schuldverschreibungen Serie B werden im Nennbetrag von je € 1.000 begeben.

Öffentliches Angebot der Weiteren Schuldverschreibungen Serie B:

Die Weiteren Schuldverschreibungen Serie B werden innerhalb einer Angebotsfrist, die nicht vor dem 10. Juli 2013 beginnt und bis zum 19. Juli 2013, 14.00 MESZ dauern wird, es sei denn die Angebotsfrist wird verlängert oder verkürzt, öffentlich angeboten. Die Weiteren Schuldverschreibungen Serie B werden institutionellen Investoren (*professional investors*) sowie Privatkunden (*retail investors*) im Einklang mit den anwendbaren Beschränkungen für öffentliche Angebote angeboten. Ein öffentliches Angebot in Luxemburg erfolgt, nachdem die CSSF den Prospekt gebilligt hat und ein öffentliches Angebot in Deutschland sowie in Österreich kann erfolgen, wenn die CSSF die Billigung des Prospekts an die Bundesanstalt für Finanzdienstleistungsaufsicht und die Finanzmarktaufsichtsbehörde gemäß § 18 der Prospektrichtlinie notifiziert hat.

Der Lead Manager nimmt an dem öffentlichen Angebot nicht teil.

Bedingungen für das Angebot bestehen nicht. Anleger können ihre Zeichnungsangebote in Bezug auf die Weiteren Schuldverschreibungen Serie B über Banken in Luxemburg, Deutschland oder Österreich tätigen. Jeder Anleger, der eine Order bezüglich der Weiteren Schuldverschreibungen Serie B abgeben hat, erhält bei Annahme der Order eine elektronische Bestätigung über die Zuteilung der Weiteren Schuldverschreibungen Serie B per Post, Fax oder über die üblichen Informationssysteme. Zudem können Anleger ihre Zeichnungsangebote in Bezug auf die Weiteren Schuldverschreibungen Serie B das Zeichnungssystem der Frankfurter Wertpapierbörse, XETRA-Zeichnungsfunktionalität, (die „**Zeichnungsfunktionalität**“) innerhalb der Angebotsfrist abgeben. Sollten die Weiteren Schuldverschreibungen

gen Serie B überzeichnet sein, ist es möglich, dass eine Zeichnung über die Zeichnungsfunktionalität nicht mehr möglich ist. Der Emittent und der Lead Manager behalten sich das Recht vor, einen Handel per erscheinen zu organisieren.

Sollte der Emittent und der Lead Manager die Verlängerung oder Verkürzung der Angebotsfrist festlegen, was in einer Veränderung der Marktbedingungen begründet sein könnte, so werden derartige Veränderungen auf der Internetseite der Börse Luxemburg (www.bourse.lu) sowie auf der Internetseite des Emittenten (www.grandcityproperties.com/anleihe) oder, soweit anwendbar, durch einen Nachtrag zum Prospekt gemäß Artikel 13 des luxemburgischen Prospektgesetzes veröffentlicht.

Die Anzahl der zu emittierenden Schuldverschreibungen wird auf Basis der während des Angebotszeitraums erhaltenen Order ermittelt.

Lieferung und Zahlung der Schuldverschreibungen erfolgt am oder um den 24. Juli 2013. Die Schuldverschreibungen werden durch Eintrag (*bookentry*) über das Clearingsystem und die über Konten angeschlossenen Banken gegen Zahlung des Ausgabepreises geliefert.

Verkaufsbeschränkungen:

Das Angebot sowie der Verkauf der Weiteren Schuldverschreibungen Serie B sowie die Ausgabe von Angebotsmaterial unterliegen spezifischen Beschränkungen. Die maßgeblichen Beschränkungen richten sich in erster Linie nach den anwendbaren gesetzlichen Regelungen im Europäischen Wirtschaftsraum, in den Vereinigten Staaten von Amerika, im Vereinigten Königreich Großbritannien, in Nordirland und in der Schweiz.

E.4 Beschreibung aller für die Emission/das Angebot wesentlichen, auch kollidierenden Beteiligungen.

Der Lead Manager bzw. mit ihm verbundene Unternehmen sind vertragliche Beziehungen mit dem Emittenten in Bezug auf das Angebot und den voraussichtlichen Börsenhandel von Weiteren Schuldverschreibungen Serie B mit einem Nominalbetrag von bis zu € 100.000.000 und einem Zinssatz von 6,250 % eingegangen. Im Falle der erfolgreichen Begebung hat der Lead Manager Anspruch auf eine Provision, die abhängig von der Anzahl der begebenen Weiteren Schuldverschreibungen Serie B ist. Ferner hat der Lead Mana-

ger Dienstleistungen im Rahmen des ordentlichen Geschäftsbetriebs für den Emittenten erbracht und wird dies auch in Zukunft tun, für die der Lead Manager und mit ihm verbundene Unternehmen übliche Vergütungen und Provisionen erhalten haben und zukünftig erhalten werden. Mit Ausnahme dessen bestehen keine (auch keine kollidierenden) Interessen natürlicher oder juristischer Personen, die an der Emission mitwirken, welche wesentlich für die Emission sind.

- E.7 Schätzung der Ausgaben, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.
- Entfällt. Die Kosten für die Emission der Schuldverschreibungen trägt der Emittent. Weder der Emittent noch der Lead Manager werden Kosten, Ausgaben oder Steuern direkt gegenüber Investoren erheben bzw. geltend machen.

RISK FACTORS

Potential investors should carefully read and consider the risk factors described below and the other information contained in this Prospectus and consult with their own professional advisers (including their financial, accounting, legal and tax advisers) if they consider it necessary before they make a decision about acquiring the Further Series B Bonds. The realization of one or more of these risks could individually or together with other circumstances adversely affect the business activities and have material adverse effects on the financial condition and results of operations of the Issuer or the Group. The market price of the Further Series B Bonds could decline as the result of any of these risks, and investors could lose all or part of their investments. The risks described below may not be the only risks to which the Issuer or the Group is exposed. Additional risks which are presently not known to the Issuer or the Group or which currently are considered immaterial could also adversely affect the business operations of the Issuer or the Group and have material adverse effects on the Group's business activities, financial condition and results of operations. The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence, the scope of their financial consequences or the importance of the risk factors. In addition, investors should be aware that the risks described might combine and thus intensify one another.

Risks relating to the Issuer

Grand City Properties S.A. is the parent company of the GCP Group and functions as a holding company. The ability to fulfill its payment obligations under the Further Series B Bonds depends on its financial position and the cash flows generated by its subsidiaries.

The GCP Group is exposed to various risks due to its business activities. Existing risks can be summarized as follows:

Risk relating to the Real Estate Market

Since the majority of its properties are located in North Rhine-Westphalia and Berlin, the business of the GCP Group is dependent on regional market conditions in these areas and the respective sub-markets, in particular their economic and demographic status and the respective trends, which in turn may be influenced by developments of these market factors in Germany.

As currently one of the strongest economies in Europe, Germany has various sub-markets with considerably differing economic and demographic conditions. As of the date of this Prospectus, almost 68 % of the Group's properties are situated within North Rhine-Westphalia, Germany's most populated federal state. North Rhine-Westphalia is composed of various socio-economically

heterogeneous sub-markets. For example, the Ruhr region is still facing structural challenges following the withdrawal of the coal and steel industry, while the neighboring Rhineland is one of the strongest economic areas in Germany. Further approximately 12 % of the residential units are situated in the city of Berlin, which also faces challenges as to the economic and demographic development in certain parts of the city. Thus, the Group is not only dependent on general economic and demographic developments in Germany, but also on the particular circumstances in the regions and areas where the GCP Group's properties are located.

In Germany, it is expected that population will decline (*source: Bayern LB, "Long-term trends and their Significance for the Real Estate Market"*) while the average household size will increase (*source: Federal Statistics Office*), which is expected to result in a stable household number (*source: Federal Statistics Office*). Thus, the population decline might not have any influence on the demand for residential real estate in general. However, the number of households and the amount of space needed per person might not increase to the extent projected. In addition, if the population begins to decline sooner than expected, and the number of households and average amount of space needed per person does not increase or increases more slowly than expected, the demand for rented housing may decline.

A decline in the population in the regional markets of the GCP Group, which is not counterbalanced by a rising number of households or an increase of the average amount of space needed, would lead to lower demand for housing, and, as a result, may adversely affect the Group's ability to achieve higher occupancy rates and average rent levels. The economic developments, such as local employment conditions in these regions or in case of a significant decline of the income or liquidity situation of the respective tenants, may also lead to losses with respect to rental income. In addition to the loss of in-place rent, the Group could also experience increased vacancies. In that case, it is possible that the GCP Group will not be able to re-let the apartments on attractive terms or might be able to do so only after making additional investment.

Such demographic or economic developments will also affect the ability of the Group to let its commercial units in these regions at attractive terms as the lessees of commercial units and their business, predominantly smaller shops and small-scale service firms are partly dependent on the number of inhabitants in their catchment area and their purchasing power.

Furthermore, the majority of the residential units of the GCP Group are intended to provide quality living space at affordable prices to tenants. The potential to increase in-place is thereby limited.

As most of the properties of the GCP Group are located in North Rhine-Westphalia and Berlin, there is also a dependence on the general macroeconomic developments of these regions.

In North Rhine-Westphalia, the sovereign debt amounts to €258,861 million as of December 31, 2012 and in Berlin, the sovereign debt amounts to €61,249 million as of December 31, 2012

(source: *Federal Statistical Office*). This level of debt may restrict the scope for action and may force the respective state to decrease expenses and to increase the revenues, e.g. by increasing taxes and charges. Thus, it cannot be excluded that taxes and charges relevant for the GCP Group's business, such as real estate transfer tax, will rise having a negative impact on the GCP Group's business.

The Group tries to react on the above-mentioned developments by adapting its residential units to the changing economic and demographic conditions, in particular, through the repositioning of units, for example by the conversion from one big 3-room apartment into a 4-room apartment, two 3-room apartments into three 2-room apartments or two 3-room apartments into one 6-room apartment as well or the targeted modernization of its properties to comply with the expectations of its tenants. However, it cannot be guaranteed that the GCP Group takes the right decisions to answer the challenges connected with the economic and demographic changes. If the GCP Group misjudges future trends of the demographic development or the desirability of a property's location or its intended use, it may be difficult to let the residential units at the expected rental levels as well as to reduce the vacancy rate, and thus the Group may fail to generate increase in value or to maintain the value of its properties at the budgeted price.

In case of a negative economic and demographic development in North Rhine-Westphalia and Berlin and in particular in their respective sub-markets, the dependency of the GCP Group on such macro-economic factors and any misjudgment or miscalculation as to the market trends may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations and prospects of the GCP Group.

The German real estate market and the business of the GCP Group are affected by changes in general economic and business conditions, such as the recent sovereign debt crisis connected with a financial and economic crisis. The current economic situation is dominated by historically low interest rates. A rising interest rate could have a negative effect on the German real estate market and on the business of the GCP Group.

In general, the real estate business is dependent on the general economic situation, which is influenced, in turn, by macroeconomic factors such as the growth of gross domestic product, population growth, the longer-term development of interest rates, the banking industry and the monetary policy, none of which can be influenced by the GCP Group.

The global financial and economic crisis, triggered by the mortgage crisis in the United States and other factors, and concerns over the level of sovereign debt in many developed countries, particularly in the euro zone and the United States, have caused a high level of uncertainty in many industries and markets and have resulted in reduced economic growth. As a consequence, the central banks of affected countries have reduced the base rate so that the interest rate level is currently rather low. In addition, the uncertainty of the general economic situation made invest-

ments in residential real estate with generally rather stable cash flows more attractive. Although its current debt structure provides either for debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest hedging agreements, a future rise of the interest rate level may have negative impacts on the GCP Group.

In general, rising interest rates will make financings needed by the GCP Group for its acquisitions and refurbishment activities more expensive. The same applies to potential buyers whose willingness of to make real estate purchases may be negatively affected. Furthermore, rising interests rates could have negative impacts on the fair value of the properties (see “*Valuation Risks - In the event of a downturn in the real estate market, the fair value model could require the GCP Group to adjust current fair values of its properties (such as in the case of a change in interest rate levels or a deterioration of the market), which could have adverse effects on the GCP Group’s consolidated balance sheet and its consolidated profit and loss statement*”). Moreover, if the economy recovers investors may prefer investments potentially more profit-yielding than investments in real estate, which could lead to a general decrease of real estate value, which could also have a negative impact on the valuation of the Group’s property portfolio.

Thus, rising interest rates could impair the future performance of the Group’s business including its acquisitions and sales, and have significant adverse effects on the business, net assets, cash-flows, financial condition and results of operations of the GCP Group.

Deterioration in the general economic conditions may lead to insolvencies of the Group’s business partners and may have a negative impact on the demand of potential buyers or tenants.

If the economy in Germany again faces a downturn connected with an increasing the unemployment rate, real incomes could stagnate or decline and come under additional pressure through increases in taxes, energy prices and the cost of living and, consequently, the risks of insolvencies may increase. An insolvency of a business partner could negatively affect the business of the GCP Group. As to financial institutions, this may result in the Group facing difficulties to obtain attractive financing or, in case they serve as counterparties in hedging arrangements, endanger the effectiveness of the Group’s hedges. Furthermore, commercial tenants, if insolvent, may be unable to meet their payment obligations or will be forced to terminate their leases with the Group. In addition, the insolvency of a contractor or sub-contractor engaged in the modernization of properties of the Group may delay the completion of such modernization and trigger additional costs.

If the situation of the financial markets and of the financial institutions worsens, credit institutions could require that borrowers in Germany meet more stringent covenants qualifications and / or to pay higher interest rates. This could impair the ability to finance or refinance property portfolio acquisitions through debt and thus could constrain the sale of properties. So, potential buyers of

properties may refrain from the purchase of a property due to worsened financing terms or even the unavailability of credit. Consequently, the GCP Group and its competitors could be forced to sell property portfolios at substantial discounts, due in large part to the difficult financing conditions experienced by buyers, potentially leading to a general price decline in the real estate market. Such developments could require property portfolio value adjustments and, as a result, the Group could be exposed to the risk of diminution in the fair value of its portfolio which would lead to corresponding losses from the required fair value adjustments of its properties.

All of these factors could impair the future performance of the GCP Group's business including its acquisitions and sales, and may have significant adverse effects on the business, net assets, cash-flows, financial condition and results of operations of the GCP Group.

The further growth of the GCP Group depends on the development of its specific market for residential properties. The availability of property portfolios for sale at attractive prices is an important part of its business model. Increased competition could make it more difficult for the GCP Group to implement this strategy.

The GCP Group's strategy is focused on the acquisition of under-managed and/or under-occupied and/or under-rented property portfolios. The supply of properties fitting into this investment strategy depends on the availability of such properties for sale and those properties that are available for sale could become more expensive to acquire. Furthermore, foreign and domestic competitors may have investment criteria similar to the Group's and may possess greater financial resources and better financing conditions than the Group may be able to obtain.

Any such development could constrict supply, increase competition for acquisitions of properties suitable to the Group and could also motivate potential sellers to sell properties in an auction process. All this may result in a price increase of properties, which are in the strategic focus of the GCP Group. As a result, it would be more difficult for the Group to compete and successfully implement the growth strategy of the Group, which could limit the ability to grow its business effectively and could have an adverse effect on the business, cash flows, financial condition and results of operations of the GCP Group.

Risks Related to the Business of the GCP Group

The loss of in-place rent, rent reductions and higher vacancy rates could have a negative effect on the GCP Group s' business, net assets, cash flows, financial condition and results of operations.

The business of the GCP Group strongly depends on the rental income from its properties, which is influenced by the level of in-place rent and the vacancy rate of its properties. Thus, a loss of in-place rent, rent reductions and increased vacancies would lead to a decline in total current rental

income. So, there is a risk that the GCP Group will be less profitable or even suffer losses if demand for housing is low (in general due to social or economic market conditions or in relation to the condition of particular properties) as this may lead to an increase of the vacancy rate. If tenants fail to meet their rent payment obligations in whole or in part (e.g., due to a deterioration of their economic situation because of a job loss), or if larger numbers of tenants give notice of termination without the GCP Group being able to re-let the property within a reasonable time period, the GCP Group could sustain a decrease in current rental income, which could have a significant adverse effect on its results of operations. To the extent that the GCP Group is able to re-let an apartment, there is a risk that the GCP Group might no longer be able to do so on attractive terms.

The Group is also required to conduct its property management in such a manner that the properties are maintained in the condition as required by the lease agreements and by law. If this is not possible and if the required maintenance measures are not performed on time or at all, this could lead to a reduction in in-place rent. All of these factors, individually or collectively, could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group could fail with the turnaround of acquired properties or could not be as successful as intended to reduce vacancy rates and/or to increase in-place rent.

The GCP Group focuses on the acquisition of properties which are under-managed and which it considers to provide a high upside potential as to yield and value, i.e. the properties have rather high vacancy rates and/or a relatively low level of rents compared to the market rent at the time of acquisition. So, the commercial success of the GCP Group depends significantly on the ability to achieve a successful turnaround of acquired real estate properties by reducing the vacancy rate and operating costs while increasing - within the legal framework - the rent level.

The Group's ability to increase its current rental income from existing and new tenants and to reduce the vacancy rate depends on several factors. These factors include, in particular, the demand for housing, the local market rent, the condition and location of the apartment, refurbishment and modernization measures undertaken, and tenant turnover. Moreover, in setting the in-place rent levels for its residential properties, the GCP Group is subject to the restrictions of the German tenancy laws, as well as, where applicable, conditions imposed as a consequence of having received public subsidies, or contractual restrictions under purchase agreements imposed by the seller. Even if increased maintenance costs would merit higher in-place rent as a business matter, the GCP Group is subject to certain limits in its ability to increase in-place rent.

As a consequence, the GCP Group might not be able to reduce vacancy rates and increase in-place rent in a manner or to the extent that would be in its expectations, which could have a ma-

terial adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group is exposed to risks related to maintenance and repair of their properties. Besides general investments into the maintenance of the Group's real estate properties, the business model of the GCP Group requires investment activities for the targeted modernization and repositioning of the real estate properties. The modernization and repositioning of acquired properties as well as projects of maintenance could take more time or could become more expensive than originally expected.

After acquiring properties, the GCP Group undertakes to maintain rented properties in good condition. For this reason, and also to avoid loss of value, the GCP Group performs maintenance and repairs. In addition, modernization and refurbishment of properties may be necessary to increase their appeal or to meet changing legal requirements, such as the provisions relating to energy savings. Under a small number of loan agreements, the GCP Group has assumed the obligation to invest a certain amount into specified properties.

Due to its business model, the properties the Group has acquired and intends to acquire in the future may require investments for the targeted modernization and repositioning as these properties are mainly acquired undermanaged and thus may be connected with an investment backlog. In general, targeted modernizations can include the renovation of facades and staircases, construction of outdoor and indoor playgrounds, conversion of apartment sizes and the refurbishment of apartments. Such measures can be expensive and may trigger costs that will exceed the costs of general maintenance.

The GCP Group could underestimate the amount to be invested for the targeted modernization and repositioning of acquired properties as modernization costs may be increased by various factors, such as increased costs of raw and building materials, increase of labor costs, increase of energy costs, bad weather conditions or unexpected safety measures. Also, unforeseen additional costs could emerge in case of complexities emerging at the building site.

The GCP Group could also be exposed to risks due to delays in the implementation of modernization or repositioning measures in connection with acquired property portfolios, against which the GCP Group might not have been contractually protected. A modernization of a property may be delayed due to a lack of skilled labor force, bad weather conditions or if a contractor or subcontractor does not comply with the agreed time schedule or becomes insolvent during the modernization project. Further, there is a risk that a necessary building permit for a planned modernization is delayed, only issued subject to further restrictions or refused completely, e.g. by reason of objections of third parties such as neighbors or by other reasons.

Higher expenditures than planned or unforeseen additional expenses for modernization and maintenance that cannot be passed on to the tenant and a delay of the modernization and repositioning of acquired properties might therefore negatively affect the business, net assets, cash flows, financial condition and results of operations of the GCP Group. The negative effects might be strengthened compared to investors in properties without an investment backlog.

The success of the GCP Group's growth strategy depends on its continuing ability to acquire properties with upside potential. A main factor for the success of the GCP Group in the past was its ability to acquire properties in using its sourcing network. It cannot be excluded that the GCP Group could fail in its ability to source attractive deals.

The business model of the GCP Group is affected by the continuing ability to acquire properties with the potential for capital growth and/or investment returns and to subsequently reposition the so acquired properties to either sell or hold the repositioned and thus revaluated properties. Hereby, the GCP Group relies on its ability to acquire properties by a privileged access to potential sellers and thus depends on its sourcing network and personal contacts of its key personnel for identifying suitable properties. It cannot be excluded that the GCP Group fails to maintain its sourcing network and that personal contacts will be lost. As a result, the GCP Group may have difficulties finding suitable properties, which inability could have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations and prospects of the GCP Group.

The GCP Group may be unable to make acquisitions if it is unable to obtain the necessary funds.

Most of the properties of the GCP Group are debt-financed. If the GCP Group is unable to obtain necessary funds in form of additional debt or equity, each at acceptable terms, this may limit the ability of the GCP Group for further acquisitions.

Generally, it cannot be guaranteed that the GCP Group is able to obtain debt or equity financing as needed to acquire additional properties in large volumes. The unavailability of required financing may prevent the GCP Group to continue its fast growth strategy and could have significant adverse effects on the Group's business, net assets, financial condition, cash flows, and results of operations.

The acquisitions and investments of the GCP Group involve risks that cannot be avoided despite prior due diligence.

Before acquiring a property, the GCP Group performs a due diligence exercise for the evaluation of the property and for the identification of risks connected with the property. There can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise or that such information will remain accurate in the period from conclusion of the due dili-

gence exercise until acquisition of the relevant property. Finally, it cannot be excluded that the GCP Group has overlooked or will overlook certain risks in the due diligence, notably, if transactions must be closed under time pressure. These risks among others relate to title and security searches, planning permissions and conditions, building permits, licenses, fire and health and safety certificates and the compliance with related regulations as well as restrictions in connection with historic preservation laws, subsidized housing or contractual limitations imposed by the seller of the respective property that may relate to investment obligations, limitations as to rent increases or other provisions for the extra-statutory tenant protection.

The properties to be acquired by the GCP Group are also inspected prior to purchase in the course of a technical due diligence investigation with respect to their structural condition and, to the extent necessary, the existence of harmful environmental impacts. However, the Group or the original acquirers, as the case may be, may not have been able to undertake (or obtain results for) inspections and surveys (including intrusive environmental and asbestos investigations and technical surveys) that the Group would otherwise carry out in relation to comparable acquisitions.

It is possible that damage or quality defects could remain entirely undiscovered, or that the scope of such problems is not fully apparent in the course of the due diligence investigation, and/or that defects become apparent only at a later time. In general, sellers exclude liability for hidden defects. If liability for hidden defects has not been fully excluded, it is possible that the representations and warranties made in the purchase agreement with respect to the property failed to cover all risks and potential problems relating to the acquisition. Regarding certain properties in the Group's portfolio, only limited investigation or review was undertaken as to the existence of harmful environmental contamination. As a result, it is possible that significant environmental pollution, such as the use of construction materials containing asbestos, was not recognized. The GCP Group could be exposed to financial liability for any required remediation measures.

Accordingly, in the course of acquiring a property portfolio, specific risks might not be or might not have been, recognized or correctly evaluated which could lead to additional costs and could have an adverse effect on the proceeds from rental income and sales of the relevant properties. This could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

There is a risk that the GCP Group could incorrectly appraise the value of acquired properties or property portfolios or real estate companies.

Prior to any acquisition, the GCP Group carries out an intensive examination and evaluation of the properties to be acquired. In this respect, the Group sets a yield target, taking into account the need for required maintenance, refurbishment or modernization measures. The GCP Group carries out such work with the objective of optimizing the respective property to make it possible for

the GCP Group, for example, to achieve higher occupancy of the properties and thereby increase the yield and value of the property.

The assumptions made in connection with the acquisition of a property portfolio, particularly with respect to anticipated in-place rent, refurbishment investments and/or costs, and vacancy reduction of properties, could, however, subsequently turn out to be incorrect because of many factors that can affect the realization of these assumptions. During times of reduced real estate transactions levels, market prices for properties may be difficult to assess. In addition, valuation methods used could subsequently turn out to have been unsuitable. Accordingly, there is a risk that the acquired properties will achieve less than the originally expected yields, i.e., lower returns on the investments, due to inaccurate projections and assumptions, for example higher maintenance and modernization costs than originally expected. Moreover, it could subsequently become more difficult to lease or sell the property, the market rent at that location could develop unfavorably, and there could be vacancies and vacancy income shortfalls. In addition, the multitude of factors that affect the market rent that can be charged in a particular market make it difficult to project future in-place rent, so that the in-place rent projected in connection with the acquisition of a property can develop differently than planned.

Incorrect and erroneous valuations in connection with the acquisition of property portfolios and other unforeseeable events could result in the GCP Group being unable to achieve its projected yields, leading to the risk that valuations of the properties have to be adjusted downwards due to lower fair values of the properties. These revaluations can negatively affect the value of the property portfolio of the Group shown in the financial statements and lead to negative impacts on the business, net assets, cash flows, financial condition and results of operations of the GCP Group (see “*Valuation Risks - Real Estate Valuation is based on assumptions that may change and are inherently subjective and uncertain, and the valuation report contained in this Prospectus may not accurately reflect the value of the GCP Group’s real estate assets*”).

The investments of the GCP Group are predominantly investments in real estate. Due to the potentially illiquid nature of the real estate market the Group may not be able to sell any portion of its portfolio on favorable terms.

Besides its general approach to hold onto its acquired properties, it is part of the GCP Group’s strategy to sell a property or a portfolio of properties after a successful repositioning if attractive prices are being offered and other investment opportunities rise at the same time. The general ability of the GCP Group to sell a property depends on the on market liquidity at the time of the potential resale, whereby the market for real estate investments is generally a market with limited liquidity. The demand for real estate assets is influenced by, among other factors, the general economic situation, the level of interest rates and the access to debt financing. As a result of general economic conditions and due to a variety of further reasons, there may not be a sufficient number of potential buyers.

If the GCP Group was required to liquidate parts of its total portfolio, in particular on short notice for any reason, there is no guarantee that the GCP Group would be able to sell any portion of its total portfolio on favorable terms, at prices originally expected, or at all. In the case of forced sale, if for example creditors realize collateral, there would likely be a significant shortfall between the fair value of a property or a property portfolio and the price achievable upon such sale of such property or property portfolio, and there can be no guarantee that the price thus obtained would even cover the carrying amount of the property sold.

Any such shortfall could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group may be exposed to losses and liabilities (including tax liabilities) in respect of its assets as a result of the acts or omissions of vendors or previous owners or occupiers or relating to the prior period of ownership.

The GCP Group may be exposed to losses and liabilities including, but not limited to, tax and regulatory liabilities, in respect of properties the GCP Group has acquired, or will acquire in the future, as a result of the acts and omissions of the relevant vendors or previous owners or occupiers of such assets or relating to the prior period of ownership in question. If any such risks materialize, this could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Following an acquisition, the GCP Group is exposed to integration risks.

After the acquisition of a property portfolio, the properties must be integrated in the existing management platform. Such integration may fail or take longer as scheduled and cost savings and synergies may not develop as expected resulting in higher administrative and management costs. It cannot be excluded that further acquisitions will cause a significant increase of such costs which could have adverse effects on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Some of the Group's properties are located in areas outside its core regions North Rhine-Westphalia and Berlin, which may lead to higher management costs and may prevent the GCP Group from providing a service in a quality equal to the service provided for properties in its core regions.

Whereas as of December 31, 2012 approximately 85 % of the GCP Group's properties were located in North Rhine-Westphalia and Berlin, there are also properties located in other densely populated areas of Germany. Since January 1, 2013 the Group has signed agreements to acquire additional residential properties located in Berlin and Essen, but also in Nuremberg/Furth, Mannheim, Bremen, Kiel and Dresden. As of the date of this Prospectus, approximately 80% of the GCP Group's properties are located in North Rhine-Westphalia and Berlin. Although the

Company intends to acquire additional properties in its core regions, it cannot be excluded that the GCP Group will acquire properties in other regions, e.g. as part of an existing portfolio of the seller sold to the GCP Group.

The Group has centralized most of its property management activities but also provides for on-site regional offices. The management of properties outside the core regions of the GCP Group may trigger higher costs compared to the management of properties in the core regions. Furthermore, there is a risk due to the lack of specific knowledge of the relevant regional markets that the GCP Group misjudges the requirements of potential tenants and makes investments that turn out to be inappropriate to satisfy the demand in the particular market.

This could have an adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

With respect to approximately 1,000 units the GCP Group is a joint venture partner which may impose obligations and certain restrictions on the GCP Group. Joint venture partners may not comply with existing agreements or become insolvent.

With respect to approximately 1,000 units of residential and commercial property, the GCP Group is a co-investor and joint venture partner and holds 50% of the shares in the respective company owning the property (as of December 2012: 3,561 units). The GCP Group may enter in further joint venture agreements in the future as well. In all of the cases, the GCP Group also manages the respective properties. Shareholder agreements and articles of association of the respective property companies govern the rights and obligations of the GCP Group and its joint venture partners. These agreements may impose restrictions on the GCP Group, including, *inter alia*, in relation to the disposal of its interest, changing the managers of (or where relevant, the general partner or the investment structure for) the property, its income and capital distribution entitlements and its voting rights and/or pre-emption rights on the sale of the GCP Group's stake in such companies. Any of these matters may affect the value of such investment in the respective properties. Furthermore, a joint venture partner or co-investor may have economic or business interests or goals that are inconsistent with those of the GCP Group, take actions contrary to the GCP Group's policies or objectives, experience financial and other difficulties, be unable or unwilling to fulfill their obligations under the co-investment agreements, any of which could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Minority interests of third parties in certain of the subsidiaries of the GCP Group may make it difficult to implement significant structural changes or other material decisions with regard to these entities, in particular, where those resolutions require a qualified majority or the unanimous consent of all shareholders of these entities for the execution of inter-company agreements.

As to some entities of the Group, the Company and/or its subsidiaries do not own all shares and/or do not hold all voting rights in the entities and are to that extent exposed to the influence of other shareholders in the respective entity. In most of such cases the GCP Group is exposed to minority shareholders' influence, in some cases, in particular within co-investment and joint venture structures, the remaining shareholders in such entity hold up to 50% of the shares in such entity. Hence, significant structural changes or other material decisions with respect to such entity may only be implemented with qualified majority and/or the consent of the remaining shareholders. Such exposure to other shareholders' influence and interests may limit the GCP Group's flexibility to implement the Group's strategy. Any such inflexibility could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The Group's business is exposed to risks from possible violations of the building code and other regulations.

The Group's business is exposed to the risk of non-compliance with building codes and other regulations as regards the construction of buildings. In addition to the risk that properties did not comply with such regulations at the time of acquisition, it is also possible that landlord responsibilities could be further expanded with respect to fire, health and safety protection and environmental protection, which could require additional refurbishment, maintenance and modernization measures. Furthermore, the projected cost of such measures is based on the assumption that the required permits are issued promptly and consistent with the Group's schedules. It is possible, however, that the required building permits will not always be issued promptly. If such permits are not issued promptly, or are issued only subject to conditions, this can lead to substantial delays of the completion of such modernization measures and may result in higher than projected costs and lower rental income for the relevant properties.

Any of the above risks, if it materializes, could impair the performance of the GCP Group's business and have a material adverse effect on the net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group may incur environmental liabilities, e.g. from residual pollution including wartime ordnance, soil conditions and contaminants in building materials.

Properties owned or acquired by the GCP Group may contain ground contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. The GCP Group's residential properties and their fixtures might contain asbestos or other hazardous substances such as polychlorinated biphenyl ("PCB"), Dichlorodiphenyltrichloroethane ("DDT"), Pentachlorophenol ("PCP") or Lindane above the recommended levels or above the allowable or recommended thresholds, or the buildings could bear other environmental risks.

The GCP Group bears the risk of cost-intensive assessment, remediation or removal of such ground contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/or in the buildings, particularly in connection with the letting or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions or termination of letting contracts for cause, for damages and other breach of warranty claims against a company of the GCP Group.

Moreover, environmental laws, namely under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), impose actual and contingent liabilities to undertake remedial action on contaminated sites and in contaminated buildings or to compensate for damages. These obligations may relate to sites the GCP Group currently owns or sites the GCP Group formerly owned as, according to this Act, not only the polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for the GCP Group to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination, for example, because the former seller or polluter cannot be identified, no longer exists or has become insolvent. Moreover, even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and the ability to let or sell such a property.

Moreover, laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the GCP Group's officers or employees infringe or have infringed environmental protection laws, the GCP Group could be exposed to civil or criminal damages. The GCP Group may be required to provide for additional reserves to sufficiently allocate towards its potential obligations to remove and dispose of any hazardous and toxic substances.

Any of these risks may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group could sustain substantial losses not covered by, or exceeding the coverage limits of, its insurance policies.

The properties held by the GCP Group are insured against losses due to fire, flooding, earthquakes and other natural hazards as well as terrorism to the extent usual for its business. The GCP Group's insurance policies are, however, subject to exclusions and limitations of liability. The Group may, therefore, have limited or no coverage relating to third-party liability, other natu-

ral disasters and other environmental risks or war. The Group may also have limited or no coverage relating to inflation, changes in planning laws or regulations, building codes and ordinances, title defects and defective construction. In addition, the GCP Group's insurance providers could become insolvent. The GCP Group also does not maintain separate funds or otherwise sets aside reserves to cover losses or third-party claims from uninsured events. Should an uninsured loss or a loss in excess of the GCP Group's insurance limits occur, the GCP Group could lose capital invested in the affected property as well as anticipated income and capital appreciation from that property. In addition, the GCP Group may incur further costs to repair damage caused by uninsured risks. The GCP Group could also remain liable for any debt or other financial obligation related to such property. Thus, the GCP Group may experience material losses in excess of insurance proceeds, which could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group may be unable to replace key personnel if it loses them.

The success of the GCP Group particularly depends on the performance of its management executives and qualified employees in key positions. This refers to employees active in the management activities of the Group with substantial expertise as to the sourcing of new property portfolios and the turn-around and repositioning of under-managed real estate. The loss of one or more members of the board of directors or other key employees of the Group could impair the growth and the ability to manage the operations of the GCP Group effectively, if the Group fails to attract new highly qualified management executives or qualified employees in key positions.

The failure to provide the necessary management resources or to replace key employees may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Damage to or interruptions in the Group's information technology system could lead to diminished data security and limit the GCP Group's business operations.

The GCP Group provides for a proprietary information technology system, which is an important facilitator of the Group's business optimization strategy. Any interruptions in, failures of or damage to this information technology system could lead to business process delays. If the Group's information technology system were to fail and also back-ups regularly made to reduce the risk of data-loss would not be available, the GCP Group would have to recreate existing databases, which would be time-consuming and expensive. The GCP Group may also have to expend additional funds and resources to protect against or to remedy potential or existing security breaches and related consequences. Damage to or interruptions in the GCP Group's information technology system could therefore have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group is exposed to the risk of impairments of its reputation. Negative publicity or press speculation might cause potential business partners to distance themselves from a relationship with the GCP Group.

The business model of the GCP Group is based on the privileged access to attractive investment opportunities. This privileged access is rooted in established relationships with many financial institutions and real estate investors. These relationships may suffer if the Group's reputation is damaged by negative publicity, press speculation and threatened or actual litigation related to its business. In Germany, the public's perception of financial investors in residential properties is generally critical, so it cannot be excluded that the Group is or becomes the target of negative publicity. Such negative publicity may cause business partners of the GCP Group to distance themselves from a relationship with the Group, which could harm the sourcing network of the GCP Group. Furthermore, potential tenants may be deterred.

Thus, an impairment of its reputation may have an adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Valuation Risks

Real estate valuation is based on assumptions that may change and are inherently subjective and uncertain, and the property appraisal reports contained in this Prospectus may not accurately reflect the value of the GCP Group's property portfolio.

Included in this Prospectus is an external appraisal report by Jones Lang LaSalle GmbH regarding real estate owned by the GCP Group as per December 31, 2012 (the "**Property Appraisal Report**"). Furthermore included in this Prospectus is an external appraisal report by Jones Lang LaSalle GmbH regarding a real estate portfolio in Mannheim the GCP Group acquired in April 2013 (the "**Mannheim Report**", the Property Appraisal Report and the Mannheim Report together also the "**Property Appraisal Reports**"). As real estate is unique, the valuation of real estate is inherently subjective and thus subject to uncertainty. A property's valuation depends on the factors considered during the valuation and on the applied valuation methods. In valuing a property, an appraiser may consider factors such as real estate tax rates, operating expenses, potential environmental liabilities and the risks associated with certain construction materials in addition to expected rental income, the property's condition and its historical vacancy level. In addition, property valuations are based on assumptions that may not be correct. An adverse change in one of the assumptions used or factors considered in valuing a property can decrease the assessed value of the property.

Some important assumptions used in the Property Appraisal Reports of the Group's property are based on information that the GCP Group produces, for example, the number of units and rental income. A change in the factors considered and assumptions used may cause lower valuation

results. The valuation of the Group's property may not reflect the actual sale or market prices the GCP Group could generate in a sale of its property, even where any such sales occur shortly after the relevant valuation date, or the estimated yield and annual rental income of any such property. In particular, during times of reduced real estate transaction levels, market prices for properties may be difficult to assess.

Any re-valuation of the Group's property could also cause the fair value determined for the respective valuation date to fall short of a property's book value, and could thereby result in a fair value loss. Under such circumstances, the GCP Group would be required to immediately write down the value of such real estate for the relevant accounting period. If such losses and write downs are material, they could have significant adverse effects on the net assets, financial condition and results of operations of the GCP Group.

Erroneous valuations in connection with the acquisition of real estate portfolios could also result in the GCP Group being unable to achieve its projected yields and could have significant adverse effects on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

In the event of a downturn in the real estate market, the fair value model could require the GCP Group to adjust current fair values of its properties (such as in the case of a change in interest rate levels or a deterioration of the market), which could have adverse effects on the valuation of the Group's property portfolios.

The GCP Group records at fair value, i.e. on the balance sheet dates subsequent to the accession of the property the fair value of the property is used. Fair value is the amount at which an asset or liability could be exchanged in an arm's-length transaction between informed and willing parties, other than in a forced or liquidation sale. The fair value thus reflects not only the circumstances directly connected with the property but also the general conditions of the real estate markets, such as regional market developments and general economic conditions or interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market or the general economic situation, the GCP Group will need to revise downward the values of its total portfolio on the consolidated balance sheet. In addition, rising interest rates generally may have a negative influence on the fair value of property portfolios.

Any change in fair value must be recognized as a profit or loss under the fair value adjustment. Any negative significant fair value adjustments the GCP Group is required to make could have significant adverse effects on the Group's financial condition and results of operations, as well as the market price of the Company's shares. Additionally, there would be negative effects on performance indicators, particularly the net asset value ("NAV") and loan-to-value ratio ("LTV"), which may have a negative influence on the rating of the Company and may constitute a covenant breach under financing agreements.

A negative change in the fair value may thus have a material adverse effect on the business, net assets, financial condition and results of operations of the GCP Group.

Financial Risks

The GCP Group may not be able to extend its existing credit arrangements, refinance its debt on substantially similar terms when it matures or obtain acquisition financing on financially attractive terms as and when needed.

The GCP Group may require additional funds to finance or refinance its debt, capital expenditures, future acquisitions and working capital requirements. In order to implement the Group's growth strategy to acquire further property portfolios and for the targeted modernization of acquired properties, the GCP Group will likewise need to borrow additional funds or to raise additional equity capital. The extent of the Group's future capital requirements will depend on many factors which may be beyond the Group's control, and its ability to meet such capital requirements will depend on future operating performance and ability to generate cash flows. Additional sources of financing may include equity, hybrid debt/equity and debt financings or other arrangements. The Company believes that its debt structure with a LTV of below 50 % as of December 31, 2012 and with long-term maturities of its debt between four to ten years is rather conservative and provides the GCP Group with an adequate flexibility as to future financings. However, there can be no assurance that the GCP Group will be able to obtain additional financing on acceptable terms when required.

If the GCP Group does not generate sufficient cash flows or if the GCP Group is unable to obtain sufficient funds from future equity or debt financings or at acceptable interest rates, the Group may not be able to pay its debts when due or to fund other liquidity needs. Any or all, or a combination of these factors would limit operating flexibility, and could have a material adverse impact on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

A rise in general interest rate levels could increase the Group's financing costs. When it attempts to mitigate interest rate risk by entering into hedge agreements, the Group also becomes exposed to the risks associated with the valuation of hedge instruments and these hedges' counterparties.

As of December 31, 2012 the total carrying amount of the GCP Group's outstanding debt was approximately € 276 million under IFRS. In June 2013, the Issuer incurred additional indebtedness by issuing the Existing Series Bonds with a principal amount of € 100 million.

When concluding financing agreements or extending such agreements, the GCP Group depends on its ability to agree on terms for interest payments that will not impair its desired profit and am-

ortization schedules. In general, rising market interest rates would lead to higher financing costs in the future having material adverse effects on the business, financial condition and results of operations of the Group.

The GCP Group regularly enters into financing agreements with variable interest rates while hedging such variable interest rate with customary market hedging instruments, such as interest swaps or caps. However, the hedging instruments that the GCP Group uses may not be completely effective, or the GCP Group may be unable to enter into necessary extensions or renegotiations of financing agreements or hedging instruments at their current interest rate terms, including associated costs, or to the extent planned.

Also, the hedging agreements the Group enters into generally do not completely counterbalance a potential change in interest rates and interest rate fluctuations may have a negative impact on the Group's equity and results of operations. Moreover, the GCP Group is exposed to the risk that its hedging counterparties will not perform their obligations as established by the hedging agreements into which the GCP Group has entered. Hedging counterparties may default on their obligations towards the GCP Group due to lack of liquidity, operational failure, bankruptcy or other reasons. The risk of counterparty default has become increasingly relevant since the recent financial crises.

The occurrence of any of these factors could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

A downgrading of the Group's current rating may impact the ability to raise further debt and may adversely influence the debt costs.

As of the date of this Prospectus, the Company's creditworthiness was rated "BB-" with a stable outlook by Standard & Poor's Rating Services. It cannot be excluded that due to a weaker performance of the Group's business this rating could be downgraded by the rating agency. This may make future financings more difficult and lending banks could require higher interest rates and/or a higher level of collateral, which may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The redemption of the Convertible Bond 2012-2017 depends on a successful refinancing when it becomes due. Besides the maturity date as stipulated in the terms and conditions, the breach of covenants of the conditions of the Convertible Bond 2012-2017 or a default of other obligations of the Company arising from the Convertible Bond 2012-2017 may result in a substantial payment obligation for the Company before the final maturity date. The failure to refinance may cause the enforcement of security granted by the Company in favor of the Trustee and the holders of the Convertible Bond 2012-2017 and the Series B Bonds. Such enforcement may cause the enforcement of a pledge on the shares of the

Company in Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited), which are the only material assets of the Company.

In October 2012, the Company issued 1,000 convertible bonds with a denomination value of € 100,000.00 each and thus, an aggregated principal amount of € 100 million (the “**Convertible Bond 2012-2017**” or “**Original Bonds**”) due and repayable on October 15, 2017. In the conditions of the Convertible Bond 2012-2017, the Company made several undertakings in respect of capital measures, further indebtedness, group structuring and the granting of securities. Any breach of such undertakings may trigger an event of default. An event of default may also arise if the Company or any of its subsidiaries fail to repay any indebtedness, provided that such due but unpaid indebtedness exceeds 5 % of the Group’s net asset value, or if insolvency or similar proceedings are commenced against the Company or any other company of the GCP-Group or if security granted by the Company or its subsidiaries is enforced. In addition an event of default occurs if the Company fails to repay any principal amount or interest under the Convertible Bond 2012-2017. As a result of an event of default, all Original Bonds outstanding may become due and repayable in their respective principal amount plus any accrued interest. An event of default under the Series B Bonds will also trigger an event of default under the Convertible Bond 2012-2017 and vice versa.

As of the date of this Prospectus, bonds issued under the Convertible Bond 2012-2017 in the amount of € 42.9 million were outstanding. At the maturity date or at the point in time an event of default occurs, the payment obligation of the Company may therefore total up to € 42.9 million plus accrued interest. If the Company is not able to redeem the Original Bonds in full when required, this may finally lead to the insolvency of the Company.

Furthermore, the Company has granted a pledge over its shares in its subsidiary Grandcity Property Limited (previously named Adminond Trading & Investments Limited, “**GrandCity**”) in favor of the bondholders of the Convertible Bond 2012-2017 and the Existing Series B Bonds. The Company holds 94.80 % of the shares in GrandCity which is a sub-holding company within the GCP Group and indirectly holds materially all of the assets of the GCP Group.

If the Company defaults on any payments in accordance with the Convertible Bond 2012-2017 or fails to comply with its undertakings related to the conditions of the Original Bonds and/ or the Series B Bonds the security shall become enforceable and the Trustee may enforce the security. Such enforcement may lead to the execution of the share pledge over the Company’s shares in GrandCity and thus may lead to the transfer of all or part of the charged shares of the Company in GrandCity to a third party. This may result in a loss of all or substantial parts of the assets of the Company and would have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the Company.

A change of control in the Company or a delisting of the shares in the Company may result in a substantial payment obligation for the Company with respect to the Convertible Bond 2012-2017.

According to the conditions of the Convertible Bond 2012-2017 the holders of the Original Bonds are entitled to request redemption of their bonds in the event of a change of control in the Company. Such change of control is deemed to be the acquisition of more than 50 % of the voting rights in the Company by a third party (other than the existing shareholders of the Company, Edolaxia Ltd. and/or Valuemonth Holdings Ltd.) or the right of a third party to appoint and/or remove the majority of the members of the Company's board of directors. In addition the bondholders of the Convertible Bond 2012-2017 may request redemption of the bonds if the shares of the Company are delisted from the relevant stock exchange. Provided that the present number of outstanding bonds issued under the Convertible Bond 2012-2017 in the aggregate amount of € 42.9 million are also outstanding at the point in time a change of control in the Company or a delisting of the shares in the Company occurs and all of the bondholders of Outstanding Bonds request redemption, the potential payment obligation of the Company may sum up to the aggregate principal amount then outstanding plus accrued interest. Any such payment obligation would have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the Company. If the Company was not able to redeem the Convertible Bond 2012-2017 to the extent required, this may finally lead to insolvency of the Company.

There are risks of foreclosure if the respective borrower of the GCP Group does not fulfill its obligation under loans granted by banks. A breach of covenants or undertakings under loan agreements and/or a change of control within the GCP Group could result in substantial payment obligations for the Company and could lead to the enforcement of the related collateral.

In order to service its loan debt (principal and interest), the GCP Group needs to continue to achieve positive cash flows from operating activities. The Group generally generates such cash flow from in-place rent and proceeds from disposals. If the GCP Group is unable to generate positive cash flows from its operating activities in the future, the GCP Group could be forced to sell properties irrespective of the market situation and possibly on terms unfavorable to the Group, expend cash, or borrow money on financially unattractive terms. As a whole, this could have significant adverse effects on the net assets, cash flows, financial condition and results of operations of the GCP Group.

The receivables resulting from loans granted by banks for the purpose of acquiring and re-developing properties are usually secured by first-ranked land charges in favor of the lending bank. If the relevant entity of the GCP Group would not fulfill its obligations under the loan, e.g. repayment of receivables when they become due, or a breach of covenants or undertakings, such entity could be forced to sell the respective property under time pressure or under unfavorable

market conditions, or the lending bank would be entitled to enforce into the property. Both may lead to a sale of the property at lower prices than originally expected.

Loan agreements between banks and entities of the GCP Group usually provide for financial covenants or undertakings. If the relevant entity is in breach of such covenants or undertakings, the lender may terminate the affected loan agreements.

As of the date of this Prospectus, all material loan agreements of entities of the GCP Group with banks provide for a change of control clause according to which the loan agreement may be terminated by the lender in case of a change of control occurs and the lender has not approved such change of control. Furthermore in almost all material loan agreements the respective lender has an extraordinary termination right if (i) Mr. Yakir Gabay no longer holds (directly or indirectly) 44.97 % of the shares in the respective borrower, (ii) Mr. Yakir Gabay in his position as minority shareholder no longer directs and controls the operations of such borrower or (iii) the property management of the respective property is no longer performed by a company controlled by Mr. Yakir Gabay.

If a loan agreement is terminated due to the aforementioned reasons, the outstanding amounts (principal and interests) under the affected loan agreements are immediately due and payable having material adverse effects on the business, financial condition and results of operations of the affected entity and the GCP Group.

The Group's historical earnings and other historical financial data are not necessarily predictive of earnings or other key financial figures of the Group going forward.

The financial information provided for and discussed in this Prospectus and the financial statements of the Company printed in the financial section of this prospectus relate to the past performance of the Company and the Group. The current Group structure with the Company as holding Company of the GCP Group has been established with effect as of January 1, 2012. Until that date, GrandCity was the holding company of the business conducted by the GCP Group today. Since 2009 the Group has faced a rapid growth. The future development of the GCP Group could deviate significantly from past results due to a large number of internal and external factors. The historical earnings, historical dividends and other historical financial data of the Company and the Group are therefore not necessarily predictive of earnings or other key financial figures for the Group going forward.

Legal and Regulatory Risks

The Group's business is subject to the general legal environment in Germany, which may change to its detriment. German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to evict tenants, increase

the rents of residential units the GCP Group owns or pass on ancillary costs or modernization investment cost. Moreover, there are current political efforts to further restrict rent level increases.

The Group's business is subject to the general legal framework applicable to residential and commercial real estate. This framework includes German tenancy law, as well as special provisions in other laws, including social legislation, construction laws, historic preservation laws and other public laws. Any changes to German or European laws, which could include changes that have retroactive effect, or changes in the interpretation or application of existing laws could, therefore, have a negative effect on the Group. In particular, changes to tenant protection laws could make it more difficult to evict tenants, increase rents or pass on ancillary costs or modernization investment costs to the tenants. This could have material adverse effects on the profitability of the investments and results of operations of the GCP Group. If these changes in the legal framework occur, individually or together, or if other changes of the legal framework arise, this could have a material adverse effect on the GCP Group's revenue and earnings and, thus, have a material adverse effect on the net assets, financial conditions and results of operations of the GCP Group.

In Germany, the landlord-tenant relationship is subject to a significant level of statutory regulation which, for the most part, provides far-reaching social protection for the tenants under residential leases. According to German law, for example, a landlord may not increase residential rents of existing leases by more than an aggregate of 20 % compared to locally prevailing comparative rent levels over a three-year period (capping limit). The landlord may only terminate a lease agreement if there is a legitimate interest in doing so. The German Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) has become effective as of May 1, 2013. It provides inter alia the authorization of German federal state governments to decrease the aforementioned capping limit to 15% over a three-year period for specific municipalities.

In Germany, affordable housing continues to be a political topic with high level attention. With regard to the upcoming parliamentary elections in Germany to be held on September 22, 2013, the two major German political parties, the CDU and the SPD according to their respective election programme are proposing a statutory limitation on the rent for new lease agreements. Both parties propose to limit any newly agreed rent at a maximum of ten percent above the relevant locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*). Such limitation would neither apply to commercial lease agreements nor to lease agreements relating to new buildings. Whereas the CDU proposal intends to authorise the German federal state governments to implement such limitation of the rent and thus a limitation would be at the discretion of each federal state, the SPD proposes to implement such limitation directly and mandatory on federal level by virtue of federal law. In the event any such proposal is implemented after the parliamentary elections this could affect the ability of the Group to freely agree on rental fees in new lease agree-

ments to the extent described. Tightened rent restrictions might impair the ability of the GCP Group to increase rents, which in turn could adversely affect the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

In addition, to such generally applicable rent increase restrictions, the GCP Group may be subject to additional restraints on rent increases arising from the acquisition agreements, in particular in agreements with government entities such as the states and municipalities, through which the real estate portfolio will be purchased. Such restrictions also limit the Group's ability to impose rent increases.

The Group's use of standardized contracts could lead to additional legal risks.

The GCP Group maintains legal relationships with a large number of persons, primarily tenants and its employees. In this context, the GCP Group also uses standardized documents and standard form contracts. If such documents or contracts contain invalid clauses or contracts as a whole are invalid and thus substituted by statutory provisions which are unfavorable to the GCP Group, this may affect a large number of standardized terms or contracts. It is impossible to fully protect the GCP Group against risks from the use of such standardized contractual terms, due to the frequent changes to the legal framework, particularly court decisions relating to general terms and conditions of business.

For example, the German Federal Court of Justice (*Bundesgerichtshof*) has ruled that standard clauses in letting contracts are invalid if they obligate the tenant to carry out cosmetic repairs (*Schönheitsreparaturen*) within a fixed schedule or to fully maintain the apartment at the end of the letting term (*Endrenovierung*). The invalidity of such clauses results in the landlord being responsible for the repair and maintenance and being required to bear all related costs. If the tenant carries out such repair and maintenance works without actually being obliged to do so, the landlord might have to compensate the corresponding costs.

Even in the case of contracts prepared with legal advice, it is impossible for the GCP Group to avoid problems of this nature in advance or in the future, because changes could occur in the legal framework, particularly case law, making it impossible for the Group to avoid the ensuing legal disadvantages. This could have a material adverse effect on the business, cash flows, financial condition and results of operations of the GCP Group.

The GCP Group could be liable for properties it has sold.

With regard to the sale of properties, the GCP Group has to make representations, warranties, covenants and negative declarations of knowledge to the purchasers with respect to certain characteristics of the sold properties. The resulting obligations of the GCP Group may continue to exist for several years after the Group sold a property. Among other things, the GCP Group could be subject to claims for damages from purchasers who assert that the representations the GCP

Group made to them were untrue, or that GCP Group failed to meet its obligations. The GCP Group could become involved in legal disputes with purchasers, as a consequence of which the GCP Group could be required to make payments for damages.

As a seller of properties, the GCP Group is liable to tenants for any breach of letting contracts by the buyer unless it has notified the tenant of the change of ownership and the tenant fails to avail itself of the opportunity to terminate the tenancy at the earliest permitted termination date. This applies also and specifically where the GCP Group no longer has any control over the property. Moreover, the Group continues to be exposed to liability for breach of contract even in the event that the buyer resells the property and the subsequent buyer breaches the letting contract. As a rule, when selling residential properties, the GCP Group informs all tenants in writing of the change of landlord. Such release from liability does not apply for rental securities (*Mietbürgschaften*) provided by the tenants. If the tenant is unable to receive its rental security from the buyer of the property, the liability to repay such rental security remains with the seller.

Legal or settlement costs, including the costs of defending lawsuits, whether justified or not, as well as potential damages, associated with liability for properties that the GCP Group has sold could have an adverse effect on the cash flows, financial condition and results of operations of the GCP Group.

Entities of the GCP Group may be subject to litigation, administrative proceedings and similar claims.

Entities of the GCP Group have regularly been and probably will be in the future subject to administrative and legal proceedings incidental to the ordinary operations of its business. This refers to outstanding rent payments and the termination of lease contracts. Although not material on a case-by-case basis, such litigation ties up resources and may have an adverse effect on the GCP Group's business if they occur frequently and concentrated.

Further litigation may result from purchase agreements, either as seller or as purchaser, concerning the dispute on a breach of representations and warranties.

There is a risk that the risk management system of the GCP Group proves to be partially or completely insufficient or fails so that unknown, unrecognized or unexpected risks may materialize.

The Group has a risk management system which has developed risk management strategies and processes tailored to the business of the GCP Group, which are continually updated and are particularly designed to monitor market risk, liquidity and financial risk, operational risk, organizational risk and the risk of reputation damage. The GCP Group could be faced with risks that have been underestimated or not previously detected. Inappropriate risk management measures may cause irregularities leading to official investigations or third-party claims against the GCP Group,

which in turn could have financial and other consequences, as well as negative effects on its business, net assets, financial condition, cash flows, results of operations and its reputation.

The GCP Group could be exposed to restitution claims.

According to the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), persons who were expropriated of property within the former German Democratic Republic (“GDR”) can claim restitution or compensation under certain conditions, in particular if the property was seized without compensation or less compensation than citizens of the GDR were entitled to. The German Act on Unsettled Property Issues is also applicable to persons who lost property due to racist, political, religious or ideological reasons during 1933 and 1945. Dispossessions between 1945 and 1949 are, however, considered irrevocable and no restitution is granted under the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*). Applications for restitution of real property generally had to be filed by December 31, 1992. However, the Jewish Claims Conference filed a general claim in 1992 due to the difficulty of specifying individual claims prior to the December 31, 1992 deadline. This general claim lists numerous former owners of real properties and their respective heirs who may be entitled to restitution or compensation. It is not clear, however, how much real property could be affected by the general claim.

If specific claims are brought forward concerning real property, the German Act on Unsettled Property Issues requires that current owners of such real property become subject to restrictions on material changes to, and transfer of, the real property. Since the processing of claims may take up to several years, such restrictions may be in effect for that duration.

Although the notification deadline under the German Act of Unsettled Property Issues, subject to certain exemptions, expired at the end of 1992, the aforementioned restitution and compensation claims cannot be entirely excluded. If any such claims were asserted vis-à-vis an entity of the GCP Group regarding properties owned by the Group, the GCP Group would be severely limited in its ability to manage such properties and may even be forced to transfer such properties to successful claimants without adequate compensation. Any such limitations or compulsory transfers of properties could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Tax Risks

With all its properties situated in Germany, the GCP Group is subject to the general tax environment in Germany. The Group’s tax burden may increase as a consequence of current or future tax assessments, tax audits or court proceedings based on changes in tax laws or changes in the application or interpretation thereof.

The properties owned and managed by the GCP Group are situated in Germany. Germany also is the place where the property management activities of the Group are conducted. Thus, the GCP Group is subject to the general tax environment in Germany. The Group's tax burden depends on various aspects of tax laws, as well as their application and interpretation. Amendments to tax laws may have a retroactive effect on the application or interpretation by tax authorities or courts may change. Furthermore, court decisions are occasionally limited to their specific facts by tax authorities by way of non-application decrease. This may also increase the Group's tax burden.

The Group is among others subject to the following risks related to German tax environment:

- According to German tax law the Group has to file tax declarations for its German subsidiaries within certain statutory periods. Most of the Group's German property subsidiaries have filed tax declarations for income tax for the years until 2011. The statutory submission period for filing the tax declarations for the German subsidiaries of the Group for the year 2012 will end at August 31, 2013. Any tax assessments that deviate from the Groups expectations in its tax declarations could lead to an increase in the Groups' tax obligations.
- The German subsidiaries of the GCP Group are generally subject to tax audit (*Betriebsprüfung*) by the competent tax authorities. As some of the Group's German subsidiaries were established in the last two years there have been no tax audits yet. Eight German Group subsidiaries were subject to a tax audit for the fiscal years until 2008 and one German Group subsidiary was subject to a tax audit for the fiscal year 2010. The tax audits had no material outcome deviating from the Group's tax declarations. Currently, the tax authorities are auditing one German Group subsidiary for the fiscal year 2008. Generally, tax audits conducted by the competent tax authorities could result in the assessment of additional taxes. For example, certain expenses could be treated as non-deductible. Further German real estate transfer tax or German trade tax could be assessed.

Also, changes in tax legislation, administrative practice or case law, possible at any time on short notice, could have adverse tax consequences for the Group. For example, there could be increases in the rates of property transfer tax, property tax or capital gains tax. Additionally, changes could be made to the ability to depreciate owned real estate. This could have an adverse effect on the attractiveness of residential real estate. Despite a general principle prohibiting retroactive application, amendments to applicable laws, orders and regulations can also be retroactive. Additionally, divergent statutory interpretations by the tax authorities or the courts are possible. If these changes in the tax framework conditions should occur, individually or together, or if other changes of the legal or tax framework conditions that negatively affect the business of the Group should arise, this could have a material adverse effect on the net assets, financial condition and results of operations of the GCP Group.

The structure of the GCP Group is influenced by the general tax environment in Germany, Cyprus and Luxembourg and changes in the tax environment in these countries may increase the tax burden of the GCP Group.

The organisational structure of the GCP Group has been established in the year 2012, when the Company became the holding company of the GCP Group in its present form. Besides the Company, the GCP Group today comprises of over 120 companies which have its registered offices mainly in Germany, Cyprus and Luxembourg and thus are subject to the tax laws of these jurisdictions. The Company is a holding company. Its direct subsidiary GrandCity, having its registered office in Cyprus, acts as sub-holding company and - through its permanent establishment in Germany - also provides property and asset management services to the German property companies of the GCP Group. Most of the German property companies are held through further Cypriot subsidiaries which themselves are held by GrandCity. Thus, the structure of the GCP Group provides for various tax aspects, including the cross-border taxation issues governed by double-tax treaties between Germany, Cyprus and Luxembourg. It can not be excluded that tax authorities in Germany, Cyprus or Luxembourg might not share the view of the tax assessment of the GCP Group which could lead to additional tax burden of the GCP Group in any of these countries. Also, the tax laws in any of these jurisdictions or double-tax treaties between these countries might change in the future, even with a retroactive effect, which could cause additional tax burdens for the GCP Group. All these aspects could have a material adverse effect on the net assets, financial condition and results of operations of the GCP Group

Risks specific to GrandCity

As GrandCity is a member of the GCP Group, the risks listed above also apply to GrandCity.

Risks relating to the Further Series B Bonds

An investment in the Further Series B Bonds involves certain risks associated with the characteristics, specification and type of the Further Series B Bonds which could lead to substantial losses that holders of the Further Series B Bonds (“**Holders**“) would have to bear in the case of selling their Further Series B Bonds or with regard to receiving interest payments and repayment of principal. Risks regarding the Further Series B Bonds comprise, *inter alia*, the following risks:

Further Series B Bonds may not be a suitable investment for all Investors.

Each potential investor in the Further Series B Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (1) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Further Series B Bonds, the merits and risks of investing in the relevant Further Series B Bonds and the information contained in this Prospectus;
- (2) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Further Series B Bonds and the impact the Further Series B Bonds will have on its overall investment portfolio;
- (3) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Further Series B Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- (4) understand thoroughly the conditions of the Further Series B Bonds; and
- (5) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investments of certain investors are subject to investment laws or regulations or, respectively, the supervision or regulation by certain authorities. Each potential investor should consult with a financial advisor, if and to which extent (i) the Further Series B Bonds are an investment suitable to it, (ii) the Further Series B Bonds may serve as collateral for different types of debt financing, and (iii) other limitations on the purchase or pledge of the Further Series B Bonds apply. Financial institutions should consult with their legal advisor of the appropriate regulatory authority in order to assess the suitable classification of the Further Series B Bonds with respect to the applicable rules on risk capital or similar provisions.

The rating of the Further Series B Bonds and the rating of the Issuer is no recommendation to buy, sell or hold the Further Series B Bonds. Any of the ratings may be suspended, reduced or withdrawn at any time.

The Further Series B Bonds are rated by Standard & Poors Rating Services. The rating assigned to the Further Series B Bonds is BB-. The same applies to the Existing Series B Bonds and the Convertible Bond 2012-2017. The Issuer itself is also rated by Standard & Poors Rating Services. As at the date of this Prospectus, the rating assigned to the Issuer was BB-. A rating by a rating agency or a third party is not a recommendation to buy, sell or hold Further Series B Bonds and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency or third party. There is no guarantee that the rating remains stable for a certain period of time and that it is not reduced or withdrawn completely, should this be necessary in the rating agency's or third party's opinion. A suspension, reduction or withdrawal of the rating assigned to the Issuer may adversely affect the market price of the Further Series B Bonds and their tradability.

A liquid market for the Further Series B Bonds may not develop, or if it does develop, it may not continue.

Application has been made to the Frankfurt Stock Exchange for the Further Series B Bonds to be included for trading together with the Existing Series B Bonds on the Frankfurt Stock Exchange's Open Market (*Freiverkehr*) and listed on the Entry Standard segment for bonds of Deutsche Börse AG. However, there is a risk that no liquid secondary market for the Series B Bonds will develop or, if it does develop, that it will not continue. The fact that the Further Series B Bonds may be listed does not necessarily lead to greater liquidity as compared to unlisted Further Series B Bonds. In an illiquid market, an investor is subject to the risk that it will not be able to sell its Further Series B Bonds at any time at fair market prices. The possibility to sell the Further Series B Bonds might additionally be restricted for country specific reasons.

Risk of Early Redemption

The Issuer may redeem at its option at any time falling three years from June 3, 2013 all of the aggregate principal amount of the Series B Bonds initially issued on the relevant date at a redemption price between 102.5% and 100 % depending on the date of such redemption together with accrued but unpaid interest to such date. The Issuer may also redeem all or only some of the Series B Bonds if prior to the redemption purchases and/or redemptions in respect of 80% or more in principal amount of the Series B Bonds have been effected. The Issuer further may redeem all (but not only some) of the Series B Bonds at their principal amount together with interest accrued to the date of such redemption, in the event of certain tax changes. In addition, upon the occurrence of a Change of Control the holder of each Series B Bond will have the right to require the Issuer to redeem such Series B Bond at a redemption price equal to 101% of its principal amount together with accrued interest to such date. If the Issuer exercised the option to redeem the series B Bonds early, the Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

Market Price Risk

The development of market prices of the Further Series B Bonds depends on various factors, including, but not limited to, changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Further Series B Bonds. The Holders are therefore exposed to the risk of an unfavourable development of market prices of their Further Series B Bonds which will affect the Holders if they sell the Further Series B Bonds prior to the final maturity date. If a Holder decides to hold the Further Series B Bonds until final maturity, the Further Series B Bonds will be redeemed at the amount set out in the Conditions of Issue.

The market value of the Further Series B Bonds could decrease if the creditworthiness of the Group worsens.

If any of the risks regarding the Issuer and the Issuers' Group materialise the likelihood that the Issuer will be in a position to fully perform all obligations under the Further Series B Bonds when they fall due decreases, and therefore the market value of the Further Series B Bonds may suffer. In addition, even if the Issuer is able to fully perform all obligations under the Further Series B Bonds when they fall due, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Group could adversely change. If any of these risks occurs, third parties may only be willing to purchase the Further Series B Bonds for a lower price than before the materialisation of said risk. Such circumstances may cause the value of the Further Series B Bonds to decrease.

Currency Risk

The Further Series B Bonds are denominated in Euro. If such currency represents a foreign currency to a Holder, such Holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Further Series B Bonds. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments. In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, Holders may receive less interest or principal than expected, or no interest or principal at all.

Fixed Rate Further Series B Bonds

The Further Series B Bonds bear a fixed interest rate. A holder of fixed rate bonds is particularly exposed to the risk that the value of such bonds may fall as a result of changes in the market interest rate. If interest rates start to rise then the income to be paid by the Further Series B Bonds may become less attractive and the price upon any sale of the Further Series B Bonds could fall. However, the market price has no effect on the income or redemption amounts under the Further Series B Bonds upon maturity if investors hold the Further Series B Bonds until this point.

Resolutions of Holders

Since the Further Series B Bonds provide for meetings of Holders or the taking of votes without a meeting, a Holder is subject to the risk of being outvoted by a majority resolution of the Holders or being bound by a decision of a meeting that he elected not to attend. In addition, certain resolutions will need to be approved by a majority of the holders of all series' of bonds in issue by the Company (i.e. the Further Series B Bonds, the Existing Series B Bonds and the Convertible Bond

2012-2017), taken together as a single series. Such majority resolutions are binding on all Holders. In addition, certain rights of Holders against the Issuer under the Conditions of Issue may be amended or reduced or even cancelled under such a resolution.

The Further Series B Bonds will be structurally subordinated to indebtedness of the majority of subsidiaries.

In the event of a liquidation, winding-up or dissolution or a bankruptcy, administration, reorganization, insolvency, receivership or similar proceeding of any subsidiary of the GCP Group except for GrandCity, such subsidiaries will pay the holders of their own debt, their trade creditors and any preferred shareholders before they would be able to distribute any of their assets to the Issuer or GrandCity. As a result of the foregoing, the Issuer may not have sufficient assets to make payments on the Further Series B Bonds.

The Further Series B Bonds will be effectively subordinated to the GCP Group's debt to the extent such debt is secured by assets that are not also securing the Further Series B Bonds.

Although the terms of the Further Series B Bonds restrict the Issuer's ability to provide asset security for the benefit of other debt, both the restriction on incurring liens and the requirement to provide equal security to the Further Series B Bonds are subject to a number of exceptions. For example, the GCP Group's ability to provide security on subsidiary level is not limited. To the extent the Issuer or other entities of the GCP Group provide asset security for the benefit of other debt without also securing the Further Series B Bonds, the Further Series B Bonds will be effectively junior to such debt to the extent of such assets. As a result of the foregoing, holders of the GCP Group's (present or future) secured debt may recover disproportionately more on their claims than the Holders of the Further Series B Bonds in an insolvency, bankruptcy or similar proceeding. The Issuer may not have sufficient assets remaining to make payments on the Further Series B Bonds.

The Issuer and its subsidiaries will be able to incur additional amounts of debt, which could further exacerbate the risks associated with its indebtedness.

The Issuer and its subsidiaries may be able to incur additional debt in the future. Any such additional debt would be subject to restrictions on the incurrence of additional debt contained in the existing loan agreements of the GCP Group. In addition, the conditions of the Series B Bonds contain an undertaking from the Issuer that the net debt of the GCP Group will not exceed at any time 70% of the fair market value of the assets of the GCP Group. Thus, in the event the fair value of the total assets of GCP Group increases, the potential total amount of additional debt under this 70% threshold increases respectively. The incurrence of additional debt up to this 70% threshold could exacerbate the risks associated with the indebtedness of the GCP Group.

The GCP Group may not be able to generate sufficient cash flows to meet its debt service obligations.

The Group's ability to make scheduled payments on, or to refinance, its obligations with respect to its indebtedness, including the Further Series B Bonds, will depend on its financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond its control. If the GCP Group is unable to generate sufficient cash flow to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Refinancing may not be possible, it may be difficult to sell any assets or, if assets are sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. The GCP Group's inability to generate sufficient cash flows to satisfy its debt obligations, or to refinance its indebtedness on commercially reasonable terms, would materially and adversely affect its financial condition and results of operations and its ability to satisfy its obligations under the Further Series B Bonds.

The Issuer is a holding company; its material assets are the shares held in its subsidiary GrandCity. Thus, its source of income is limited to distributions of dividends and claims against GrandCity from intercompany loans and therefore the Issuer relies on distributions from GrandCity to service its debt obligations and repay the Further Series B Bonds.

The Issuer is a holding company. Its material assets are its shareholding of 94.8% of the shares in GrandCity. The Issuer will on-lend the proceeds from the sale of the Further Series B Bonds under an intercompany loan. The Issuer intends to service and repay the Further Series B Bonds out of the payments it receives under the intercompany loan from its subsidiary GrandCity. Other than the receivables under the intercompany loan and any other proceeds loans made in connection with other financing transactions, the Issuer depends on distribution of dividends by GrandCity. The Issuer's ability to service and repay the Further Series B Bonds therefore depends on the ability of GrandCity to service in full all intercompany loans. In meeting its payment obligations under the Further Series B Bonds, the Issuer is wholly dependent on the profitability and cash flow of GrandCity and the Group's other subsidiaries. GrandCity's cash flow and its ability to meet its cash requirements is dependent upon the profitability and cash flow of the Group's subsidiaries and payments by such subsidiaries in the form of loans, dividends, fees, rental payments, or otherwise.

The proceeds from the enforcement of the Security may not be sufficient to satisfy the obligations under the Further Series B Bonds.

The Further Series B Bonds will, upon issuance, be secured by the Security. No appraisal of the value of the Security has been made in connection with the issue of the Further Series B Bonds.

Furthermore, the assets subject to the Security are also subject to security interests for the benefit of other *pari passu* creditors, i.e. the holders of the Convertible Bond 2012-2017. In addition, the terms of the Further Series B Bonds will allow the incurrence of additional permitted indebtedness in the future that is secured by such assets. The amount to be received upon an enforcement of Security would be dependent on numerous factors affecting the value of the assets subject to the Security at the time of their enforcement. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from the enforcement of the Security may not be sufficient to repay the obligations under the Further Series B Bonds.

Holders will be able to direct the enforcement of the Security only under certain limited circumstances.

The Security that will secure the obligations of the Issuer under the Further Series B Bonds will not be granted directly to the Holders but will be granted only in favour of the Trustee. The Trust Deed and the terms of the Further Series B Bonds provide that only the Trustee has the right to enforce the respective Security. As a consequence, Holders will not have direct security interests and will not be entitled to take direct enforcement action in respect of the Security. The Trust Deed provides that the Trustee may take enforcement action with respect to any of the respective Security only upon the instruction of the requisite number of bondholders (as set out below). The Trustee may take action to enforce the Security at its discretion at any time after the Security has become enforceable, but shall not be bound to take such action unless directed by an extraordinary resolution of the holders of the Further Series B Bonds, the Existing Series B Bonds and the Convertible Bond 2012-2017 taken together as a single series or unless requested in writing by bondholders of not less than 25% in aggregate principal amount of the Further Series B Bonds, the Existing Series B Bonds and the Convertible Bond 2012-2017 then outstanding taken together as a single series. Holders are therefore dependent on third parties in order to be able to indirectly enforce the Security.

Local insolvency laws may not be as favorable to the investor as the bankruptcy or insolvency laws of the jurisdiction with which the investor is familiar and may preclude Holders from recovering payments due on the Further Series B Bonds.

The Issuer is incorporated under the laws of the Grand Duchy of Luxembourg. GrandCity is incorporated under the laws of the Republic of Cyprus. The insolvency laws of foreign jurisdictions may not be as favourable to the investor's interests as the laws of the jurisdictions with which the investor is familiar, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit the investor's ability to recover payments due on the Further Series B Bonds to an extent exceeding the limitations arising under other insolvency laws. In the event that any of the Issuer and GrandCity experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

There may not be sufficient Security to pay all or any of the Further Series B Bonds.

The value of the Security in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. By its nature, portions of the Security may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from any sale or liquidation of this Security may not be sufficient to pay the Group's obligations under the Further Series B Bonds and other *pari passu* claims referred to above.

The Issuer and its subsidiary GrandCity will have control over the Security, and ordinary course of business activities could reduce the pool of assets securing the Further Series B Bonds.

The security documents allow the Issuer and its subsidiary GrandCity to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from, the Security securing the Further Series B Bonds. Except under limited circumstances specified in the relevant security documents, the Issuer and GrandCity may, among other things, without any release or consent by the Trustee, conduct ordinary course activities with respect to the Security and make ordinary course cash payments, including repayments of indebtedness. Any of these activities could reduce the value of the Security, which could reduce the amounts available to pay sums due to the investor in the case of an enforcement of the Security.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

In connection with the offering of the Further Series B Bonds, the Issuer will receive maximum net proceeds of approximately € 97,600,000 after deducting aggregate costs and total fees and expenses aggregating approximately to € 2,400,000 (calculated on the basis of Further Series B Bonds issued in the aggregate principle amount of € 100,000,000). The Issuer will lend on the net proceeds under an intercompany loan agreement to its subsidiary GrandCity, which will use a significant portion of the net proceeds for the financing of new acquisitions of real estate property portfolios by the GCP Group according to the Issuer's growth strategy (see "*General Information on the Issuer and the Group - Business - Strategy*"). The remaining portion, if any, shall be used for general corporate purposes.

GENERAL INFORMATION ON THE ISSUER AND THE GROUP

General information

Grand City Properties S.A (the “**Issuer**” or the “**Company**” and together with its subsidiaries the “**GCP Group**“ or the “**Group**”) was incorporated on December 16, 2011, as a public limited liability company (*société anonyme*) pursuant to, and governed by, the laws of the Grand Duchy of Luxembourg for an unlimited duration under the legal and commercial name Grand City Properties S.A. The Company is registered with the Luxembourg Register of Trade and Companies (*Registre de Commerce et des Sociétés Luxembourg*) (the “**RCSL**”) under number B 165.560. The articles of incorporation of the Company (the “**Articles of Incorporation**”) were published in the official gazette of the Grand Duchy of Luxembourg, *Mémorial C, Recueil des Sociétés et Associations* (the “**Mémorial**”), number 287 of February 2, 2012. The Company has its registered office at 6, boulevard Pierre Dupong, L-1430 Luxembourg, Grand Duchy of Luxembourg. The telephone number of the Company’s registered office is +352 26 18 73 89 and its fax number is +352 26 18 77 79. The shares of the Issuer are admitted to trading at the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange in the Entry Standard Segment. The bonds issued under the Convertible Bond 2012-2017 issued by the Company are admitted to trading at the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange.

History

The Company was incorporated in 2011 and became the holding company of the GCP Group in 2012 by purchasing 94.8 % of the shares in Grandcity Property Ltd. (formerly named: Adminond Trading & Investments Limited), a limited liability company organized under the laws of the Republic of Cyprus (“**GrandCity**”), which until then was the holding company of the entities forming part of the GCP Group at the date of this Prospectus. The history of the Group’s business is dating back to the year 2006. Below are some key events of the business since 2006:

2006	Establishment of GrandCity. Until the incorporation of the Company, the business of the Group was operated with GrandCity as parent company.
2007	Acquisition of 770 units in North Rhine-Westphalia
2009	Acquisition of 1,330 units predominantly in Berlin
2010	Acquisition of 2,900 units primarily located in Berlin and in North Rhine-Westphalia

- 2011
- Acquisition of 5,100 units, primarily located in North Rhine-Westphalia and Berlin
 - Sale of approximately 1,400 units in Berlin and in North Rhine-Westphalia
 - Incorporation of Grand City Properties S.A. in the Grand Duchy of Luxembourg
- 2012
- Purchase of 94.80 % of the shares in GrandCity by the Company and formation of the GCP Group in its current structure
 - Listing of the shares of Grand City Properties S.A. on the Open Market of the Frankfurt Stock Exchange in the Entry Standard segment
 - Acquisition of approximately 3,200 units (in total) in North Rhine-Westphalia, Berlin and Bremen
 - Sale of 50 % of the shares in a property company holding 430 units in Cologne (North Rhine-Westphalia) and 230 units in Berlin
 - Capital increase of approximately 10 % of the then existing share capital against cash contributions with € 15 million gross proceeds
 - Issue of Convertible Bond 2012-2017 with a principal amount of € 100 million
- 2013
- Capital increase of approximately 15 % of the then existing share capital against cash contributions with € 35.7 million gross proceeds
 - Assignment of a rating at BB- by rating agency Standard and Poor's (S & P) Rating Services
 - Signing of purchase agreements for approximately 4,000 residential units primarily in Essen, Berlin, Mannheim, Nuremberg, Dresden and Kiel wherefrom the Group already acquired ownership in approximately 1,770 units. Transfer of ownership in the other units is expected to take place in the second half of 2013.
 - Issue of the Existing Series B Bonds due 2020 with a principal amount of € 100 million (ISIN XS0937063310)
 - Approximately € 57 million of the principal amount of the Convertible

Bond 2012-2017 have been converted into shares of the Company by the end of June 2013

Intended issue of Further Series B Bonds (ISIN XS0951839991/WKN A1HNBM)

Fiscal Year

The fiscal year runs from January, 1 until December, 31 whereas exceptionally the first accounting period started at the date of incorporation and ran until December 31, 2012.

Corporate object of the Issuer

As provided for in Article 3 of the Articles of Incorporation the purpose of the Company is the acquisition, sale, administration, and renting of any real estate property, both in the Grand Duchy of Luxembourg and abroad.

It may further acquire through contribution, firm purchases or options, patents, service marks, trademarks licenses, know how and other industrial, commercial or intellectual property rights and generally hold, license the right to use it, sublicense, sell or dispose of the same, into whole or in part, for such consideration as the Company may think fit, and to subcontract the management and development of those rights, trademarks and licenses and to obtain and make any registration required in this respect.

The Company can also take whatever action necessary to protect rights derived from patents, trademarks, service marks, licenses, know how and other industrial, commercial or intellectual property rights, licenses, sublicenses and similar rights against infringement by third party. The Company can furthermore provide or cause to provide know how, development consulting advice and operating services, promotion, representation and all operations of such nature. The Company may make any transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, the management, the control and the development of such participating interests. It may participate in the creation, development, management and control of any company or enterprise.

The Company may borrow in any form whatever. The Company may grant the companies of the group or to its shareholders, any support, loans, advances or guarantees, within the limits of the law of August 10, 1915 on commercial companies as amended (the "**Luxembourg Company Law**"). Within the limits of its activity, the Company can grant mortgage, contract loans, with or without guarantee, and stand security for other persons or companies, within the limits of the concerning legal dispositions. The Company may take any measure to safeguard its rights and

make any transactions whatsoever which are directly or indirectly connected with its purposes and which are liable to promote its development or extension.

Business of the Group

Overview

Grand City Properties S.A. is a specialist turnaround company focused on investing in and managing German residential properties. This focus is complemented by a German commercial property portfolio. The portfolio of the Group consists of properties which are held through fully consolidated subsidiaries of the Company ("**Investment Properties**") and of properties which are held by entities, in which subsidiaries of the Company hold 50% of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees" ("**Joint Venture Properties**"). As of December 31, 2012, the Group's real estate portfolio consisted of 10,549 residential units and 1,108 commercial units. Hereof 7,001 residential and 1,095 commercial units were Investment Properties while 3,548 residential and 13 commercial units were Joint Venture Properties. As of the date of this Prospectus the Group still holds approximately 1,000 units as Joint Venture Properties, the remaining approximately 2,550 units, which originally qualified as Joint Venture Properties as of December 31, 2012, qualify as Investment Properties as of the date of this Prospectus as the Group obtained control in the respective companies (see: "*Recent Development and Outlook*" and "*Material Contracts - Agreements with third party co-investors relating to entities holding Investment Properties*"). The Group's Investment Properties and Joint Venture Properties are managed by the GCP Group and are located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous Federal State, and the capital city Berlin. The GCP Group's total portfolio consisting of Investment Properties and Joint Venture Properties was valued at € 591.65 million as of December 31, 2012 (of which € 14.68 million refer to properties the Group purchased in 2012, but acquired legal ownership in after December 31, 2012) according to the Property Appraisal Report included elsewhere in this Prospectus.

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

Competition Strengths

Attractive portfolio with defensive characteristics and significant repositioning potential

The Group's existing portfolio of Investment Properties and Joint Venture Properties is made up of a well-balanced mix of properties that are attractively located and have been specifically selected because of their significant potential for value creation. With a total area of over 800 thousand square meters as of December 31, 2012, 77 % of the Group's portfolio was located in North Rhine-Westphalia, one of Germany's most productive and populous Federal States, and 8 % was located in Berlin, the country's capital (all figures given including Investment Properties and Joint Venture Properties). The remaining 15 % of the Group's portfolio was located in other densely populated areas in Germany. The GCP Group believes that the properties are typically rented at affordable rent levels. The Group's ability to increase rents and to reduce vacancy levels within its properties has enabled the Company to create significant value.

Fully integrated and scalable platform that is tailored for external acquisitions

The GCP Group has developed a platform that provides efficient in-house management of its existing real estate portfolio and support for the execution of its expansion plans. As the date of this Prospectus, the Group has over 100 dedicated and experienced employees located in its central and regional offices. This team covers the full spectrum of the real estate value chain from acquisition to property management, construction and refurbishment management, sales and marketing, and key support functions such as finance and IT. In particular, its advanced proprietary IT system enables the Company to closely monitor its portfolio and tenant relations to continuously optimize yields and implement strictest cost discipline. The focus on cost extends to the entire operations of the Group, including those that are chargeable to its tenants. The Company believes that the portfolio today has the capacity to grow at a marginal cost to the platform, and create economies of scale. The integrated nature of its platform also means that the Group is well positioned to make important decisions swiftly and efficiently when required, for instance with acquisitions.

Demonstrated ability to source properties and build pipeline

The Group's established network provides local and national level access to multiple investment opportunities often before they are widely promoted or publicized, and frequently at improved prices to reflect the Group's perceived quality as counterparty. The advantage has also extended to improved access to financing and helped create strong relationships with debt providers. The GCP Group believes it operates in an attractive market segment where the properties it typically acquires are either too large for private individuals or too small and difficult for institutional investors.

Strong track record of value creation from renovation and repositioning assets

The Group's skill is not only in acquiring properties with significant potential but also in designing and implementing very specific strategies for each asset to significantly improve its operating performance and thus its value. The Group's continuous asset management effort not only results in improved yield on its portfolio, but also in tangible value creation that is captured in the Company's financial performance. The Group's experience also allows it to maximize returns after repositioning by disposing of properties when appropriate.

Strong and growing cash flows with high return potential

The rental income the Group generates from its current real estate portfolio has been growing from € 24.9 million in the year ended December 31, 2011 to € 39.9 million in the year ended December 31, 2012 (through rent increases, vacancy reductions and new acquisitions). The GCP Group's active asset management focuses on increasing initial cash flows through increasing rents, decreasing vacancy levels as well as maintaining strict cost discipline. In addition to its existing portfolio of properties, the Group is expanding through the acquisition of additional properties which it will seek to reposition and create significant value.

Conservative capital structure and proven ability to raise capital

The Group's disciplined approach is also reflected in its capital structure which it believes is conservative due to its characteristics of a low cost of debt and a diversified balance sheet structure. The average interest rate on the Company's bank loans is approximately 3.60 % and approximately 90 % of these are hedged. The bank loans are spread over more than 15 separate loans that are non-recourse and have no cross collateral or cross default provisions. In addition to bank loans, the Company has issued the Convertible Bond 2012-2017 in October 2012 (of which approximately 57% were converted into shares of the Company as of the date of this Prospectus) and in June 2013 the Company has issued the Existing Series B Bond with an original aggregate principal amount of € 100 million each. Maturities under the bank loans, the Convertible Bond 2012-2017 and the Existing Series B Bond range between 4 and 10 years, with the first material redemption in the amount of € 43 million due in March 2017. These relatively long maturities offer the Group to focus on business without the pressure of refinancing and utilization by premature sale of properties. The Company's current stable credit profile is reflected in the BB- with a stable outlook that Standard and Poor's assigned to the Company on February 20, 2013. Following the listing of its shares on the Frankfurt Stock Exchange in the Entry Standard segment in May 2012, the Company has also successfully raised equity capital of € 51 million through two private placements, one in July 2012 and a subsequent issue in February 2013, raising approximately € 15 million and approximately € 36 million gross proceeds respectively. As of December 31, 2012 the Group's LTV was 46.6%. The Company will seek to maintain adequate liquidity so that it

has the necessary flexibility to finance on-going investment without jeopardizing its ability to react quickly to attractive market opportunities.

Strategy

Focus on turnaround opportunities in attractive, densely populated areas of the German residential market

The GCP Group concentrates its activities on German residential markets that it believes benefit from favourable fundamentals that will last for the foreseeable future. The Group's current portfolio (including Joint Venture Properties) is predominantly focused on North Rhine-Westphalia and Berlin, markets with strong fundamentals. The GCP Group believes its platform has the right skills and systems to continue to perform strongly and to further expand in the German market. The Company also believes that there are enough acquisition opportunities in these attractive markets to support its external growth strategy in the medium to long term.

Increase cash flows through focus on rental income and strict cost discipline

The GCP Group seeks to maximise its profit from its portfolio through the active management of its assets by increasing occupancy and rent. 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 realised, the Group then regularly assesses the merits of on-going improvements to the properties to further enhance the yield on its portfolio, whether by increasing occupancy or further increasing rents. The GCP Group also applies significant scrutiny to its costs, systematically reviewing ways to increase efficiency and thus enhance profit.

Maximize tenant satisfaction to reduce tenant turnover

The GCP Group seeks to provide a high quality service to its tenants as part of its strategy, with the objective to minimise tenant churn across its portfolio. The Company methodically tracks customer satisfaction and aims to respond quickly and efficiently to the feedback it receives. The Company also focuses on improving the image of its properties, for instance by designing surrounding gardens, adding indoor and outdoor playgrounds, sport facilities or improving aged facades.

Operations supported by advanced and centralised IT system

The Group's comprehensive IT system plays a significant role in allowing the Group to achieve its objectives. The key to this proprietary system is the detailed information that it provides on the Group's portfolio and on its existing and prospective tenants, which staff can access on and off the road. This all-encompassing data processing enables the Company to track and respond to market rent trends, to spot opportunities for rent increases and manage re-letting on a daily basis.

The IT system is providing the management with the detailed information necessary to monitor a wide range of items from costs to staff performance.

Continue to acquire properties with potential for value appreciation

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

Sell repositioned properties when returns are attractive

The GCP Group will hold onto properties where it believes it can create more value with further asset management. The Company will seek to sell properties on an opportunistic basis where upside potential has been mostly realised, attractive prices are being offered and the market offers other investment opportunities with higher upside potential.

Maintain a conservative capital structure

The GCP Group seeks to preserve its capital structure, which it considers being conservative, with a LTV ratio to remain below 60 %, low interest rates from bank loans that are mostly hedged, diversified financing sources and long maturities. A key feature of the Company's financing objectives is to maintain ample investment flexibility, in order to take advantage of investment opportunities when they arise.

Overview Financial Information

The following summary of financial information is derived from the audited consolidated financial statements of the Issuer, prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("**IFRS**") as of and for the fiscal year ended December 31, 2012 with comparative figures the fiscal year ended December 31, 2011 ("**2012 IFRS Consolidated Financial Statements**"). The 2012 IFRS Consolidated Financial Statements are included in the Financial Information section of this prospectus starting on page F-1.

The Issuer was incorporated on December 16, 2011. As of January 1, 2012 the Issuer received from its then existing shareholders the control of, rights to and interests in 94.8% of the shares of Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited), a private Company limited by shares and incorporated under the laws of Cyprus ("**GrandCity**"), as part of a group restructuring under common control and thus became the holding company of the GCP Group in its current form. The audited consolidated financial statements of GrandCity, prepared in accordance with IFRS as of and for the fiscal year ended December 31, 2011 ("**2011 IFRS Consolidated Financial Statements**") are included in the Financial Information section of this Prospectus starting on page F-1.

To reflect the acquisition of GrandCity's shares by the Issuer as a transaction under common control as described above, the Group presents in its 2012 IFRS Consolidated Financial Statements comparative figures (which comprise the consolidated statement of financial position as of December 31, 2011 and the consolidated statement of comprehensive income, change in equity and cash flows for the year then ended as of December 31, 2011), as if the transaction had occurred always from the earliest period presented in the consolidated financial statements. In fact the Group's consolidated financial statements include the Company's interests in GrandCity's results as of January 1, 2011. Certain balance sheet and profit and loss items related to the fiscal year ended December 31, 2011 have been reclassified to enhance comparability. Consequently, the comparative figures in the 2012 IFRS Consolidated Financial Statements for the fiscal year ended December 31, 2011 slightly deviate from the figures shown in the 2011 IFRS Consolidated Financial Statements of GrandCity for the fiscal year ended December 31, 2011.

The 2012 IFRS Consolidated Financial Statements were audited by KPMG Luxembourg S.à.r.l, Luxembourg, which has issued an unqualified auditors' report. The 2011 IFRS Consolidated Financial Statements were audited by KPMG Limited, Chartered Accountants and Registered Auditors, Millenium Lion House, 1 G., Aradipiotti Street, 6016 Larnaca, Cyprus ("**KPMG Cyprus**"), which has issued an unqualified auditor's report. The aforementioned auditors' reports are included in the Financial Information section of this Prospectus starting on page F-1.

Where financial data in the following is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above but was taken either from the Group's accounting or controlling records, or is based on calculations of these figures. Some of the financial and performance indicators including non-IFRS measures reproduced below were taken from the Group's accounting records and are unaudited.

In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up, except for figures in tables that provide for selected financial information with respect to the latter the figures do not necessarily sum up to the totals given. Financial information presented in parentheses denotes the negative of such number presented. In respect of financial data set out in the main body of the Prospectus, a dash ("-") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero. By contrast, so such differentiation has been made in respect of the financial dataset out in the Financial Information section of the Prospectus starting on page F-1. In the Financial Information section, a dash ("-") is used to signify both unavailable figures and figures which are either exactly zero or have been rounded to zero.

The following summary of financial information should be read together with the consolidated financial statements and the related notes included in the Financial Information section of this Prospectus starting on page F-1.

Selected Consolidated Comprehensive Income Statement Data

	For the year ended December 31,	
	2012	2011⁽¹⁾
	(audited)	(audited)
	In thousands of Euro	
Revenue	60.372	26.402
Capital gains, property revaluations and other income	98.043	72.843
Share of profit from investments in equity accounted investees	8.384	1.497
Refurbishment and maintenance	(2.195)	(1.886)
Property operating expenses	(19.424)	(12.019)
Other expenses	(4.513)	(2.417)
Cost of buildings sold	(18.301)	-
Operating profit	122.366	84.420
Net finance expenses	(9.016)	(5.779)
Other finance result	(4.268)	(8.125)
Net finance expenses	(13.284)	(13.904)
Profit before tax	109.082	70.516
Tax expenses	(16.166)	(11.859)
Profit for the year	92.916	58.657
Total comprehensive income for the year	92.916	58.657
Profit attributable to:		
Owners of the Company	81.831	55.586
Non-controlling interests	11.085	3.071

⁽¹⁾ The figures for 2011 have been derived from the 2012 IFRS Consolidated Financial Statements and deviate from the respective figures shown in the 2011 IFRS Consolidated Financial Statements due to the re-classification made to enhance comparability

Selected Consolidated Balance Sheet Data

	December 31	
	2012 (audited)	2011 ⁽¹⁾ (audited)
<u>In thousands of Euro</u>		
Assets		
Investment property	407.086	258.116
Equity-accounted investees	20.162	2.397
Non-current assets	<u>437.039</u>	<u>263.965</u>
Cash and cash equivalents	80.977	8.158
Assets classified as held for sale	10.721	5.400
Current assets	<u>117.681</u>	<u>25.361</u>
Total assets	<u>554.720</u>	<u>289.326</u>
Equity		
Equity attributable to owners of the Company	184.258	83.852
Non-controlling interests	18.685	5.379
Total equity	<u>202.943</u>	<u>89.231</u>
Liabilities		
Loans and borrowings	171.752	138.149
Convertible bond	95.920	-
Non-current liabilities	<u>316.631</u>	<u>181.963</u>
Short term portion of long-term loans	4.249	2.599
Liabilities classified as held for sale	4.982	-
Current liabilities	<u>35.146</u>	<u>18.132</u>
Total liabilities	351.777	200.095
Total equity and liabilities	<u>554.720</u>	<u>289.326</u>

⁽¹⁾ The figures for 2011 have been derived from the 2012 IFRS Consolidated Financial Statements and deviate from the respective figures shown in the 2011 IFRS Consolidated Financial Statements due to the re-classification made to enhance comparability.

Selected Consolidated Cash Flow Statement Data

	For the year ended December 31,	
	2012	2011⁽¹⁾
	(audited)	(audited)
	In thousands of Euro	
Net cash provided by operating activities	<u>35.507</u>	<u>14.927</u>
Net cash used in investing activities	<u>(51.739)</u>	<u>(9.962)</u>
Net cash from/ (used in) financing activities	<u>89.062</u>	<u>(6.194)</u>

(1) The figures for 2011 have been derived from the 2012 IFRS Consolidated Financial Statements and deviate from the respective figures shown in the 2011 IFRS Consolidated Financial Statements due to the reclassification made to enhance comparability

Selected other consolidated key financial information

This Prospectus contains non-IFRS measures and ratios, including EBITDA, EPRA NAV and LTV ratio that are not required by, or presented in accordance with, IFRS as adopted by the European Union. The GCP Group presents non-IFRS measures because they are used by management in monitoring the business and because it believes that the non-IFRS measures described in this section constitute important indicators for measuring the operating and financial performance of the Group's business and are frequently used by securities analysts, investors and other interested parties in evaluating companies in the Group's industry. However, the non-IFRS measures described in this section are not recognized as measures under IFRS and should not be considered as substitutes for figures on result before taxes, net earnings, cash flow from/used in operating activities or other income or cash flow data, as determined in accordance with IFRS, or as measures of profitability or liquidity. The non-IFRS measures do not necessarily indicate whether cash flow will be sufficient or available for the Group's cash requirements, nor whether such measure is indicative of the Group's historical operating results. The given performance measures are not meant to be indicative for future results. The non-IFRS measures may not be comparable to other similarly titled measures of other companies. The following presents a summary of certain additional key financial figures for the periods shown:

	As of and for the year ended December 31	
	<u>2012</u>	<u>2011</u>
	(unaudited)	
	In € thousand	
EBITDA ⁽¹⁾	122,366	84,420
EPRA NAV ⁽²⁾	338,979	110,947
LTV Ratio ⁽³⁾	46.63%	50.32%

- (1) Earning before interest, tax, depreciation and amortization (“**EBITDA**”) is defined as result from continuing operations for a given period before income taxes, interest, and similar expenses, other financial result, interests and similar income as well as depreciation, amortization and impairment, net of write-ups and write-downs on property, plant and equipment and other intangible assets.
- (2) According to the definition of net asset value recommended by the European Public Real Estate Association (“**EPRA NAV**”). It is used as a measure of the Group’s long term equity. The Company calculates the EPRA NAV on the basis of the net assets value excluding the fair value of financial instruments (net) and deferred taxes and includes the effects from exercising the Convertible Bond 2012-2017. The EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value as part of the NAV in the IFRS accounts. The following table shows the calculation of the EPRA NAV as of the dates shown:

	As of and for the year ended December 31	
	<u>2012</u>	<u>2011</u>
	In € thousand	
Total Equity	202,943	89,231
Fair Value measurements of derivative financial instruments	12,599	8,823
Net Deferred Tax	27,517	12,893
Total	<u>243,059</u>	<u>110,947</u>
Effect of the exercise of Convertible Bond	95,920	0
EPRA NAV (unaudited)	<u><u>338,979</u></u>^(*)	<u><u>110,947</u></u>

(*) The capital increase as of February 19, 2013 by € 35.7 million is increasing the EPRA NAV to approximately € 375 million as of December 31, 2012 (unaudited).

- (3) The loan-to-value ratio (“**LTV Ratio**”) is the ratio of the convertible bond, plus loans and borrowings plus loans and borrowings relating to assets held for sale, deducted by cash and cash equivalents, divided by the investment properties and assets held for sale. The following table shows the calculation of the LTV Ratio as of the dates shown:

	As of and for the year ended December 31	
	<u>2012</u>	<u>2011</u>
	(unaudited) In € thousand	
Investment properties plus assets held for sale	417,406	263,516
Total value	<u>417,406</u>	<u>263,516</u>
Loans and borrowings plus loans and borrowings relating to assets held for sale	179,711	140,748
Convertible Bond 2012-2017	95,920 ⁽¹⁾	-
Minus cash and cash equivalents	(80,977)	(8,158)
Total net debt	<u>194,654</u>	<u>132,590</u>
LTV Ratio	46,63%	50,32 %

(1) The figure shows the net proceeds of the issue of the convertible bond of € 100 million, which is the result of the gross proceeds of € 100 million, less issue costs.

Property Portfolio

According to the Property Appraisal Report reprinted elsewhere in this Prospectus, the total market value of the Group's real estate portfolio (including Joint Venture Properties) as of December 31, 2012, was € 591.65 million (of which € 14.68 million refer to properties the Group purchased in 2012, but acquired legal ownership in after December 31, 2012).

The following table provides an overview on certain key information for the Group's real estate portfolio as of and for the year ended December 31, 2012 and December 31, 2011 respectively. For changes in the real estate portfolio since December 31, 2012 see: "*Recent Development and Outlook*".

Unless otherwise indicated, the figures in the table have been extracted from the Group's management information system:

	As of and for the year ended December 31, 2012 ⁽¹⁾ (unaudited)			As of and for the year ended December 31, 2011 (unaudited)		
	Investment Properties	Joint Venture Properties ⁽²⁾	Total Port- folio	Investment Properties	Joint Venture Properties ⁽²⁾	Total Portfolio
	Total Portfolio					
Floor Area (sqm)	591.653	223.186	814.839 ⁽³⁾	458.096	127.786	585.882
Number of units	8.096	3.561	11.657 ⁽⁴⁾	6.628	2.122	8.750
In place net cold rent (per month in €/per sqm)	4,92	4,65	4,84	4,36	4,47	4,39
Number of parking units	2.005	500	2.505 ⁽⁵⁾	1.124	447	1.571
Vacancy	13,24%	15,34%	13,82%	21,01%	20,54%	20,91%
Market value of investment properties (in €thousands)	417.406	142.552	559.958 ⁽⁶⁾⁽⁷⁾	263.516	62.380	325.896

- (1) The following footnotes give explanations to certain figures shown in the table, in particular to certain deviations between figures or numbers included in the Property Appraisal Report that deviate from the figures shown in the table.
- (2) Properties owned by companies in which the Group holds 50 % of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees." The data contained in the table above refers to 100% of the properties held by the respective companies. As of the date of this Prospectus the Group holds approximately 1,000 units as Joint Venture Properties with a market value of approximately € 41 million; the remaining approximately 2,550 units with a market value of approximately € 101.4 million qualify as Investment Properties as of the date of this Prospectus.
- (3) The floor area in the Property Appraisal Report stands on approx. 835 thousand square meters; such deviation relates to properties the Group has acquired legal ownership only after December 31, 2012. See table below
- (4) The number of total units given in the Property Appraisal Report is 10.790 units. The deviation to the 11.657 units presented in the table above is based on the fact that the Property Appraisal Report has not broken down certain commercial properties within commercial buildings into units, which in contrast the Group classifies into approximately 1.000 commercial units.
- (5) The number of parking units given in the Property Appraisal Report is 2.617 parking units. The table above excludes 112 parking units, which are related to properties the Group has acquired legal ownership only after December 31, 2012. See table below.
- (6) The market value of the investment properties includes investment property of asset held for sale of € 10.320 thousands.
- (7) The market value according to the Property Appraisal Report is € 591.651 thousands, which is higher than the € 559.958 thousands presented in the table above; the deviation is based as to approx. € 15 million which relate to properties the Group has acquired ownership in after December 31, 2012 and as to approx. € 17 million, which is related to various valuation considerations.

The Group has purchased some of its properties already in the fiscal year 2012, however the title of legal ownership was transferred in the fiscal year 2013. The following table provides an overview on such properties. Unless otherwise indicated, the figures in the table have been extracted from the Group's management information system:

Assets acquired, but not taken over, as of December 31, 2012:

Floor Area (sqm)	20,564
Number of units	153
Number of parking units	112
Market value of investment properties (in € thousands)	14,680

The real estate portfolio of the GCP Group primarily consists of residential properties and is complemented by commercial properties. The following table provides an overview on certain key information for the Group's total real estate portfolio broken down into residential units and commercial units. Unless otherwise indicated, the figures in the table have been extracted from the Group's management information system:

	As of and for the year ended December 31, 2012 (unaudited)			As of and for the year ended December 31, 2011 (unaudited)		
	Invest- ment Properties	Joint Venture Properties ⁽¹⁾	Total	Invest- ment Properties	Joint Venture Properties ⁽¹⁾	Total
	Total Portfolio					
Residential						
Floor Area (sqm)	470.904	221.985	692.889	411.954	126.647	538.600
Number of units	7.001 ⁽²⁾	3.548	10.549 ⁽²⁾	5.959	2.111	8.070
In place net cold rent (per month in EUR per sqm)	4,55	4,64	4,58	4,32	4,47	4,36
Vacancy	15,64%	15,16%	15,49%	20,46%	20,20%	20,40%
Commercial						
Floor Area (sqm)	118.878	1.201	120.080	44.549	1.139	45.688
Number of units	1.095 ⁽³⁾	13 ⁽³⁾	1.108 ⁽³⁾	669	11	680
In place net cold rent (per month in EUR per sqm)	6,28	7,47	6,23	4,82	4,87	4,82
Vacancy	3,93%	49,55%	4,38%	26,81%	58,32%	27,59%
Others						
Number of parking units	2.005 ⁽⁴⁾	500	2.505 ⁽⁴⁾	1.124	447	1.571
Other floor Area (sqm)	1.870	0	1.870	1.594	0	1.594

(1) Properties owned by companies in which the Group holds 50 % of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees". The data contained in the table above refers to 100% of the properties held by the respective companies. As of the date of this Prospectus the Group holds approximately 1,000 units as Joint Venture Properties with a market value of approximately € 41 million; the remaining approximately 2,550 units with a market value of approximately € 101,4 million qualify as Investment Properties as of the date of this Prospectus.

(2) The number of residential units given in the Property Appraisal Report is 10,701 units. The table above excludes 153 units, which refer to properties the Group has acquired legal ownership after December 31, 2012

(3) The number of commercial units given in the Property Appraisal Report differs as the Property Appraisal

Report has not broken down certain commercial properties within commercial buildings into units, which in contrast the Group classifies into approximately 1,000 commercial units.

- (4) The number of parking units given in the Property Appraisal Report is 2.617 parking units. The table above excludes 112 parking units, which are related to properties the Group has acquired ownership after December 31, 2012.

The GCP Group has grouped the Investment Properties and the Joint Venture Properties of its real estate portfolio into three stages allowing the effective management and constant monitoring on the progress of its turnaround and repositioning activities as to the reduction of vacancy rates: stabilized properties which have lower vacancy rates than 5%, advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties, which generally, when acquired, provide vacancy rates between 15 % and around 25 %. Applying this definition, the Group's real estate portfolio (including 3,561 units in Joint Venture Properties) as of December 31, 2012 included 2,933 units in the stabilized stage (accounting for approximately 36 % of the total portfolio market value including Joint Venture Properties), 3,885 units in the advanced turnaround stage (accounting for 33 % of the total portfolio market value including Joint Venture Properties) and 4,839 units in the early turnaround stage (accounting for approximately 31 % of the total portfolio market value including Joint Venture Properties). As of December 31, 2012, the monthly in-place rent of the Group's total portfolio (including Joint Venture Properties) amounted to € 4.84 per square meter.

The following table provides an overview on the Group's portfolio by stages as defined above. Unless otherwise indicated, the figures have been extracted from the Group's management information system.

	As of and for the year ended December 31, 2012 (unaudited)			As of and for the year ended December 31, 2011 (unaudited)		
	Investment Properties	Joint Venture Properties ⁽¹⁾	Total Portfolio	Investment Properties	Joint Venture Properties ⁽¹⁾	Total Portfolio
	Stabilized Portfolio					
Floor Area (sqm)	212.828	30.478	243.306	65.031	0	65.031
Number of units	2.506	427	2.933	897	0	897
In place net cold rent (per month in €/per sqm)	5,38	5,69	5,42	4,35	0	4,35
Number of parking units	819	0	819	80	0	80
Vacancy	1,60%	0,00%	1,40%	2,56%	0,00%	2,56%
Market value of investment properties (in €thousands)	171.242	31.200	202.442	51.920	0	51.920
Advanced Turnaround Portfolio						
Floor Area (sqm)	179.033	92.256	271.289	154.172	27.334	181.506
Number of units	2.463	1.422	3.885	2.262	410	2.672
In place net cold rent (per month in €/per sqm)	4,66	4,36	4,56	4,37	4,42	4,38
Number of parking units	783	128	911	546	75	621
Vacancy	9,91%	13,01%	10,97%	9,15%	11,97%	9,57%
Market value of investment properties (in €thousands)	127.734	57.079	184.813	107.147	13.900	121.047
Early Turnaround Portfolio						
Floor Area (sqm)	199.792	100.452	300.244	238.893	100.452	339.345
Number of units	3.127	1.712	4.839	3.469	1.712	5.181
In place net cold rent (per month in €/per sqm)	4,52	4,54	4,53	4,35	4,49	4,40
Number of parking units	403	372	775	498	372	870
Vacancy	28,63%	22,14%	26,46%	33,69%	22,87%	30,49%
Market value of investment properties (in €thousands)	118.430	54.273	172.703	104.449	48.480	152.929

- (1) Properties owned by companies in which the Group holds 50 % of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees". The data contained in the table above refers to 100% of the properties held by the respective companies. As of the date of this Prospectus the Group holds approximately 1,000 units as Joint Venture Properties with a market value of approximately € 41 million; the remaining approximately 2,550 units with a market value of approximately € 101.4 million qualify as Investment Properties as of the date of this Prospectus.

The GCP Group focuses on properties in densely populated areas in Germany. As of December 31, 2012 the Group's portfolio (including Joint Venture Properties) comprised 9.269 units situated in North Rhine-Westphalia, 873 units situated in Berlin and 1.515 units in other densely populated urban regions in Germany. The Group's units (including units in Joint Venture Properties) had a total residential floor area of approximately 692.889 million square meters, the average unit size was 65.7 square meters.

The following table shows the Group's real estate portfolio broken down by regions. Unless otherwise indicated, the figures have been extracted from the Group's management information system.

As of December 31, 2012 (unaudited)

	Investment Properties (unaudited)	Joint Venture Properties ⁽¹⁾ (unaudited)	Total Portfolio (unaudited)
Berlin portfolio			
Floor Area (sqm)	62.924	0	62.924
Number of units	873	0	873
In place net cold rent (per month in € per sqm)	6,74	n/a ⁽²⁾	6,74
Number of parking units	188	0	188
Vacancy	2,60%	n/a	2,60%
Market value of investment properties (in € thousands)	70.095	0	70.095
NRW portfolio			
Floor Area (sqm)	401.140	223.186	624.326
Number of units	5.708	3.561	9.269
In place net cold rent (per month in € per sqm)	4,31	4,65	4,43
Number of parking units	1.273	500	1.773
Vacancy	17,42%	15,34%	16,68%
Market value of investment properties (in € thousands)	244.935	142.552	387.487
Other portfolio			
Floor Area (sqm)	127.589	0	127.589
Number of units	1.515	0	1.515
In place net cold rent (per month in € per sqm)	5,68	n/a	5,68
Number of parking units	544	0	544
Vacancy	5,36%	n/a	5,36%
Market value of investment properties (in € thousands)	102.376	0	102.376

(1) Properties which are owned by companies, in which the Group holds 50 % of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees". As of the date of this Prospectus the Group holds approximately 1,000 units as Joint Venture Properties with a market value of approximately € 41 million; the remaining approximately 2,550 units with a market value of approximately € 101.4 million qualify as Investment Properties as of the date of this Prospectus.

(2) "n/a" has the meaning: "not applicable".

Asset Management Activities

The Group's business model is mainly focused on the acquisition of apartment buildings with strong underlying fundamentals which are undermanaged and/or underperforming, and turning them around through intensive tenant management and targeted modernization. This enables the Company to create significant value in its portfolio. This is complemented by the selected sale of assets on an opportunistic basis.

The GCP Group takes a broad view of asset management and thus defines asset management as the overall sum of all areas and activities involved in implementing its business model. With over 100 full time equivalent employees at the date of this Prospectus, the GCP Group covers the full spectrum of the real estate value chain.

On a general level, the Group divides its asset management activities into property management, sales and marketing, construction management and property transaction management as well as key support functions such as finance, accounting and IT. The Group has a platform that provides efficient in-house management of its existing portfolio and support for the execution of its growth strategy.

Whereas the Group has centralized most of its overall asset management activities in its Berlin operational headquarters, the Group's property management and sales and marketing activities are organized locally. For this purpose, the Group has set up regional offices which are situated close to its managed properties.

Property Management

The GCP Group believes that its property management is a key factor for the successful repositioning of underperforming real estate assets. The property management consists of staff located in the regional offices and directly in the properties. As of the date of this Prospectus, the GCP Group provided its property management activities for both its Investment Properties and for the Joint Venture Properties.

The property management comprises facility management, rent management including rent collection and rent increase as well as technical support control and supervision. As of January 1, 2013, the Group acquired the control over Grand City Property GmbH, which until that date serviced substantially all of the Group's property management activities to the Group as a service provider. In March 2013 the Company's subsidiary GrandCity set up a permanent establishment in Berlin and took over the business of Grand City Property GmbH including all assets, in particular the IT system and over 100 employees.

At the date of this Prospectus, the property management services are conducted by GrandCity through its permanent establishment in Berlin on the basis of various agency agreements entered

into with the entities owning the properties, as a result of which it acts as service provider for the legal owners of the properties.

Facility management

The Group's facility management activities include supply management and rental expense management.

Through centralized supply management, the Company seeks to optimize purchasing and technical quality management and to implement strictest cost discipline. All technical services (including construction management for modernizations and maintenance) and operational expenses, such as consumables, external service providers and energy are typically executed through bidding processes resulting in strategic contracts. The Group regularly initiates country wide tender processes for its whole portfolio which in the past provided for higher cost transparency, increased the quality levels of services and resulted in material cost reduction through higher volumes per tender. The services provided to the Group are constantly monitored by the Group's regional on-site staff which allows a steady control of the quality and the costs of the services provided by suppliers.

The GCP Group is committed to transparent and fair calculation of rental expenses. The GCP Group's focus on cost extends to the entire operations of the GCP Group, including those that are chargeable to its tenants. Besides its tender offer initiatives, the introduction of consumption based billing models of costs for heating, water and waste by introduction of wireless meters helps to increase transparency for rent expenses by providing a fair consumption based billing.

Rent Management

The Group's rent management activities centralized in Berlin generally aim to optimize the rent levels on an ongoing basis according to current market conditions. The Group's rent management involves the analysis of the market rent, purchasing power of its customers and monitoring of statutory or contractually imposed rent restrictions due to German tenancy law or received subsidies. The Group's rent management strategy aims at analyzing rent increase potential for single units rather than whole properties. The GCP Group seeks to increase rents to market levels, as rent restrictions fall away, agree higher rents for newly signed lease contracts or newly refurbished apartments.

Rent collection

The rent collection department is centralized in Berlin and supported by the regional offices. Rent collection is a fully integrated process, by which the Group's rent collection managers are rapidly alerted to outstanding rents. The Group's overall strategy to optimize the collection of rents is to maintain high tenant satisfaction, which by itself reduces defaults in rent payments and - in the event of a default - to trace defaulting tenants immediately and personally. The rent collection

managers are supported by the Group's own call center, by local collectors based in the regional offices and by the legal department. The enforcement strategy may include legal proceedings, but also arrangements with the tenants on payment in installments or result in a termination of the lease contract.

Regional offices and customer services

The regional offices form an important part of the property management. Besides its activities in sales and marketing, the staff of the regional offices primarily conducts property management activities, provides technical support and is responsible for rent collection. The regional property management activities consist of approval of rent contracts, control of budgets as well as release of invoices rendered by third party suppliers for maintenance.

The technical support for service and maintenance is organized by the centralized call centers, which are instructed to follow-up on every service call and tenant request. In addition, the regional offices provide for their own technical staff which takes care of the requests, examines and verifies the tenant's requests and are required to remedy the service requests adequately. The regional offices are fully integrated into the Group's management platform, which provides the Group with important regional market knowledge, facilitates an effective cost control and is an important tool for increasing occupancy rates as well as optimizing tenant structure and tenant satisfaction.

Sales and Marketing

The Group's sales and marketing department plays a pre-eminent role in the Group's turnaround activities. Sales and marketing activities are organized in the regional offices and are predominantly conducted by internal sales and marketing specialists.

Sales

Sales activities aim at the reduction of vacant apartments within the Group's portfolio. Within its sales activities, the GCP Group pays significant attention to the generation and processing of customer leads. For this purpose, the Group has established an in-house call-center in its Berlin operational headquarters. The Group's objective for the call-center staff is to follow-up every call received. Through its CRM system all relevant customer data is sent to the regional sales representative which are supported by applications for smart phone/handheld devices fully integrated into the CRM system. The Group's sales representatives are instructed to follow-up every lead and to regularly update the information in the CRM system on the progress in letting each apartment.

The tracking and evaluation of generated customer leads provide the Company with important data of the respective macro- and micro-location and customer expectations, which helps the GCP Group analyzing the market and allows ongoing adjustment of its marketing measures and

distribution channels as well as permanent control of related costs. In addition, the evaluation of customer expectations is used by the Company to adjust its products by construction activities adjusting apartment sizes to market demands.

Marketing

Besides the specific aims of any marketing activity, the Group seeks to actively market its residential units under the brand “Grand City Properties” as example for providing good quality living space at affordable rents. Marketing activities are usually tailored to specific properties and regions by the marketing managers in the Berlin headquarters supported by local staff in the regional offices. Marketing activities are widely spread through the Group’s websites providing own search engines for vacant apartments, specially designed advertising on internet portals with high traffic rates, local newspapers and a set of print material such as brochures and flyers. The GCP Group provides for master apartments in some of its residential properties which are used as a marketing tool to attract future tenants by showing the potential of the respective apartments. Marketing campaigns addressing new tenants also include the granting of incentives such as vouchers for furnishing or recreation activities.

Customer Retention Activities

The GCP Group attaches high significance on customer retention as important part of its general objective to provide good quality living at affordable prices. All of the Group’s retention activities aim at tenant satisfaction and increased image of the respective neighborhood. One part of its retention measures is the provision of personal contact points by local representatives, high availability and adequate reaction to customer requests. Retention includes modernization and refurbishment measures, such as renovation of façades and staircases as well as establishment of outdoor and indoor playgrounds for children (see “*Construction Management*”). In addition, retention measures regularly include the hosting of festivals and events for existing tenants to increase customer loyalty through increased identification with the property and the neighborhood as well as offering tenants to take an active role in the improvement process of the property they live in.

Construction Management

The Group’s turnaround activities include various investments in targeted modernization and maintenance, which are organized by the Group’s construction management in its operational headquarters in Berlin. In particular, properties which are acquired in an early turnaround stage according to the Group’s definition often require targeted modernization or refurbishment.

The construction management includes instruction and monitoring of third-party suppliers for the modernization measures. Ongoing maintenance comprises necessary repairs in ongoing leases

and is handled through the regional offices which liaise with the headquarters on potential maintenance measures and supervise maintenance measures contracted by third parties.

Property Transaction Management

The acquisition is a core element in the Group's business model. Besides that, the Group also sells properties in special cases and/or on an opportunistic basis.

Acquisitions of properties

The Group adheres to strict investment criteria which limit its acquisition activities to properties which the Group believes have a high upside potential to create significant value once acquired. This usually involves properties situated in densely populated areas with convincing macro- and micro economic data providing for high vacancy rates or rent increase potential due to under-management, lack of investment or financial problems of the previous owner. In addition, the GCP Group believes to only acquire properties at attractive prices. Main components of the Group's acquisition activities are the constant market screening and permanent expansion and care of the Group's established sourcing network, the evaluation and due diligence process as well as the execution of acquisitions. During the evaluation and due diligence process for properties which generally fit its investment criteria, the Group develops a specific plan for each property including the comprehensive analysis of the relevant macro- and micro-economic location factors, potential for substantial reduction of vacancy rate and operational cost, upside potential for future rent increases, capital expenditure necessary for modernization and refurbishment measures as well as capability for integration into the existing management platform. The execution process of an acquisition includes the negotiation of the transaction terms, the debt-financing and subsequent integration into the Group's management platform.

Over the years, the GCP Group has built up a wide-ranging sourcing network within the German real estate and financing industry which enables it to timely information on portfolios for sale which generally match its investment criteria. The GCP Group has established close relationships with some of the leading German banks, other reputable financial institutions, insolvency administrators and important market players. These relationships provide the GCP Group with access to multiple investment opportunities often before they are widely promoted or publicized. The GCP Group believes to have established a relationship of trust and to have acquired the status of a privileged potential buyer with many of the banks and financial institutions involved in the acquisitions of the GCP Group over the last years for property transactions with a volume between € 5 million to € 50 million.

Sale of properties

Generally, the Company aims to hold onto properties in order to realize the identified upside potential by its turnaround and repositioning measures. Besides that, the Company's strategy also

includes selling properties on an opportunistic basis where upside potential has been mostly realized and attractive prices can be achieved and at the same time the market offers investment opportunities with higher upside potential. The activities comprise the ongoing analysis of the properties, the designation of selected properties as objects for sale as well as the management of the transaction including the instruction of external lawyers.

Support Functions

IT

The Group has a centralized IT system that connects all departments and plays a significant support role for asset management of activities provided. The proprietary IT system was developed in-house. The core element of this IT system is the detailed information management that not only enables the Group to access all relevant financial and operational data on an available daily basis of the properties on portfolio level but also, through its integrated customer relationship management system (“**CRM**”), on existing and prospective tenants. The IT system is fully synchronized with the property management software and allows to generate a wide range of reports from different data sources (for operational and accounting purposes) and thus facilitates the smooth integration of newly acquired properties.

Finance

In its finance department the Group manages its liquidity and debt. This department monitors the compliance with obligations and undertakings under existing loan agreements and other financing instruments, e.g. the convertible bond issued by the Company in October 2012. The finance department aims at optimizing the financing structure in acquisitions and tailoring every bank loan to the specific needs of the Company. In addition, it monitors maturities, interest rate developments, interest hedging possibilities, capital investment possibilities for available liquidity and steadily screens the Group’s financing structure to identify potentials for improvement.

The finance department also monitors and controls key financial and operational information as cash-flow, income and operation costs.

Market

The business activities of the GCP Group are influenced by various demographic, economic and political factors. The development of the real estate market in Germany, particularly in North Rhine-Westphalia (“**NRW**”) and Berlin and other densely populated regions is crucial for the business of the GCP Group and the future development thereof. The real estate market environment is important for the future development of housing prices and rent levels, turnover and vacancy rates and of rental rates.

The market for real estate is essentially influenced by the population's development and its economic situation for the demand side and the development of housing and households affecting supply. The development of a population and its economic situation is based on demographics and macro-economic factors influencing the population's income like unemployment rate, economic development as well as income level and inflation.

Factors affecting the supply side of real estate markets are the development of amounts of households, their size and the development of the housing market in general with its current condition and forecast as well as the vacancy and homeownership rate and the amount of buildings/apartments available.

Although the Group's portfolio is spread across Germany, the main part, in size and location, of the property portfolio is in NRW and Berlin. Besides the general market conditions in Germany, the following market description therefore focuses in particular on NRW and Berlin.

In the Property Appraisal Report re-printed elsewhere in this Prospectus, Jones Lang LaSalle GmbH developed a macro-location scoring model to assess the future prospects of the various markets in the Group's portfolio. The relevant indicators for scoring the markets cover the demand and supply side as well as underlying economic trends. According to the Property Appraisal Report, the markets in the GCP Group's portfolio are separated into three different types: A-Markets, which are characterized by an above-average future prospect compared to Germany as a whole, B-Markets with an average outlook and C-Markets with a below average outlook (*source: Property Appraisal Report*). The Group's portfolio in NRW and Berlin is predominantly located in A- and B-Markets, whereas the Group's properties situated in regions not mentioned in detail in this market description are also situated in A- and B-Markets (for more information see "*Property Appraisal Reports*").

Demand

Demographics in Germany, NRW and Berlin

The population of Germany with currently 81.8 million in 2011 is steadily decreasing for some years now (*source: Vorläufige Ergebnisse der Bevölkerungsfortschreibung 2011 Statistisches Bundesamt, p.6; Statistisches Jahrbuch 2012, p.26*). Since 2005, Germany's population is decreasing although migration's net balance is positive since 1984. The decreasing trend is expected to hold on (*source: Statistisches Jahrbuch 2012, p.27, p.45*). This trend is also present in NRW, Germany's most populated federal state (17.8 million) (*source: Market Consideration - North Rhine-Westphalia by Jones Lang LaSalle, p.7*). The population in NRW within the past ten years decreased more than in the rest of Germany. But with a growth dynamic of almost 40 % over the past 50 years the population increased almost twice as much as in the rest of Germany due to a positive migration balance. NRW's population is expected to decrease only by 1.5% until

2025 (source: *Market Consideration - North Rhine-Westphalia* by Jones Lang LaSalle, p.7). Berlin experienced opposite effects with growing population. Such population growth is expected to remain stable in the future. Berlin's net migration in 2011 was almost 40,000 residents, while natural population change was also positive in contrast to the rest of Germany. Until 2030, forecasts predict a population increase of 7.2% in Berlin (source: *Market Consideration - North Rhine-Westphalia* by Jones Lang LaSalle, p.6).

Macro-Economic Factors

Within the Eurozone, Germany has proven to be a strong and stable economy, offering good conditions for the real estate market. Germany's gross domestic product ("**GDP**") increased in 2011 by 3%, exceeding € 2.5 trillion for the first time. The GDP per capita in 2010 was € 30,500, which is 25% above the Eurozone average of € 24,500. According to the International Monetary Fund forecasts, Germany is leading the recovery in the current European recession (source: *Statistisches Jahrbuch 2012*, p.317; *IMF World Economic Outlook and its Database October 2012*). Official statistics from 2012 state an overall unemployment rate of 5.5% with almost three million people without employment in Germany, compared to an 11.4% unemployment rate (expected) in the Eurozone (source: *IMF World Economic Outlook Database April 2013*).

Despite the debt crisis in Europe, Germany kept a solid financial profile in 2012 with a sustainable debt level (net) of 57.2% of GDP (Eurozone: 71.9%), a low budget surplus of 0.16% of GDP (Eurozone: deficit of 3.6%) and a S&P credit rating of AAA with a stable outlook, which is reflected in the lowest yield on 10 year government bonds within the Eurozone (source: *IMF World Economic Outlook Database April 2013*). Within Germany, NRW has the strongest economy with contributing more than 22% to Germany's GDP (source: *Statistisches Jahrbuch 2012*, p.336). In the past 30 years, NRW's economic structure underwent change from heavy industry to mix of manufacturing industries and services and nowadays service companies generate the most workplaces (source: *Market Consideration - North Rhine-Westphalia* by Jones Lang LaSalle, p.10). Next to being the capital of Germany as well the biggest city in Germany, Berlin holds a diverse economic structure with an industrial sector, small and medium enterprises and a dynamic service sector with innovative high-tech businesses (source: <http://www.berlin.de/wirtschaft/wirtschaftsstandort/index.de.php>). The well-developed infrastructure and large number of qualified potential employees support that economic advantage (source: <http://www.berlin.de/wirtschaft/wirtschaftsstandort/index.de.php>). Another crucial indicator is the development of the consumer price index ("**CPI**"). The CPI in Germany increased from 2010 to 2012 by 4.1 % (source: *IMF World Economic Outlook Database April 2013*), which reflects a stable price development, although this rate could also change drastically within the current diverse recession in Europe.

The same applies to the purchase power index with a 91.0 purchasing power index ("**PPI**") in 2012, Berlin was below the German average of 100. NRW's index was at 101.2 (source: *GfK geomarketing*).

Supply

Households in Germany, NRW and Berlin

The development of the housing market is even more dependent on the development of private households than on population trends in respect to the demand for housing. Although Germany's population is decreasing, the amount of households increased from 1991 to 2011 by 14.7% and is forecasted to increase by another 1.7% until 2025 in relation to 2011 (source: *Statistisches Jahrbuch 2012, p.50, p.51*). The average household size in 2011 was 2.02 persons per household and is expected to decrease to 1.88 until 2030 (source: *Statistisches Jahrbuch 2012, p. 50, 51*). Additionally, single-persons households are increasing. Two out of five households are already single households and that rate increased from 33.6% to 40.4% of all households from 1991 to 2011 while households with 4 or more people have decreased (source: *Statistisches Jahrbuch 2012, p. 23, 51*). This trend is expected to continue.

In the past decades these trends of increasing number of households and decreasing number of multi-family households could also be observed in NRW and Berlin. From 1991 to 2011, the number of households in NRW increased by 12.0% and by 13.9% in Berlin (source: *Statistisches Jahrbuch 2012, p.51*). In 2011 the average household size in NRW was 2.05 persons per household with 39.2% being single-households and 1.73 average household size in Berlin with 54.2% single-households (source: *Statistisches Jahrbuch 2012, p.156*). The trend of decreasing household size is also expected to continue in NRW and Berlin (source: *Ministerium für Bauen und Verkehr des Landes Nordrhein-Westfalen: Veränderung der Wohnungsnachfrage und Reaktion des Wohnungsangebots in Nordrhein-Westfalen bis 2015, p. 12; www.stadtentwicklung.berlin.de*).

Housing market

Although the amount of apartments due to constructions is steadily increasing, supply is not meeting demand. In the past decade the amount of apartments has steadily increased by an average rate of 0.83% (source: *own calculation based on Statistisches Jahrbuch 2012, p.565*). Considering the greater increase of households in the same time the supply of apartments has decreased. The European-wide low home ownership rate of an average of 46% among Germany in 2010 (source: *Statistisches Jahrbuch 2012, p.155 ; Residential Market Report Germany Spring 2012 by Jones Lang LaSalle, p.13*) reflects a great demand for rental apartments. The homeownership rate in NRW and Berlin was even below the German average with 43% and 15%, respectively (source: *Statistisches Jahrbuch 2012, p.155; Market Consideration - North Rhine-Westphalia by Jones Lang LaSalle, p.16*).

In the analyzed areas, NRW and Berlin, the construction development showed a negative trend for some years. In 2011, only 3,517 new residential units were built in Berlin, although the city welcomed 40,000 new residents (source: *Residential property market Berlin - 1st half of 2012 by Jones Lang LaSalle, p.4*). The long-term requirement of new units is expected to be at 10,000 to

15,000 units per year (source: *Residential property market Berlin - 1st half of 2012* by Jones Lang LaSalle, p.4). This resulting lack of supply can also be expected to happen in NRW and Nuremberg as the construction development in those areas is decreasing as well. Lower supply generally leads to increasing rent prices. Thus, in 2010, rent prices in NRW and Berlin were above the German average cold rent prices of 6.37 €/sqm with 6.42 €/sqm in NRW and 6.74 €/sqm in Berlin (source: *Statistisches Jahrbuch 2012*, p.155). In 2012 the median rent in Berlin increased by around 13% to 7.40 €/sqm. In spite of repeated increases in the past the increase is expected to hold on due to continuing demand (source: *Residential property market Berlin - 1st half of 2012* by Jones Lang LaSalle, p.5). In NRW there has been a marginally decrease in rents between 2006 and 2008 and since their low in 2009 they have been rising again. Hence, rents stayed stable over the past decade and even experienced a slight upward trend (source: *Market Consideration - North Rhine-Westphalia* by Jones Lang LaSalle p.17). According to the Federal Statistical Office, the increase in net rents for all residential units in Germany has been below the rate of inflation over the last five years. Between 2006 and 2011, consumer prices grew by 9% while rents increased by only 6%. The index of additional service charges (heating, waste, water, etc.) rose at 7% slower than inflation as a whole but stronger than net rents. Meanwhile, on-going maintenance costs recorded a significant price hike of 19%. The trend of the previous years continued last year: net rents rose at a much slower pace than inflation by 1.3%, but the price level of on-going maintenance costs advanced strongly at 3.3% (source: *Residential Market Report Germany Spring 2012* by Jones Lang LaSalle, p.21).

Also affected by decreasing supply is the vacancy rate. With the German average in 2009 at 3.7% the vacancy rate in the areas with low housing supply and high demand are lower with a vacancy rate in 2009 of 3.6% in NRW and 3.3% in Berlin (source: *Residential property market Berlin - 1st half of 2012* by Jones Lang LaSalle, p.4; *Market Consideration - North Rhine-Westphalia* by Jones Lang LaSalle, p.15).

Competition

The GCP Group is a specialist turnaround company focused on investment in and managing of German residential properties. Hence, the GCP Group competes with other turnaround specialist in the real estate market. The Group focuses on the acquisition of property portfolios with a purchase price in the range of € 5 million to € 50 million. To the knowledge of the Company, other companies active in this market, are either institutional investors, which focus on large portfolio transactions, which are far out of the investment scope of the Company or are smaller companies or individuals which focus on single properties, which are below the Company's investment range. Therefore, the Company assumes to have no permanent direct competitors in its targeted market. The GCP Group further indirectly competes with companies whose business strategy is purchasing and renting of real estate properties with a focus on residential units, such as LEG Immobilien AG, GSW Immobilien AG, Deutsche Wohnen AG, Vivawest Wohnen GmbH,

Deutsche Annington Immobilien SE, TAG Immobilien AG and GAGFAH S.A. The Company believes that these companies have a strategy which is in part comparable to the GCP Group's strategy, e.g. these companies also focus on densely populated areas such as North Rhine-Westphalia and Berlin. Generally, in the Company's opinion these companies focus on larger portfolio transactions and also generally aim to acquire properties which already provide for in-place rents at or around market level and low vacancy rates, whereas the GCP Group is aiming at the acquisition of undermanaged or underinvested properties in order to achieve a turnaround and realize the potential of the acquired assets through its intense repositioning measures.

Investments

Investments the Group makes are primarily investments into its Investment Properties and Joint Venture Properties.

Since December 31, 2012 the GCP Group has made the following principal investments:

The GCP Group has made investments into its Investment Properties in a total of approximately € 2.5 million. The investments mainly included targeted modernization and renovation measures and were primarily financed by funds generated from the Group's operational activities.

In addition, the Group has made investments by the acquisitions of properties. On January 3, 2013 the Group acquired 51% of the shares in a property company owning a real estate portfolio located in Berlin comprising of 132 units with a total floor area of approximately 9,300 sqm. The investment amounted to € 2.8 million. In addition, on January 1, 2013 and March 31, 2013 the Group took over legal ownership in two properties located in Berlin comprising of one commercial unit with a total floor area of 11,655 sqm and in Essen comprising of 152 units with a total floor area of 8,909 sqm. The total investment amounted to € 7.1 million and € 2.5 million respectively. In February, 2013 the Group signed a purchase agreement on the acquisition of a real estate portfolio located in Nuremburg comprising of 384 residential units and 25 commercial units with a total floor area of 24,600 sqm. The purchase price amounts to € 18.5 million. In April, 2013 the Group signed a purchase agreement on the acquisition of a real estate portfolio located in Mannheim comprising of 574 residential units with a total floor area of 35,540 sqm (see: the Mannheim Report reprinted in "*Property Appraisal Reports*"). The purchase price amounts to € 26.2 million. Furthermore the Group acquired 500 units predominantly in Berlin with a total floor area of 34,500 sqm for a purchase price of approximately € 19 million in aggregate. The aforementioned investments were financed through funds generated from the Group's operational activities, equity and through debt financing.

Moreover, the Group has entered into the following agreements for the acquisition of properties which have not yet resulted in investments as the payment of the purchase price and the transfer of ownership under the agreements are subject to the fulfillment of certain conditions which have

not occurred at the date of this Prospectus. The payment of the purchase price under the following agreements will result in respective investments of the Group.

- On April 15, 2013 the Group signed a purchase agreement on the acquisition of a real estate portfolio located in Berlin comprising of 552 residential units and 79 commercial units with a total floor area of 46,750 sqm. The purchase price amounts to € 44 million.
- On May 3, 2013, the Group signed a purchase agreement on the acquisition of a real estate portfolio located primarily in Berlin, Dresden and Kiel comprising of 1,929 residential units and 84 commercial units with a total floor area of 120,710 sqm. The purchase price amounts to € 81 million.

The Group intends to finance the respective purchase prices from either funds from its operational activities, by equity and/or debt-financing, or a by mix of such.

Besides that, the GCP Group does not have any significant ongoing investments or principal future investments on which its management bodies have already made firm commitments on. The Group however plans, to continue investing in the acquisition of properties and is currently conducting due diligence investigations with regard to several properties. Moreover, the Company intends to invest into its Investment Properties and Joint Venture Properties in the same manner it has done during the past years.

Legal and Arbitration Proceedings

Companies of the GCP Group are regularly party to legal disputes with regard to their business activities, in particular rental or warranty disputes, but none of these are material either individually or as a whole with respect to the financial situation or profitability of the Group.

No company of the GCP Group is currently or has been in the past twelve month, party to any governmental, legal or arbitration proceedings (including such proceedings which are pending or - to the Company's knowledge - could be initiated) which could have a material effect on the financial position or profitability of the Group or which has had such effect recently.

Controlling Shareholder, Major Shareholders and Shareholder Structure

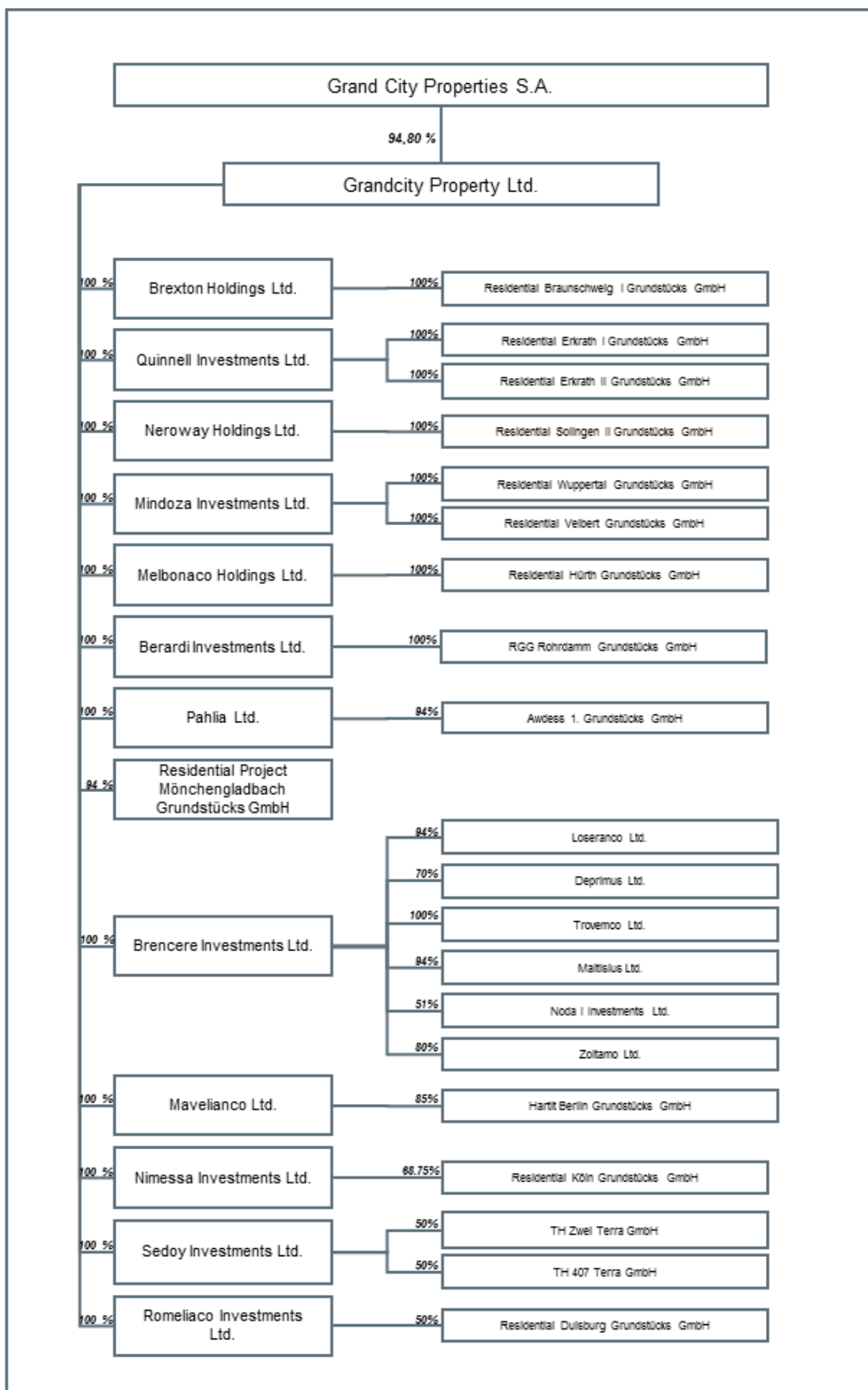
Since May 2012, the shares of the Company are listed at the Open Market (*Freiverkehr*) of Frankfurt Stock Exchange on the Entry Standard segment. The table below sets forth the information known to the Company with respect to the major shareholders and the shareholder structure of the Company as of the date of this Prospectus. The shareholdings may have changed since the date on which the Company obtained knowledge of the shareholding.

Shareholder	Direct ownership of the Company in %
Edolaxia Ltd.	44.97
Valuemoth Holdings Ltd.	5.53
Merrill Lynch International	5.08
Zanelo Ltd.	1.93
Freefloat (below 3%)	42.49
Total	100

Edolaxia Ltd., Zanelo Ltd. and Valuemoth Holdings Ltd. holding together 52.43 percent of the voting rights in the Company are controlled by Mr. Yakir Gabay. Thus, Mr. Gabay currently controls 52.43 percent of the voting rights in the Company and controls the Company as he is as of the date of this Prospectus able to influence all decisions and resolutions to be adopted by the general meeting of the shareholders of the Company which require a simple majority of the votes cast. Furthermore, Mr. Gabay could with the control of voting rights also pursue that a(n) extraordinary general meeting of the shareholders adopts such resolutions which require a higher majority of the votes cast if the respective attendance at the general meeting is low, so that the 52.43 percent of the voting rights under his control equals to or exceeds the higher majority of the votes cast necessary for the adoption of such resolutions.

Organizational Structure

The Company is the holding company of the GCP Group, which consists of approximately 120 companies in Luxembourg, Cyprus and Germany. Its primary role within the GCP Group is to function as finance and management holding company. The operating business with respect to the Group's property portfolio is conducted primarily by the subsidiaries of the GCP Group. The chart below shows the current structure of the GCP Group as of the date of this Prospectus, however it does not show all companies belonging to the GCP Group, but only such companies which individually directly or indirectly hold properties accounting for at least 5% of the market value of the GCP Group's total property portfolio (on the basis of the Property Appraisal Report). The chart also includes companies which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees" holding Joint Venture Properties:



Dependence of the Issuer on other companies of the Group

The Issuer is the parent company of the Group. It is not dependent on other companies within the Group. The material assets of the issuer are 94.8% of the shares in its subsidiary GrandCity and receivables under intercompany loans granted to GrandCity including the proceeds from the issue of the Further Series B Bonds which also will be lent under an intercompany loan to GrandCity. Thus, the financial position and cash flow of the Issuer depend on the profitability and cash flow of GrandCity and the Group’s other subsidiaries, in particular of such Group’s subsidiaries directly owning the properties of the Group and generating rental income as well on such subsidiaries realising any cash flows from the sale of properties.

Management and Administrative Bodies

The governing bodies of the Company are the Board of Directors (each member of the Board of Directors, a “**Director**”) and the general shareholders’ meeting. The powers and responsibilities vested in these governing bodies are set forth in the Luxembourg Company Law and the Articles of Incorporation. The Board of Directors is vested with the broadest powers to perform all acts of administration and disposition in the Company’s interest. All powers not expressly reserved by the Luxembourg Company Law or by the Articles of Incorporation to the general meeting of shareholders fall within the competence of the Board of Directors.

The Board of Directors shall be composed of at least three members.

Within the limits provided for by law, the Board of Directors may delegate to one or more persons the daily management of the Company.

The current members of the Board of Directors are as follows:

Name	Position	Other positions outside the Group
Mrs. Cleo Koushos-Cros	Chairman of the Board	Lawyer and partner of Koushos & Korfiotis LLC Advocates and Legal Consultants
Mr. Daniel Malkin	Member of the Board	Co-founder SIMRES Real Estate SARL Member of the supervisory board of Falcon Fund Management Ltd.
Mrs. Simone Runge-Brandner	Member of the Board	Founder and co-owner of SIMRES Real Estate SARL

The business address of Mrs. Cleo Koushos-Cros is at Koushos & Korfiotis LLC, Advocates and Legal Consultants, 20 Costis Palamas str., 'Aspelia' Court, 1096 Nicosia, Cyprus, the business address of Mr. Daniel Malkin is at rue de Gruenewald, étage appartement 12, L-1647 Luxembourg and the business address of Mrs. Simone Runge-Brandner is at rue de Gruenewald, étage appartement 10, L-1647 Luxembourg.

Conflict of Interests of the Members of the Board of Directors

Apart from the ongoing mandates outside the Group of the members of the Board of Directors listed above, the members of the Board of Directors have no further potential conflicts of interest between any duties to the Company and their private interest or other duties.

Advisory Board

The Board of Directors of the Company has established by resolution adopted on April 23, 2013 an advisory board. The task of the advisory board is 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 the Luxembourg Company Law or the Articles of Incorporation of the Company, but applies rules which have been adopted by the Board of Directors. However, the Company considers the establishment of the advisory board an important element to provide guidance to the Board of Directors in strategic decisions and to foster contact with the business community, governmental authorities and financial institutions. The current members of the advisory board are as follows:

Name	Position	Profession, other positions outside the Group
Mr. Christian Windfuhr	Chairman of the advisory board	Manager
Mr. Claudio Jarczyk	Vice-chairman of the advisory board	Financial Advisor

Audit Committee

By resolution adopted on May 14, 2013, the Board of Directors established an audit committee. The members of the audit committee are Mr. Claudio Jarczyk and Mr. Christian Windfuhr, as well as Mr. Reshef Ish-Gur. The audit committee operates under the following terms of reference: 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 audit committee of the Company has no statutory powers under Luxembourg corporate law or the articles of association of the Company, but applies rules which have been adopted by the Board of Directors. However, the Company considers the establishment of the audit committee an important element to procure the adequate-

ness of the Group's accounting and preparation of its financial statements. 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 control systems over financial reporting process and of monitoring of the accounting process. The audit committee shall provide guidance to the Board of Directors about the audit of the annual financial statements of the Company and shall monitor in particular the independence of the auditor, the services rendered additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor.

Corporate Governance

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. Neither the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange nor the German Corporate Governance Code applies. Nevertheless, the Company intends to voluntarily comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange in the future and is currently evaluating the necessary measures to implement the future adoption of the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

Share Capital

The Company's Articles of Incorporation provide for one class of shares. The shares are issued under Luxembourg law and are subject to the provisions of the Articles of Incorporation, the Luxembourg Company Law and all other applicable laws.

As of the date of this Prospectus, the Company has a subscribed share capital of € 7,777,500, divided into 77,775,000 fully-paid ordinary shares having a par value of € 0.10 each. The Company has an authorized capital (including the subscribed capital) of € 20,000,000 (the "**Authorized Capital**") and the corporate share capital of the Company may be increased from its present amount to € 20,000,000 by the creation and issuance of new shares with a par value of € 0.10 each.

Material Contracts

The following section provides an overview of material contracts other than contracts entered into in the ordinary course of business, to which the Company or any member of the GCP Group is a party.

Share Purchase Agreement regarding the shares in GrandCity

Edolaxia Limited and a partner, both of which originally held 50% of the shares in GrandCity (previously named Adminond Trading & Investments Limited) as well as the Company entered into a share transfer agreement with effective date as of January 1, 2012, which resulted in the creation of the GCP Group in its present form. Under the share transfer agreement Edolaxia Limited and the partner each transferred 47.4 %, resulting in a total of 94.8 %, of the shares in GrandCity to the Company. As of the date of the transfer, Edolaxia Limited and the partner, both remained shareholders of GrandCity, holding each 2.6% of the shares in GrandCity.

Joint Venture Agreements relating to the entities holding Joint Venture Properties

With respect to its Joint Venture Properties, which consist of approximately 1,000 units of residential and commercial property as of the date of this Prospectus, the GCP Group holds 50% of the shares in the respective property company whereas the other 50% are held by different third party co-investors. This refers to the following Group companies: Residential Essen I GmbH (owning 68 residential units), Residential Duisburg Grundstücks GmbH (owning 803 residential units and 1 commercial unit) and Residential Mönchengladbach II Grundstücks GmbH (owning 140 residential units).

The Group's relationship with the respective co-investors is governed by shareholders' agreements and the relevant articles of association of the respective property company as owner of the respective properties, which include certain rights and obligations of the parties. The material provisions can be summarised as follows: Generally, both parties have the right to nominate one person to act as managing director of the respective company. Material decisions of the management as well as any shareholders' resolution can only be adopted with the consent of both parties. In the event either party wishes to sell its shares in the respective property company, it must offer such shares to the respective other shareholder at the same price and conditions it wishes to transfer it to a third party. In the event it requires so, the other shareholder may also require that the selling shareholder shall also sell the shares of the respective other shareholder. Furthermore, each shareholder is entitled to sell or purchase its shares to or from the other shareholder and to initiate such process. In some cases provisions stipulate a minimum distribution rate of generated profits.

Agreements with third party co-investors relating to entities holding Investment Properties

With respect to some Investment Properties, consisting of approximately 2,100 units of residential and commercial property as of the date of this Prospectus, the GCP Group holds 50 % of the shares in the respective property companies whereas the other 50% are held by different third party co-investors, but the GCP Group holds 56 % of voting rights and thus, the properties held by such entities which qualified as Joint Venture Properties as per December 31, 2012 qualify as

Investment Properties as of the date of this Prospectus. This refers to TH Zwei Terra GmbH (owning 1,703 residential and 9 commercial units) and TH 407 Terra GmbH (owning 408 residential and 2 commercial units).

The Group's relationship with the respective co-investors is governed by shareholders' agreements and the relevant articles of association of the respective property company as owner of the respective properties, which include certain rights and obligations of the parties. The material provisions can be summarised as follows: Generally, both parties have the right to nominate one person to act as managing director of the respective company. Material decisions of the management shall be adopted by unanimous decision. However the managing director nominated by the subsidiary of the GCP Group has a casting vote. Shareholders' resolutions with respect to material decisions shall be adopted with the consent of 75 % of the votes cast unless required otherwise by mandatory law. In the event either party wishes to sell its shares in the respective property company, it must offer such shares to the respective other shareholder at the same price and conditions it wishes to transfer it to a third party. In the event it requires so, the other shareholder may also require that the selling shareholder shall also sell the shares of the respective other shareholder. Furthermore, each shareholder is entitled to sell or purchase its shares to or from the other shareholder and to initiate such process. Furthermore a minimum distribution rate of generated profits is stipulated.

Financing Agreements

The GCP Group has entered into various financing agreements by means of loan agreements preliminary for the purpose of property financing in an aggregate total amount of approximately € 180 million (nominal values including accrued interest) outstanding as of December 31, 2012.

The loan agreements mature between 2013 and 2021. The loan agreements bear interest at fixed rates from 3.26% to 3.65% p.a. or rates to be adjusted on the change in six-month EURIBOR with a possible maximum of 6% p.a. or variable rates of three- or six-month EURIBOR plus margin. The margin rates depend, among other things, on the quality of the financed property, the total term and the loan-to-value ratio, and range from approximately 1.15 % to 2.2 % p.a.

The loan agreements are typically secured by land charges, assignments of rental payment claims and account pledge agreements. Almost all of the loan agreements contain financial covenants customary for residential real estate borrowing. The breach of financial covenants usually allows the bank to terminate the respective loan and claim early repayment of the entire loan unless the breach is cured within a cure period. The general terms and conditions of the relevant lender typically form part of the individual loan agreements which *inter alia* typically provide provisions regarding events of default linked to the commercial condition of the relevant borrower.

Almost all loan agreements contain change-of-control clauses stipulating an extraordinary termination right to the loan agreement for the respective lender in the event a change of control occurs and the lender has not approved such change of control. Furthermore the lender has an extraordinary termination right if (i) Mr. Yakir Gabay no longer holds (directly or indirectly) 44.97 % of the shares of the borrowers, (ii) Mr. Yakir Gabay in his position as minority shareholder no longer directs and controls the operations of such borrower or (iii) the property management of the respective property is no longer performed by a company controlled by Mr. Yakir Gabay.

Material loan agreements with nominal amounts exceeding EUR 15 million are described in more detail below.

Loan Agreement with Berlin-Hannoversche Hypothekenbank AG as of November 30, 2010

On November 30, 2010 ten companies of the GCP Group, Residential Braunschweig I Grundstücks GmbH, Residential Braunschweig II Grundstücks GmbH, Residential Braunschweig III Grundstücks GmbH, Residential Erkrath I Grundstücks GmbH, Residential Erkrath II Grundstücks GmbH, Residential Dortmund I Grundstücks GmbH, Residential Hürth Grundstücks GmbH, Residential Bielefeld I Grundstücks GmbH and Residential Bielefeld II Grundstücks GmbH, entered into a loan agreement with Berlin-Hannoversche Hypothekenbank AG with a nominal amount of € 68 million for the purpose of the acquisition of real estate property. The loan agreement was amended as per December 22, 2010 and March 20, 2013. With amendment dated March 20, 2013 the nominal amount was reduced to € 53.4 million due to the sale of 50% of the shares in Residential Köln Grundstücks GmbH in 2012. The loan bears interest at a variable rate of 3-month EURIBOR plus a margin of 1.17 % and refinancing costs of additional 0.48 % (which is hedged against interest rate volatility). As of March 31, 2013, approximately €50.8 million remain outstanding under the loan. The loan matures on December 31, 2017.

The loan agreement provides for customary operating and financial covenants. The operating covenants refer, amongst other, to certain corporate structure measures, financial condition and property undertakings. In addition the borrowers committed to certain refurbishment measures. The loan is customary secured by land charges on the acquired real estate, assignments of rental and other claims deriving from the acquired property and pledges on bank accounts as well as by a subordination agreement. The lender has the right to terminate the loan agreement *inter alia* in the event any of the borrower defaults on due payments or breaches financial or other covenants and such breach is not remedied within twelve weeks. The loan agreement contains a change-of-control clause as described in more detail above.

Loan Agreement with Berlin-Hannoversche Hypothekenbank AG as of November 23, 2011

On November 23, 2011 three companies of the GCP Group, Residential Wuppertal Grundstücks GmbH, Residential Bremerhaven Grundstücks GmbH and Residential Hagen Grundstücks GmbH

entered into a loan agreement with Berlin-Hannoversche Hypothekenbank AG with a nominal amount of € 32 million comprising of € 28 million for the purpose of the acquisition of real estate property and € 4 million for the purpose of refurbishment matters. The loan agreement was amended as per November 25, 2011 and March 20, 2013. The loan bears interest at a variable rate of 3-month EURIBOR plus a margin of 1.15 % and refinancing costs ranging between additional 0.613 % and 0.87 % (which is hedged against interest rate volatility). The loan matures on September 30, 2018. As of March 31, 2013, approximately € 27.6 million remain outstanding under the loan.

The loan agreement provides for customary operating and financial covenants. The operating covenants refer, amongst other, to certain corporate structure measures, financial condition and property undertakings. In addition the borrowers committed to certain refurbishment measures. The loan is customary secured by land charges on the acquired real estate, pledges on the shares of the borrower, assignments of rental and other claims deriving from the acquired property and pledges on bank accounts as well as by a subordination agreement. The lender has the right to terminate the loan agreement *inter alia* in the event any of the borrower defaults on due payments or breaches financial or other covenants and such breach is not remedied within twelve weeks. The loan agreement contains a change-of-control clause as described in more detail above.

Loan Agreement with Hypo NOE Gruppe Bank AG as of January 3, 2012

On January 3, 2012 the company of the GCP Group, Residential Velbert Grundstücks GmbH, entered into a loan agreement with Hypo NOE Gruppe Bank AG with a nominal amount of € 20 million for the purpose of the acquisition of real estate property. The loan bears interest at a variable rate of 6-month EURIBOR plus a margin of 2.15 %. The loan matures seven years after the first drawdown of the loan, which was January 12, 2012. As of March 31, 2013, approximately € 19.6 million remain outstanding under the loan.

The loan agreement provides for customary operating and financial covenants. In addition the borrower committed to certain refurbishment measures. The loan is customary secured by customary land charge on the acquired real estate, a pledge of the shares of the borrowing company, assignments of rental and other claims deriving from the acquired property and pledges on bank accounts. The lender has the right to terminate the loan agreement *inter alia* in the event the borrower defaults on due payments or breaches financial or other covenants and such breach is not cured. The loan agreement contains a change-of-control clause stipulating an extraordinary termination right to the loan agreement for the lender in the event the direct or indirect shareholdings change with respect to 50 % of the shares of the borrower without prior written consent of the lender.

Loan Agreement with Berlin-Hannoversche Hypothekbank AG as of March 16, 2011

On March 16, 2011 three companies of the GCP Group, Residential Dortmund II Grundstücks GmbH, Residential Solingen I Grundstücks GmbH and Residential Solingen II Grundstücks GmbH entered into a loan agreement with Berlin-Hannoversche Hypothekbank AG with a nominal amount of € 19 million for the purpose of the acquisition of real estate property. The loan agreement was amended as per December 27, 2011 and March 20, 2013. The loan bears interest at a variable rate of 3-month EURIBOR plus a margin of 1.15 % and refinancing costs of additional 0.45 % (which is hedged against interest rate volatility). The loan matures on March 31, 2018. As of March 31, 2013, approximately € 15.1 million remain outstanding under the loan.

The loan agreement provides for customary operating and financial covenants. The operating covenants refer, amongst other, to certain corporate structure measures, financial condition and property undertakings. In addition the borrowers committed to certain refurbishment measures. The loan is customary secured by land charges on the acquired real estate, assignments of rental and other claims deriving from the acquired property and pledges on bank accounts. The lender has the right to terminate the loan agreement inter alia in the event any of the borrower defaults on due payments or breaches financial or other covenants and such breach is not remedied within twelve weeks. The loan agreement contains a change-of-control clause as described in more detail above.

Convertible Bond 2012-2017

On October 15, 2012 the Company has issued a convertible bond with an aggregated nominal amount of € 100 million and a term of five years (the "**Convertible Bond 2012-2017**"). 1,000 bonds with a denomination of € 100,000 each in registered form have been issued under the Convertible Bond 2012-2017 which is listed at the Open Market of Frankfurt Stock Exchange with ISIN XS0839410221, WKN A1HBF8. The bonds carry an interest rate of 8.00 % per annum payable semi-annually in arrear. The Convertible Bond 2012-2017 is governed by English law.

Following conversions by bondholders of the Convertible Bond 2012-2017, an amount of EUR 42,900,000 remains outstanding under the Convertible Bond 2012-2017 as of the date of this Prospectus.

Trust Deed

The Convertible Bond 2012-2017 was constituted by a trust deed (the "**Principal Trust Deed**") originally entered into between the Company and BNY Mellon Corporate Trustee Services Limited. By a deed of replacement Prudential Trustee Company Limited (the "**Trustee**") was appointed as trustee for the Convertible Bond 2012-2017 to take over such position from the former trustee BNY Mellon Corporate Trustee Services Limited.

The Company covenanted with the Trustee to ensure the fulfilment of its obligations under the Convertible Bond 2012-2017, in particular to repay the principal amount and all interest when due and to issue ordinary shares in the event of a conversion of bonds in accordance with the Principal Trust Deed as amended from time to time. In addition, the security under the Convertible Bond 2012-2017 (see below "*Convertible Bond 2012-2017 - Security*") was granted in favour of the Trustee. Pursuant to a supplemental trust deed dated May 15, 2013 (as approved by the holders of the Original Bonds) the parties agreed to several adjustments of the Principal Trust Deed, *inter alia* to allow the issue of further bonds and to extend the scope of the existing security to such further bonds by execution and delivery of a supplemental trust deed. By a supplemental trust deed dated June 3, 2013 the Principal Trust Deed (as amended and restated by the supplemental trust deed dated May 15, 2013) was extended to the Existing Series B Bonds.

Conditions, Events of Default

Under the Convertible Bond 2012-2017 the Issuer has agreed to certain undertakings and obligations, a violation of each may lead to an event of default. The undertakings, obligations and events of default described hereinafter differ in their scope from the undertakings, obligations and events of default under the Series B Bonds. The Issuer has agreed to the following material undertakings, each subject to customary exemptions: not to issue any shares or pay up of any securities by way of capitalisation of profits or reserves; not to modify the rights attached to the shares in the Company; not to issue certain further securities with conversion rights without adjusting the conversion price; not to take any actions to the effect that shares to be issued upon conversion could not be legally issued or not credited as fully paid up; not to reduce its stated share capital and certain capital reserves; to notify holders of the Convertible Bonds 2012-2017 upon an offer to acquire all or some of the shares in the Company; to take certain actions upon acts of reorganisation of the Issuer; to use reasonable endeavours that shares in the Company issued upon conversion are admitted to listing and trading at a stock exchange; to use reasonable endeavours that the shares in the Company remain listed on a stock exchange; to issue shares upon conversion; to procure that the net debt will not exceed 65% of the portfolio value for a period of more than six month; not to make or pay any dividends for each fiscal year exceeding 5% of the EPRA NAV of the Group; at all times to hold at least 90% of the shares in GrandCity; to provide security interest upon the acquisition of further direct subsidiaries or other assets exceeding € 5 million in value; not to allow any direct or indirect subsidiary to grant any collateral or security for the obligations of another direct or indirect subsidiary exceeding an amount of € 65 million or 25% of the total non-current liabilities of the Company as shown in its latest consolidated financial statements; to sell properties through any direct or indirect subsidiary only against a consideration consisting of at least 75% in cash or cash equivalents.

Upon an event of default the Trustee may give notice to the Company that the bonds have become due and repayable at their principal amount together with accrued interest. Under the Con-

vertible Bond 2012-2017 in particular the following events constitute and/or are deemed to be an event of default:

- failure of the Company to pay the principle or interests when due and such failure continues for seven days (principal) or fourteen days (interest);
- failure of the Company to comply with any one or more of its undertakings and obligations in respect of the Convertible Bond 2012-2017 and/or the trust deed (and such failure is not remedied within 20 days after receipt of a failure notice);
- (i) any indebtedness of the Company or its subsidiaries became due because of an event of default under any loan agreement, (ii) the Company or its subsidiaries fail to repay indebtedness when due, (iii) any security granted to any indebtedness is enforced (iv) the Company or its subsidiaries default on any guarantee or indemnity provided that any event equals or exceeds 5 % of the consolidated total assets of the Issuer;
- the distress, seizure or similar legal proceeding on or against substantial assets or revenues of the Company or any of its subsidiary unless such proceeding is not discharged or stayed within 60 days;
- any step is taken to enforce any security granted by the Company or any subsidiary;
- bankruptcy, insolvency, liquidation or similar proceedings are opened against the Company or any subsidiary and remain unstayed for at least 60 consecutive days;
- the Company or any of its subsidiaries stops or threatens to stop payments;
- winding-up, dissolution or cease of business of the Company or any of its subsidiaries, unless in case of a subsidiary the assets are transferred to another entity of the GCP Group ;
- judgement for payment of moneys rendered against the Company or any subsidiary and such judgement are not discharged within 60 days;
- it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Original Bonds or the trust deed;
- any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events of default described before;
- the trustee declares any other series of secured bonds due and repayable or the Issuer fails to pay any amount of interest or principal upon the maturity of any other series of secured bonds.

Any event of default in respect of either the Original Bonds or the Series B Bonds will enable the Trustee to enforce the Security for the benefit of the holders of all series of secured bonds then outstanding (which are at the date of this Prospectus the Original Bond and the Series B Bonds).

Security

The Company and GrandCity granted security for the Convertible Bond 2012-2017 to the benefit of the Trustee and the bondholders. In connection with the issue of the Existing Series B Bonds, further security was granted and the scope of the existing security was extended to the holders of the Existing Series B Bonds (see "*Material Contracts - Existing Series B Bonds*"). The same will apply with respect to the Further Series B Bonds. If an event of default occurs under any of the Convertible Bond 2012-2017, and/or the Existing Series B Bonds and/or the Further Series B Bonds the Trustee is entitled to enforce the respective security. For a description of the elements of the security (including security granted under the Further Series B Bonds) see "*Conditions of Issue – Security*".

Conversion, conversion price and adjustment of the conversion price

Each Original Bonds entitles its holder to convert the Original Bond into ordinary shares of the Company. The conversion may be exercised at any time from November 25, 2012 to seven days prior to October 15, 2017 or such other date fixed for repayment. The conversion price was fixed at € 4 per ordinary share. The conversion price is subject to adjustment in certain defined cases.

Redemption

In general, the Original Bonds will be redeemed in their principal amount on the final maturity date, i. e. October 15, 2017. The Company may redeem up to 25 % of the aggregate principal amount of the Original Bond at its discretion at any time at any time between October 15, 2014 to October 15, 2015 at a price equal to 145% of their principal amount plus accrued and unpaid interest, provided that at least 50 % of the original aggregate principal amount of the Convertible Bond 2012-2017 remains outstanding. In addition the Company may redeem all but not some of the Original Bonds on or after April 30, 2015 in the event the parity value of the bonds (i.e. number of ordinary shares received upon conversion multiplied by the share price of an ordinary share of the Company) exceeds € 160,000.00 on 20 of the last 30 consecutive dealing days. Additionally the Company may redeem the bonds if at least 90 % of the principal amount of the Convertible Bond 2012-2017 has been converted into shares, purchased or redeemed. The Company may redeem all but not some of the bonds in the event the Company would be obliged to pay additional taxes as a result of changes in Luxembourg tax law.

The bondholders are entitled to demand the redemption of the bonds in the event of a change of control in the Company or in the event of a delisting of the ordinary shares of the Company from the trading on a stock exchange.

Existing Series B Bonds

On June 3, 2013 the Company has issued by way of a private placement a bond with an aggregate principal amount of € 100 million due 2020 (the “**Existing Series B Bonds**”). The Existing Series B Bonds have been assigned the ISIN XS0937063310 and WKN A1HLGC. The Existing Series B Bonds are in registered form and have a denomination value of € 100,000 each. The Existing Series B Bonds will automatically be redenominated to € 1,000 each upon the issue of the Further Series B Bonds and will form part of the same single series of bonds. The bonds carry an interest rate of 6.25 % per annum payable semi-annually. The Existing Series B Bonds are governed by English law.

Trust Deed

The Existing Series B Bonds are constituted by and are subject to the provisions of the Trust Deed (see “*Conditions of Issue – Trust Deed*”).

Conditions, Events of Default

The Existing Series B Bonds are subject to the same conditions as the Further Series B Bonds (see “*Conditions of the Issue - Conditions of the Series B Bonds*”). Upon an event of default the Existing Series B Bonds become due and repayable at their principal amount together with accrued interest. Events of default other than the failure to pay the principal amount or interest on Existing Series B Bonds are only deemed to be an event of default if the amount of the relevant default, either alone or when aggregated with other amounts of default, shall be equal to at least 10 % of the total assets of the GCP Group. In addition, any event of default with respect to the Convertible Bond 2012-2017 qualifies as an event of default under the Existing Series B Bonds and Further Series B Bonds and *vice versa*.

Security

The Existing Series B Bonds are secured in favour of the Trustee by the same security as the Convertible Bond 2012-2017 and the Further Series B Bonds. For a description of the elements of the Security see (see “*Conditions of Issue – Security*”).

Statutory Auditors

The operations of the Company are supervised by one or several statutory auditors.

The statutory auditors are appointed by general meeting of shareholders which determines their number, remuneration and term of office not exceeding six years.

At the date of this Prospectus KPMG Luxembourg S.à.r.l., a private liability company, established under the laws of Luxembourg and having its registered office at 9, allée Scheffer, L-2520 Luxembourg, registered with the RCSL, under number B 149133 (“**KPMG Luxembourg**”) is ap-

pointed as the approved statutory auditor (*réviseur d'entreprises agréé*) of the Company. Its mandate expires at the annual general meeting of the shareholders of the Company to be held in 2014. KPMG Luxembourg is registered as a corporate body with the official table of company auditors drawn up by the Luxembourg Ministry of Justice and is a member of the Institute of Auditors (*l'Institut des Réviseurs d'Enterprises*) and is approved by the CSSF in the context of the law dated December 18, 2009 relating to the audit profession.

The IFRS Consolidated 2012 Financial Statements have been audited by the statutory auditor of the Company, KPMG Luxembourg, which provided an unqualified auditor's report reproduced in this Prospectus. The IFRS Consolidated 2011 Financial Statements have been audited by KPMG Limited, having its registered office in Millenium Lion House, 1G., Aradippioti Street, 6300 Larnaca, Republic of Cyprus and were provided with the unqualified auditor's report reproduced in this Prospectus.

Appraisers

The independent, external appraisers of Jones Lang LaSalle GmbH, Berliner Freiheit 2, 10785 Berlin, Germany ("**Jones Lang LaSalle**"), prepared a report on the fair value of the GCP Group's property portfolio as of December 31, 2012 pursuant to IAS 40 (the "**Property Appraisal Report**") as well as a report on the fair value of the real estate portfolio in Mannheim the GCP Group acquired in April 2013 as of March 31, 2013 pursuant to IAS 40 (the "**Mannheim Report**" the Property Appraisal Report and the Mannheim Report together also the "**Property Appraisal Reports**"), which are reprinted in this Prospectus (see "*Property Appraisal Reports*"). Jones Lang LaSalle employs publicly appointed and sworn experts and members of the Royal Institution of Chartered Surveyors (RICS). The appraisers have consented to the inclusion of the Property Appraisal Reports in the unmodified form authorized by them and have approved the context in which it is presented. The Company represents that, as of the date of this Prospectus, it is not aware of any material change in the value of the properties appraised in the Property Appraisal Report since the appraisal date of December 31, 2012. The Company furthermore represents that, as of the date of this Prospectus, it is not aware of any material change in the value of the properties appraised in the Mannheim Report since the appraisal date of March 31, 2013.

Rating

As of the date of this Prospectus, the Company and the Convertible Bond 2012-2017 and the Series B Bonds are individually assigned a "BB-" rating with a stable outlook by Standard & Poor's Rating Services. The credit rating opinions awarded by Standard & Poor's Rating Services range from the highest rating "AAA", which is defined as "extremely strong capacity to meet financial commitments" to the lowest rating "D", which is defined as "Payment default on financial

commitments" (Source: website Standard & Poor's). Standard & Poor's Rating Services define a "BB" rating as follows: Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Standard & Poor's Rating Services is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of May 11, 2011.

Recent Development and Outlook

Since December 31, 2012 the following recent developments have occurred.

As of January 1, 2013 the Group took over the shares in the company Denuk Investments Limited, which respectively owns all shares in Grand City Property GmbH. Grand City Property GmbH until then was a Group external service provider for the material part of the property management services to the Group. In a subsequent group internal reorganization, the Company's subsidiary GrandCity took over the entire business of Grand City Property GmbH including all assets, contractual relationships and employees for the purpose of the formation of a permanent establishment in Berlin. As a consequence, since March 2013 the Group provides for an in-house asset and property management team with a staff of over 100 full time equivalent employees as of the date of this Prospectus. The Group expects positive effects of the aforementioned transactions on the trading position and/or financial position of the Group.

In February 2013 the Company raised approximately €36 million gross proceeds through an increase of the corporate share capital by € 800,000 against cash contributions and the issue of 8,000,000 new shares with a stated nominal amount of € 0.10 per share.

Since January 1, 2013 the Group also increased its real estate portfolio through acquisitions. In January 2013, the Group purchased 51% of the shares in a property company owning a real estate portfolio located in Berlin comprising of 132 units with a total floor area of 9,323 sqm. Furthermore, the Group acquired properties in Essen (comprising of 152 residential units with a total floor area of 8,909 sqm), Nuremburg (comprising of 384 residential units and 25 commercial units with a total floor area of 24,600 sqm) and Mannheim (comprising of 574 residential units with a total floor area of 35,540 sqm) (see: the Mannheim Report reprinted in "*Property Appraisal Reports*") as well as further properties predominantly in Berlin in several acquisitions (comprising of approximately 500 units with a total floor area of 34,500 sqm in aggregate).

In addition, the Group has entered into purchase agreements with respect to properties in Berlin (comprising of 552 residential units and 79 commercial units with a total floor area of 46,750 sqm) as well as a portfolio of properties primarily located in Berlin, Dresden and Kiel (comprising of 1,929 residential units and 84 commercial units with a total floor area of 120,170 sqm.) The transfer of ownership of the aforementioned properties to the Group is subject to the fulfillment of certain conditions, which have not occurred at the date of this Prospectus (see “*General Information on the Issuer and the Group - Investments*”).

On February 20, 2013, the Company obtained the rating “BB-“ which was assigned by Standard and Poor’s Rating Services to the Company.

In June 2013 the Company issued the Existing Series B Bonds in a volume of € 100 million.

Also, in June 2013 the GCP Group acquired further approximately 18% of the shares in the entity Residential Köln Grundstücks GmbH, owning approximately 430 units for a purchase price of € 3 million. Furthermore, the GCP Group obtained 56% of the voting rights in TH Zwei Terra GmbH and TH 407 Terra GmbH owning approximately 2,100 units in aggregate by entering into voting agreements (see: “*Material Contracts - Agreements with third party co-investors relating to entities holding Investment Properties*”). Thus, the properties, consisting of approximately 2,550 units in aggregate, held by these three entities which qualified as Joint Venture Properties as per December 31, 2012, qualify as Investment Properties as of the date of this Prospectus.

During the year 2013 until the date of this Prospectus, the rental and lease income developed in-line with the development in the fiscal year ended on December 31, 2012. For 2013, the Issuer expects in-place rents to increase in-line with the experience over the last two years; vacancy rates are expected to decrease due to successful repositioning measures in properties in early turnaround and advances turnaround stages.

GENERAL INFORMATION ABOUT GRANDCITY PROPERTY LIMITED AS GRANTOR OF CERTAIN SECURITY FOR THE SERIES B BONDS

General Information

Grandcity Property Ltd. ("**GrandCity**") is a limited liability company established and incorporated under the laws of the Republic of Cyprus and registered with the Registrar of Companies of Cyprus, with registration number HE 176494. GrandCity was founded on May 10, 2006 under the name Adminond Trading & Investments Limited and was renamed on March 5, 2013 into Grandcity Property Ltd. The address and registered office of GrandCity is at Farou Avenue, shop 1, Spyros Thalassines Alkyonides, Pervolia, 7560 Larnaca, Cyprus. The telephone number of its registered office is 00357 24427852.

Prior to the formation of the GCP Group in its current form, GrandCity was the holding company for companies forming part of the GCP Group today (see "*General Information on the Issuer and the Group - History*").

Corporate Object

In section 3 of the memorandum of GrandCity, the main objects of GrandCity are described as follows: GrandCity can carry out the business of an investment holding company. GrandCity is thus, entitled by its memorandum to: (a) acquire and hold as an investment, shares, stocks, debentures, debentures without guarantee, bonds and bank notes and to secure, issued with or without guarantee whatever government or government bodies to acquire whatever shares, stocks, debentures, debenture stocks, bank debentures, debts or guarantees, tenders, to purchase or exchange fully paid or partly paid with whatever conditions which Grandcity thinks is beneficial to it and to assign all rights and powers from the ownership of whatever shares, stocks, debentures, debenture stocks or stocks without guarantees, bank debenture, debts or any type of guarantees; (b) hold, deal with, manage, direct the management of, buy, sell, exchange, mortgage, change, lease dispose of or group own right or interest in, over or upon any real or personal property of any kind, including contingent and revisionary interests in any property and carry on any business undertaking or transactions; c) manage and advise on the management, administration and organisation of industry and business and training and utilization of personnel for industry and business; manage all or any of businesses and industries and act as personnel consultant and advise on the extending, developing and improving of all types of businesses or industries, and (d) acquire by purchase, lease, exchange, concede, donate, possess, licence or otherwise erect, construct, manufacture, expand, improve, prepare, demolish, replace, take advantage of, delete, partition, sell, exchange, lease, accept, rent, administer, control, use, dispose

of or alienate any type of movable and immovable property of any nature or category and carry out the business of advisors for all activities stated above.

Fiscal Year

The fiscal year of GrandCity is the calendar year.

Statutory Auditors

Statutory Auditor of GrandCity for the period covered by the historical financial information was KPMG Limited, Chartered Accountants and Registered Auditors, Millenium Lion House, 1 G., Aradipiotti Street, 6016 Larnaca, Cyprus ("**KPMG Cyprus**"). KPMG Cyprus is a registered member of the Institute of Certified Public Accountants of Cyprus.

Business

Within the GCP Group, GrandCity functions as a sub-holding company and holds shares in various entities of the GCP Group. Since March 2013, GrandCity furthermore has formed a permanent establishment in Berlin, Germany, which conducts the asset and property management activities of the GCP Group. For details of the business activities see above under "*General Information on the Issuer and the Group - Business Activities*".

Market/Competition

GrandCity operates in the market with the competitors as described above under "*General Information on the Issuer and the Group - Market*" and "*General Information on the Issuer and the Group - Competition*".

Organizational Structure

GrandCity is a direct subsidiary of the Issuer which holds 94.8 % of the shares in GrandCity. Other shareholders of GrandCity are Edolaxia Limited and Cleserve Limited, each holding 2.6 % of the shares in GrandCity. For details of the subsidiaries of GrandCity see above under "*General Information on the Issuer and the Group - Organisational Structure*".

Investments

GrandCity itself does not make material investments. For details of the investments of the Group see above under "*General Information on the Issuer and the Group - Investments*".

Legal and Arbitration Proceedings

GrandCity is not involved and was not involved during the last twelve months in governmental, legal or arbitration proceedings which have had or may have significant effects on its financial condition or profitability. In addition, GrandCity is not aware of any pending governmental, legal or arbitration proceedings that would have, either individually or in the aggregate, a significant effect on its financial condition or profitability.

Management and Administrative Bodies

The bodies of GrandCity are the general meeting and the board of directors.

The board of directors consists of the following person: KKLAW Managers Limited, Strati Myrivili 5, Strovolos, 2044 Nicosia, Cyprus. KKLAW Managers Limited is a professional provider of corporate services also to other customers outside the GCP Group. KKLAW Managers Limited is represented by the following individuals: Kyriacos J. Koushos, George Korfiotis, Athanasios Korfiotis, Loucas Koushos and Cleo Koushos-Cros. Cleo Koushos-Cros is also the chairman of the board of directors of the Issuer.

There are no conflicts of interests between the private interests and other duties of the director and its duties vis-à-vis GrandCity or the Issuer.

There is no corporate governance code applicable to GrandCity as a company with limited liability whose shares are not admitted to trading on a regulated market.

Share Capital

The authorised and issued share capital of GrandCity totals € 1,710 as of the date of the Prospectus. The share capital has been fully paid in. The share capital is divided into 1,000 shares with a nominal value of € 1.71 each.

Material Contracts

GrandCity carries out its business activities within the GCP Group. Certain material contracts of the GCP Group are described in general above under "*General Information on the Issuer and the Group - Material Contracts*".

Financial Information

The audited consolidated financial statements of GrandCity, prepared in accordance with IFRS as of and for the fiscal year ended December 31, 2011 with compare figures for the fiscal year end-

ed December 31, 2010 ("**2011 IFRS Consolidated Financial Statements**") have been applied with an unqualified auditors report of its statutory auditor KPMG Cyprus. As of January 1, 2012 the Issuer received from its then existing shareholders the control of, rights to and interests in 94.8% of the shares in GrandCity as part of a group restructuring under common control and thus became the holding company of the GCP Group in its current form. Therefore, GrandCity has not prepared consolidated financial statements for the fiscal year ended December 31, 2012. However, the consolidated financial statements of the Issuer, as of and for the fiscal year ended December 31, 2012 ("**2012 IFRS Consolidated Financial Statements**") included in the Financial Information section of this prospectus starting on page F-1, contain financial information for the Group which includes GrandCity (for more information see "*General Information on the Issuer and the Group - Overview financial information*").

The audited individual financial statements of GrandCity, prepared in accordance with Cypriot general accepted accounting principles, as of and for the fiscal years ended December 31, 2011 and 2012 ("**GrandCity Individual Financial Statements 2011 and 2012**") have been applied with an unqualified auditors report of its statutory auditor KPMG Cyprus. The 2011 IFRS Consolidated Financial Statements and the GrandCity Individual Financial Statements 2011 and 2012 are included in the Financial Information section of this Prospectus starting on page F-1.

REGULATORY ENVIRONMENT

The GCP Group's business activities are subject to legal requirements. The essential regulatory framework for the GCP Group's business activities is discussed below.

Limitations of German Tenancy Law

German tenancy law distinguishes between residential and commercial premises. The residential portfolio held by the Group is governed by residential tenancy law, which in large part favors tenants through extensive social safeguards. In particular, it imposes restrictions on the Group with regard to the increase of rent, allocation of ancillary costs including costs for repair and maintenance, the termination of letting contracts and the eviction of tenants which are in breach of contract. Further, the sale of residential space if converted into condominium property might trigger pre-emption rights and impair selling options.

Statutory limits on rent increases

With lease agreements that are not subject to rent control, e.g. by public subsidies regulations, the landlord may assert a right of contractual adjustment, subject to statutory and contractual requirements, up to locally prevailing comparative rent levels if the rent has remained unchanged for the 15 months preceding the intended increase. As a rule, however, the rent cannot be increased by more than 20 % in three years (capping limit). The German Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) has become effective as of May 1, 2013. It provides inter alia the authorization of German federal state governments to decrease the capping limit to 15% over a three-year period for specific municipalities. When freely financed residential units are modernized, the landlord may also increase the annual rent by 11% of the respective costs incurred in the modernization of the residential unit, subject to statutory and contractual requirements. Following the announcement of rent increase, the tenants may have a special termination right.

According to German law and the Privatization Agreement, the GCP Group may only increase the rent within the limit set by the relevant rent index (*Mietspiegel*). Further, any modernization shall be in line with the standards of government subsidized apartment buildings (*geförderte Wohnungsbaumaßnahmen*), that is, the GCP Group may not undertake luxury refurbishments in order to increase the rent.

Owner's repair and maintenance obligations

Under German law, the landlord must repair and maintain the property (this obligation extends to the structure, the façade, the roof of the building, and also the interior of the residential units). In general, the landlord cannot transfer this repair and maintenance obligation.

Subject to compliance with statutory limitations, the landlord may assign the repair and maintenance obligations for a residential unit's interior to the tenant. If the landlord assigns such obligations within standardized contracts, the terms must comply with the strict requirements for general terms and conditions (*Allgemeine Geschäftsbedingungen*). For example, the Federal Supreme Court has ruled that standard clauses in letting contracts are invalid if they obligate the tenant to carry out cosmetic repairs (*Schönheitsreparaturen*) within a fixed schedule or if they obligate the tenant to fully renovate the apartment at the end of the letting term (*Endrenovierung*). The invalidity of such clauses results in the landlord being responsible for the repair and maintenance and being required to bear all related costs. If the tenant carries out such repair and maintenance works without actually being obliged to do so, the landlord might have to compensate the corresponding costs.

Statutory protection against termination and eviction

As a rule, the landlord may terminate an unlimited lease agreement for residential space on a statutory basis only if the landlord has a legitimate interest in ending the tenancy. By law, a legitimate interest in ending the tenancy may only arise (i) if the tenant commits a culpable contractual breach with material effect, (ii) if the owner has a lawful claim of personal use in the property for himself, his family members, or members of his household, or (iii) if the owner would otherwise be prevented from reasonable economic utilization and would therefore suffer considerable detriment. "Reasonable economic utilization" as grounds for termination is intended to ensure the free economic disposability of property. Such grounds exist if the owner were to suffer considerable detriment from continuing the tenancy (for example, receiving a significantly lower purchase price; expenses significantly exceed income). However, a landlord's intention of converting housing into individually owned residential units, for example, would not qualify.

If let residential space that is converted into condominium property, or is intended for such conversion, is to be sold to third parties, the German Civil Code (*Bürgerliches Gesetzbuch*) prohibits personal use and reasonable economic utilization as grounds for termination by the purchaser for three years after transfer of title if the residential space was already let to a tenant before the conversion to individual ownership.. The German federal state governments are authorized to extend the prohibition up to a period of ten years after transfer of title. Inter alia, the German federal state governments of Bayern, Berlin, Hessen, and Nordrhein-Westfalen have made use of their option and extended the period of protection for specific municipalities.

Further, even if the landlord terminates the letting contract on the basis of a legitimate interest the tenant is protected under German tenancy law. In consequence, a court may allow for an appropriate deadline (with a maximum delay of one year) for the tenant to vacate the apartment even though the letting contract was effectively terminated by the landlord.

Statutory restrictions in selling residential space

If let residential space that is converted into condominium property, or is intended for such conversion, is to be sold to third parties, the German Civil Code (*Bürgerliches Gesetzbuch*) grants the tenant a statutory pre-emptive purchase right, that is, the tenant is entitled to purchase the space on the same terms as the buyer. However, no pre-emptive right exists if the unit was already condominium property when let or if the unit is sold to landlord's family members, or members of his household requirement for energy certificates and energy conservation measures.

Starting January 1, 2009 for sales or new letting of residential units, potential buyers and tenants must be given an energy certificate upon request that discloses the property's energy efficiency. In undertaking modernization measures, additions or extensions, an energy certificate must be prepared if an engineering assessment of the entire building's energy consumption is performed in the course of the modernization that allows the certificate to be prepared at a reasonable cost. The energy certificate is generally valid for ten years. For buildings completed no later than 1965, the owner must already have had an energy certificate available starting July 1, 2008. The Energy Savings Ordinance (*Energieeinsparverordnung*) of July 24, 2007, as amended on April 29, 2009, also requires structural alterations for energy conservation. Failure to comply with these rules can be penalized as an administrative offense. A further amendment of the Energy Savings Ordinance was due on January 9, 2012 according to European Law, however has been delayed and is currently expected for 2014. The further amendment will inter alia require additional structural alterations for energy conservation.

Commercial Leases

The legal relationship between commercial tenants and their landlords is more balanced than the relation between residential tenants and their landlord. The aforementioned strict statutory provisions aiming at protecting residential tenants are basically not applicable to commercial tenants. However, there are strong tendencies of courts in their decisions to construe the law in a way to apply similar rules to commercial leases, especially if these are based on general terms and conditions. The most relevant areas affected by such court decisions are refurbishment, maintenance and ancillary costs. In contrast to residential leases, commercial leases are mostly entered into for a fixed period, usually for several years. During fixed lease terms, neither the tenant nor the landlord is entitled to terminate the lease agreement unless for good cause. Fixed lease terms are advantageous for both. The tenant can rely on being entitled to use the rented space for a fixed period and the landlord has a secured steady cash-flow. However, lease agreements with a fixed lease term need to comply with the statutory requirement of written form. Although a lease agreement which does not meet the requisite written form standards is not void, it is regarded as lease with an indefinite term and thus can be terminated any time respecting notice periods in accordance with statutory law (e.g. office space: notice period six to nine months depending on

when the termination notice is served) by either party. Therefore, it is essential for landlords to ensure that commercial leases with a fixed lease term comply with the requirement of written form in order to avoid a shortfall of payment.

Current Developments in Tenancy Law

The German Federal Government as well as several German states have presented draft bills that - partly because of necessities resulting from the Energy Concept which shall facilitate, inter alia, a reduction of the German primary energy need (*Primärenergiebedarf*) in 2050 by 80% (compared to 1990) - aim to modify currently existing Tenancy Law provisions. The draft bills have been deliberated and the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) has been adopted on March 11, 2013 and came into effect in May 2013. Main amendments resulting therefrom are that (i) tenants shall have to endure - and be excluded from rent reduction for three months because of - maintenance measures (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*), in particular energetic modernization measures, unless such measures would constitute an unreasonable hardship; (ii) following the announcement of modernization measures, tenants are entitled to a special termination right (*außerordentliche Kündigung*); (iii) except for certain types of measures that are not directly linked to the leased premises and unless this would constitute an unreasonable hardship for the tenant, landlords shall be entitled to allocate cost for such modernization measures to tenants of residential units by way of an increase of the annual rent in the amount of 11 % of the cost accrued (less the cost accrued for maintenance measures anyway); (iv) German federal state governments are authorized to limit rent increase up to locally prevailing comparative rent level to 15 % in three years (capping limit) for specific municipalities; (v) as alternative to the classic eviction procedure, the so-called „*Berliner Räumung*“, offering the landlord the cost effective opportunity to limit the eviction procedure to the procurement of possession, shall be implemented; (vi) eviction procedures shall furthermore no longer be tediously delayed because of a right of possession of a third person that is not covered by the executory title (*Vollstreckungstitel*); a further title against such third person shall be obtainable by way of an injunction (*einstweiliger Rechtsschutz*); (vii) the existing restriction of termination of lease agreements for a period of three years shall be extended to the case that in the course of a continuing lease the leased premises have been transformed into condominium and have subsequently been sold to a partnership or to more than one purchaser. Furthermore, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) includes provisions according to which the costs resulting from heat-contracting (*Wärmelieferung*) can be charged to tenants as part of the service charges under certain conditions. These provisions have become effective as of July 1, 2013.

In Germany, affordable housing continues to be a political topic with high level attention. With regard to the upcoming parliamentary elections in Germany to be held on September 22, 2013, the two major German political parties, the CDU and the SPD according to their respective elec-

tion programme are proposing a statutory limitation on the rent for new lease agreements. Both parties propose to limit any newly agreed rent at a maximum of ten percent above the relevant locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*). Such limitation would neither apply to commercial lease agreements nor to lease agreements relating to new buildings. Whereas the CDU proposal intends to authorise the German federal state governments to implement such limitation of the rent and thus a limitation would be at the discretion of each federal state, the SPD proposes to implement such limitation directly and mandatory on federal level by virtue of federal law.

Limitation for the Use of the Properties

Easements in the Land Register

On some of the properties owned by the Group, easements (*Grunddienstbarkeiten*) are registered with the land register. Probably, properties to be acquired in the course of development projects will often be encumbered with such easements. An easement requires the owner of the charged property “in rem” to refrain from taking action (for example, not to build on specific parts of the property or to forbear action to be taken (for example, to grant transmission rights, electricity, water, and gas). The content of the obligation can be enforced by the relevant third-party. Since registered easements are attached to the property itself, they can be enforced against the current and subsequent owner of the charged property as well as against legal successors.

Public easements

Some of the properties owned by the Group are also encumbered with public easements (*Baulasten*). A public easement requires the owner of the charged property vis-à-vis the public authority to take action (for example, to create a certain number of parking slots), refrain from taking action (for example, not to build on specific parts of the property) or forbear action to be taken (for example, laying pipes or cables by third parties). The content of the obligation can be enforced by means of an administrative order. Some of the investment properties are subject to unification public easements (*Vereinigungsbaulasten*). These public easements create a single “construction property” (*öffentlich-rechtliches Baugrundstück*) out of the affected properties which continue to be independent properties under civil law. Many provisions of public building law, such as the requirements of minimum distances between buildings, apply to the construction property as if the plot boundaries did not exist. Probably, properties to be acquired in the course of development projects will often be encumbered with public easements.

Since public easements attach to the property itself, they can be enforced against the owner of the charged property and against third parties. The public easement is also effective against legal successors (that is, buyers of the charged properties) and can only be suspended by a waiver of

the competent authority. The restrictions resulting from the public easement may affect the value of the charged property.

Restrictions in connection with monument protection

In case buildings are listed as protected monuments, certain restrictions set forth in the various monument protection acts of the federal states (*Bundesländer*) are applicable. Although the federal states' monument protection acts differ in detail, the basic provisions are identical. Protected monuments must not be demolished, reconstituted, refitted or amended without a permit being issued by the competent authority. In the permit, the authority usually imposes certain requirements as to how to carry out the construction measures envisaged by the developer. These requirements might restrict the measures possible, cause additional costs and take additional time and, therefore, need to be taken into consideration before deciding on a development and in the course of such development. Theoretically and as very last resort, the competent authority could even expropriate the owner of a protected monument if the building cannot be protected otherwise. However, the owner is entitled to financial compensation in the case of an expropriation.

Restrictions in connection with special urban planning laws

Cities and municipalities are entitled to enact urban planning law to remediate or avoid undesired urban development. By such urban planning laws, areas can inter alia be classified as urban refurbishment areas (*Sanierungsgebiet*) or urban preservation areas (*Erhaltungsgebiet*). In case a site is situated in an urban refurbishment area, a vast number of measures regarding the site or the building are subject to a permit being issued by the competent authority. A permit is especially required for (i) the sale of the property, (ii) the conclusion of lease agreements with a lease term of more than one year, (iii) the registration of rights encumbering the site, (iv) the registration of public easements and (v) the division of the site. In urban preservation areas, the erection, demolition and amendment of buildings as well as any changes of their use and the creation of condominium rights may, subject to local statutory law (*Erhaltungssatzung*), require a permit being issued by the competent authority.

In addition, the city or municipality can pass a resolution which classifies an area as a conversion area (*Umlenungsgebiet*). Such resolutions are passed if there are (too many) sites which cannot be properly used due to their size and/or location and, as a consequence, obstruct the city's/municipality's urban development intentions. In the conversion process, sites or parts of sites are exchanged. If the exchanged (parts of) sites do not have equal values, financial compensations are paid. From the passing of the resolution on conversion to the completion of the conversion process, a permit being issued by the competent authority is required for (i) the sale, (ii) the registration of rights encumbering the site and (iii) any building measures unless they are not subject to a building permit and do not increase the site's value.

Restrictions due to copyrights in architectural services

Some of the Group's properties may be works of architectural significance and therefore possibly also subject to copyrights, especially with regard to the respective architect's services. Structural changes in such instances may be subject to the designer's or architect's consent.

Liability for Contamination of the soil and buildings

Liability for residual pollution (*Altlasten*) and contamination of the soil (*schädliche Bodenveränderungen*), including water pollution caused by such residual pollution or contamination, as well as for the contamination of buildings with asbestos and other harmful materials, such as PCB, DDT, PCP or Lindane, may arise from rules and regulations under both public law and civil law. Liability under public law for residual pollution cannot be excluded through agreements under civil law. Liability under civil law may, however, generally be limited or excluded by way of agreement. In the course of developments the developer will be responsible for the disposal of pollution, usually, however, shifting this responsibility to a general contractor to a great extent. To the extent that liability is not assumed by the seller of a property or other third party, e.g. a pre-seller or a general contractor, or cannot be enforced against this third party, the Group remains liable as owner of the acquired property or as developer as the case may be.

Responsibility under public law for residual pollution and soil contamination

Pursuant to the Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the parties responsible for remediation measures with regard to residual pollution and contamination of the soil include the party that caused the contamination, its universal legal successor (*Gesamtrechtsnachfolger*), the owner of the contaminated real property and each previous owner of the contaminated property (if such former owner transferred the property after the entering into force of the Federal Soil Protection Act (*Bundesbodenschutzgesetz*) on March 1, 1999 and knew or should have known about the contamination), the person with actual control over the property, and, in specific circumstances, the person or entity responsible under general principles of commercial or corporate law for the legal entity (*juristische Person*) owning the site. With regard to these potentially liable parties, there is no general ranking as to which of the parties is primarily liable. It is within the discretion of the relevant authority to decide which party shall be held liable. The party most likely to be held liable is the current owner of the contaminated site, because it is legally entitled to carry out the required remedial measures.

Furthermore, the liability of the entities and persons who can be held liable by the authorities for remediation does not require a showing of negligence or intent on the part of the liable parties. The Federal Soil Protection Act (*Bundesbodenschutzgesetz*) authorizes the local authority to require risk inspections, investigations, remedial measures, and other necessary measures for

the protection against contamination of the soil or residual pollution. The Federal Soil Protection Act (*Bundesbodenschutzgesetz*) contains a default statutory indemnification obligation on the part of the responsible parties that, irrespective of an official order, allocates liability among the parties in accordance with their respective contribution to the cause of the contamination. This allocation can be modified or waived by express contractual agreement.

Further, pursuant to the German Environment Contamination Act (*Umweltschadensgesetz*) authorities may at their discretion require risk inspections, investigations, remedial measures, and other necessary measures for the protection against any environment contamination which were caused after the April 30, 2007. The holder of a real property may be held responsible, any potential party responsible may be held liable and there is no general ranking as to which of the parties is primarily liable.

Asbestos

German law distinguishes between two types of asbestos: (i) friable asbestos and (ii) other types of asbestos, each resulting in different legal consequences.

Friable asbestos can release asbestos fibers into building air due to aging and external force. Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation, and thermal protection. Other types of asbestos are involved if the material containing asbestos is firm and no asbestos fibers can escape into the air, thus not posing a risk to human health.

Under the rules of the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any threat to health in any specific case. Therefore, except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines because of the lack of fiber formation.

As to friable asbestos, the asbestos guidelines prescribe criteria for assessing the urgency of taking remedial action in case of contamination. This is determined according to three levels of urgency: urgency level I requires immediate remediation of the structure; urgency level II requires reassessments at intervals of no more than two years; and urgency level III requires a reassessment at intervals of no more than five years. Remediation measures under the asbestos guidelines include demolition, removal, or coating of the asbestos products, and separation of the asbestos products from the respective space to ensure that fibers do not become airborne.

In the event of asbestos contamination, the tenant can assert a commensurate right of rent abatement. German courts have decided that the presence of a defect for purposes of warranty requirements under tenant law can be presumed if the onset of a health threat cannot be ex-

cluded. Accordingly, the courts have permitted rent abatements even in cases involving urgency levels II or III, which, under the asbestos guidelines, merely require that the level of risk be monitored. Tenants may also claim compensatory damages if the defect was present at the time of contract formation or if the landlord is in default with its obligation to remedy the defect. Finally, tenants also have the right to remedy the defect on their own and require that their reasonable expenses be reimbursed under certain conditions.

Polychlorinated Biphenyl (PCB), Dichlorodiphenyltrichloroethane (DDT), Pentachlorophenol (PCP) and Lindane

PCB is widely spread in the environment today. Since PCB may cause damage to embryos and is suspected to have carcinogenic effects and affect human health, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings (for example, in wood preservatives, synthetic materials, insulations or joints). PCP was used as a fungicide against mold. Based on construction law or emissions protection law in conjunction with the "Guidelines on the Assessment and Remediation of PCB containing Construction Material or Elements in Buildings" (PCB-Guidelines), the owner of a building may be obliged to remedy PCB sources. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanograms per cubic meter of air. Remediation measures include the elimination or sealing of PCB-containing construction elements. DDT and Lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected to cause cancer and to be genotoxic, while Lindane is suspected to harm the nervous system, especially in case of occupational exposure, and to also possibly cause cancer. As regards DDT, PCP and Lindane, their existence in buildings may entitle the tenant under certain conditions to reduce rent or claim damages. Moreover, the remediation of rooms or buildings where DDT, PCP or Lindane concentrations exceed certain thresholds may be required. Guidelines dealing with DDT, PCP and Lindane exist in several federal states. For instance, the Senate of Berlin recommends the remediation of rooms intended to be used permanently for residential purposes if the DDT concentration in wood or dust exceeds 5 milligrams per kilogram, or if the Lindane concentration in wood or dust exceeds 2 milligrams per kilogram. With regard to PCP, the Senate of Berlin recommends the remediation of rooms intended to be used permanently for residential purposes if the PCP concentration in wood will exceed 50 milligrams per kilogram, or if in dust it will exceed 5 milligrams per kilogram and further conditions are met. Another guideline issued by several German federal states recommends the remediation of rooms used permanently for residential purposes if the PCP concentration in "fresh" dust exceeds 1 milligram per kilogram, or if in "old" dust it exceeds 5 milligrams per kilogram and further conditions are met.

Restitution Claims

German Act on Unsettled Property Issues in Eastern Germany (Gesetz zur Regelung offener Vermögensfragen)

According to the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), persons who were expropriated of property within the former German Democratic Republic (GDR) can claim restitution or compensation under certain conditions, in particular if the property was seized without compensation or less compensation than citizen of the GDR were entitled to. The German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*) is also applicable to persons who lost property due to racist, political, religious or ideological reasons during 1933 and 1945. Disposessions between 1945 and 1949 are, however, considered irrevocable and no restitution is granted under the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*).

Applications for restitution of real property generally had to be filed by December 31, 1992. However, the Jewish Claims Conference filed a general claim in 1992 due to the difficulty of specifying individual claims prior to the December 31, 1992 deadline. This general claim lists numerous former owners of real properties and their respective heirs who may be entitled to restitution or compensation under the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*). It is not clear, however, how much real property could be affected by the general claim.

If specific claims are brought forward concerning real property, the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*) requires that current owners of such real property become subject to restrictions on material changes to, and transfer of, the real property. Since the processing of claims may take up to several years, such restrictions may be in effect for that duration. If specific claims are successful, the owner(s) of the relevant real property may be forced to transfer the real property to the claimant.

The person who holds title to the real property immediately before the restitution is, under certain circumstances, entitled to compensation for the loss of the real property from the compensation fund. Further, the person who holds title to the real property immediately before the restitution is entitled to claim compensation from the former/new owner (or its successor), to whom the real property is returned, if he invested in the real property and if these investments lead to an improvement of the real property which will be with the new/former owner.

German Act on the adjustment of property law (*Sachenrechtsbereinigungsgesetz*)

As the Group's properties are partially located in the former GDR, the German Act on the adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*) is applicable which provides for specific

claims, inter alia if a real property was developed by the user during the term of the GDR, so that the ownership of the land and the building could fall apart in accordance with the GDR's statutory law. According to the German Act on the adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*), the user is entitled (i) to acquire such real property at a purchase price equivalent to half of the market value or (ii) to be granted a hereditary building right with a hereditary ground rent equivalent to half of the usual amount. Claims under the German Act on the adjustment of Property Law (*Sachenrechtsbereinigungsgesetz*) were generally subject to a limitation of ten years after the German Act on the Modernization of Contractual Law (*Gesetz zur Modernisierung des Schuldrechts*) became effective on January 1, 2002, i.e. became generally time-barred on the December 31, 2011.

Social Law Framework

A portion of the Group's tenants receive social benefits, including financial support for accommodation costs as part of unemployment compensation (*Arbeitslosengeld 2*), basic social care for retired persons (*Grundsicherung im Alter*) or social welfare (*Sozialhilfe*), as well as accommodation allowances (*Wohngeld*). Social benefits are based on the German Basic Constitutional Law (*Grundgesetz*), particularly on the fundamental rights of protection of human dignity, of marriage and family, and on the principle of the welfare state.

Persons who have not yet reached the statutory retirement age and are fit for work, that is, not permanently disabled, may receive social benefits according to the Second Book of the Social Security Act (*Sozialgesetzbuch II*) if they are not able to make their living from their own means. These social benefits include financial support for accommodation costs. Such financial support is also granted to persons who have already reached the retirement age but whose income, including the retirement pension and personal fortune, are not sufficient to enable them to make their living. In Berlin, such financial support accommodation costs are under the responsibility of Berlin. This support is usually paid in the amount of the rent actually incurred but only up to the rates deemed appropriate by Berlin. Currently, the appropriate rates for rent and heating start at € 378 for a single-person household. In general, the support is paid to the tenant. However, if it is uncertain that the tenant will use the financial support to pay the rent, the competent authority may transfer the money directly to the landlord.

Pursuant to the Twelfth Book of the Social Security Act (*Sozialgesetzbuch XII*), financial support for accommodation costs may also be paid to other persons in need, for example, to persons who are diseased over a substantial period of time. According to the Act on Accommodation Allowances (*Wohngeldgesetz*), everybody who does not receive financial support for accommodation costs as part of unemployment compensation, basic social care for retired persons, social welfare or according to specific provisions for asylum seekers, may be entitled to accommodation allowances. The right to such allowances depends on the number of persons living in the household,

their income and the costs of rent. Since January 1, 2011, heating cost do no longer form part of the calculation basis of the accommodation allowances.

German Tax Law on Property Purchases

Purchasers of properties located in Germany are required to bear certain taxes and public charges. Amongst others, purchasers of properties are obliged to pay Real Estate Transfer Tax (*Grundsteuer*). Real Estate Transfer Tax amounts to a certain percentage of the value of the property (generally correlating with the purchase price). The precise percentage is fixed by the respective German federal state in which the property is located and currently varies from 3.5 % to 5.5 %.

Access for Foreign Investors to German Real Estate

In contrast to some other jurisdictions there are no property-specific restrictions for foreign investors to acquire property in Germany.

Restrictions in connection with subsidized housing

Subsidized housing generally triggers restrictions on the maximum amount of rent permitted by law and often limits the group of possible tenants to those holding a “housing eligibility certificate” (*Wohnberechtigungsschein*).

German legislation regarding subsidized residential units has been significantly amended as from 2001, replacing the former Controlled Tenancies Law (*Wohnungsbindungsgesetz*) and the concept of “cost covering rent” with the Residential Space Subsidy Law (*Wohnraumförderungsgesetz*) and the concept of “maximum rent”. Under the cost covering rent concept, which is still applicable for residential units subsidized before December 31, 2001 (in exceptional cases before December 31, 2002), the landlord is only allowed to charge the amount of rent necessary for covering all of the costs for the property including financing costs. Under the new concept of maximum rent pursuant to the Residential Space Subsidy Law (*Wohnraumförderungsgesetz*), which is generally applicable for residential units subsidized after the December 31, 2001, the landlord is entitled to charge the maximum rent which has been set forth by the competent authorities and which reflects the market value. The market value and therefore the maximum rent is subject to future changes and may be adjusted in correlation with market developments.

Inter alia the following statutory provisions generally apply to subsidized housing: First and Second Housing Laws (*Erstes und Zweites Wohnungsbaugesetz*), the 1970 Rent Ordinance for New Construction (*Neubaumietverordnung*), the Controlled Tenancies Law (*Wohnungsbindungsgesetz*), the Second Calculation Ordinance (*II. Berechnungsverordnung*), the Residential Space

Subsidy Law (*Wohnraumförderungsgesetz*), “First, Second and Third Subsidy Programs” (*Erster, Zweiter, Dritter Förderweg*) and the respective German federal state’s statutory provisions, as e.g. the “Maintenance and Modernization Subsidy” (*Instandhaltungs- und Modernisierungsförderung*) of Berlin and the Law on Social Housing in Berlin (*Wohnraumgesetz Berlin*). Under these statutory provisions, please note especially that provisions on rent control (*Mietpreisbindung*) at present value and provisions regarding the ending of the attribute “government funded” (*öffentlich gefördert*) apply.

Subsidies for maintenance and modernization of housing granted on the basis of directives of Berlin also contain restrictions on the maximum rent and scope of eligible tenants. However, such restrictions are generally not resulting from statutory provisions but from contractual obligations, i. e. agreements entered into between the respective landlord and the City of Berlin.

Regarding statutory restrictions, in some cases, sales of subsidized residential units are restricted as they require the competent authorities’ approval. Furthermore, subsidies may have to be repaid to the authorities in the event that condominium rights will be created for subsidized residential units. In any case, the respective owner of subsidized residential units is obliged to comply with various information obligations vis-à-vis authorities who have granted such subsidies.

One year after the ending of the attribute “government funded” (*öffentlich gefördert*), the landlord is entitled to increase the rent for the subsidized unit up to market rent. The restrictions set forth under Section 558 German Civil Code (BGB) apply. If the subsidies are repaid early, an extension period of up to ten years applies, however, limited to the initial “government funded” period. During such extension period, the limitations on the maximum amount of rent permitted have to be complied with, i.e. the landlord may only claim cost cover rent or market value rent. Regarding eligible tenants, the landlord is generally free to rent to any tenant after the subsidy has been repaid.

Restrictions in connection with investment funding

Under the Investment Allowance Act of 1999 (*Investitionszulagengesetz 1999*), investment funding could be granted for the purchase, modernization, refurbishment or maintenance of certain apartment buildings within the territory of the former German Democratic Republic. The granting of investment funding is not coupled with occupancy rights, rent control or comparable restrictions. The recipient of the funding is, however, obligated to rent out the subsidized rental units for residential housing purposes only, for a period of five years upon completion of the modernization works. In cases of non-compliance, the funding can be reclaimed.

CONDITIONS OF THE ISSUE

Upon issue, the Further Series B Bonds are to be consolidated and to form a single series with the Existing Series B Bonds and thus will be subject to unified conditions as displayed below. The maximum principal amount of the Further Series B Bonds to be issued will be € 100,000,000. The number of Further Series B Bonds to be issued will be finally determined on or around July 19, 2013 and such number will be reflected in the Conditions set out in schedule 3 to the Fourth Supplemental Trust Deed constituting the Further Series B Bonds.

Conditions of the Series B Bonds

The EUR [100,000,000] 6.25% bonds due 2020 (the "**Further Series B Bonds**") are constituted by a fourth supplemental trust deed (the "**Fourth Supplemental Trust Deed**") dated on or around 24 July 2013 between the Issuer and Prudential Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed (as defined below)) for the holders of the Bonds (as defined below) ("the **Bondholders**"), supplemental to a trust deed dated as of 15 October 2012 (as amended and restated by a supplemental trust deed dated 15 May 2013, and as further amended by a second supplemental trust deed dated 3 June 2013 (the "**Original Closing Date**"), a third supplemental trust deed dated 14 June 2013 and a deed of replacement of trustee dated 19 June 2013 (together with the Fourth Supplemental Trust Deed, the "**Trust Deed**") between the same parties and constituting the EUR 100,000,000 6.25% bonds due 2020 of the Issuer (the "**Original Series B Bonds**") issued on the Original Closing Date. The Further Series B Bonds will, pursuant to Condition 18, upon exchange of the temporary global bond initially representing the Further Series B Bonds on issue for the permanent global bond then to represent the Further Series B Bonds (which is expected to be on or after 2 September 2013, upon certification as to non-U.S. beneficial ownership), be consolidated and form a single series with the Original Series B Bonds. In these Terms and Conditions (the "**Conditions**"), the expression Series B Bonds means the Original Series B Bonds and the Further Series B Bonds and any Further Single Series Bonds issued pursuant to Condition 18 and forming a single series with the Original Series B Bonds and the Further Series B Bonds. The issue of the Original Series B Bonds was authorised by a resolution of the board of directors of the Issuer passed on 27 May 2013. The issue of the Further Series B Bonds was authorised by a resolution of the board of directors of the Issuer passed on 8 July 2013.

The statements set out in these Conditions (the "**Conditions**") are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Series B Bonds. The Series B Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Transfer Agency Agreement dated as of 3 June 2013 (as supplemented by a supplemental agency agreement dated on or around 24 July 2013) (the "**Agency Agreement**") relating to the Series B Bonds between the Issuer, the Trustee, The Bank of New York Mellon, acting through its London branch in its capacity as principal, paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression shall include any successor as Principal Paying and Transfer Agent under the Agency Agreement), the other Paying and Transfer Agents for the time being (such persons, together with the Principal Paying and Transfer Agent, being referred to below as the "**Paying and Transfer Agents**", which expression shall include their successors as Paying and Transfer Agents under the Agency Agreement) and The Bank of New York Mellon Luxembourg S.A. in its capacity as registrar (the "**Registrar**", which expression shall include any successor as registrar under the Agency Agreement).

Copies of each of the Trust Deed, the Agency Agreement and the Bond Security Documents (as defined below) are or will, on execution thereof, be available for inspection by prior appointment during normal business hours at the registered office for the time being of the Trustee (being at 8

July 2013 at Laurence Pountney Hill, London EC4R 0HH), and at the specified offices of the Paying and Transfer Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings provided in the Trust Deed unless, in any case, the context otherwise requires or unless otherwise stated.

1. Form, Denomination, Title and Status

1.1 Form and Denomination

The Series B Bonds are in registered form, serially numbered, in principal amounts of € 1,000 each ("**Authorised Denominations**"). The Series B Bonds are issued and kept in custody by Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V. and may be issued subject to the TEFRA D procedure. Any Series B Bonds that are issued subject to the TEFRA D procedure will initially be represented by one or more temporary global certificates (the "**Temporary Global Certificates**") without interest coupons. The Temporary Global Certificates will be exchangeable for Series B Bonds in the Authorised Denominations represented by one or more permanent global certificates (the "**Permanent Global Certificates**") without coupons. The Temporary Global Certificates will be replaced by the Permanent Global Certificates on the 40th day following the date of the respective issuance. Such replacement may only take place after presentation of a confirmation proving that the beneficial owner(s) of the Series B Bonds represented by the Temporary Global Certificates is/are not U.S persons (other than certain financial institutions or certain persons holding Series B Bonds through such financial institutions). Payment of interest on Series B Bonds represented by Temporary Global Certificates will only be made after delivery of such confirmations. A separate confirmation will be required for each payment. Each confirmation received on or after the 40th day after the date of the respective issuance will be treated as a request to exchange these Temporary Global Certificates in accordance with this condition 1.1. Any securities delivered in exchange for the Temporary Global Certificates may only be delivered outside of the United States.

1.2 Title

Title to the Series B Bonds will pass by transfer and registration as described in Condition 4. The holder (as defined below) of any Series B Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related Certificate, as applicable) or anything written on it or on the Certificate representing it (other than a duly executed transfer thereof), and no person will be liable for so treating the holder.

1.3 Status

The Series B Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank at all times pari passu and rateably, without any preference among themselves, and pari passu with all other Secured Bonds and any other unsubordinated obligations of the Issuer.

The Original Bonds, the Series B Bonds and any Further Secured Bonds will have the benefit of the Security described in Condition 2 as security for the obligations of the Issuer in respect of the Original Bonds, the Series B Bonds and such Further Secured Bonds and the Trust Deed. The Trustee or its nominee will hold the Security for the benefit of, inter alios, the Original Bondholders, the Series B Bondholders and the holders of such Further Secured Bonds.

2. Security

2.1 Up to (and including) the Final Security Discharge Date, the obligations of the Issuer under the Original Bonds, the Series B Bonds and any Further Secured Bonds are secured in favour of the Trustee for the benefit of the Trustee, the Original Bondholders, the Series B Bondholders and the holders of any Further Secured Bonds by:

- (a) a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Issuer in GrandCity Property Ltd. (previously Adminond Trading & Investment Limited) ("**GrandCity**");
- (b) a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Issuer with Bank Hapoalim (Suisse) S.A., Luxembourg branch (the "**GCP Account**");
- (c) an assignment by way of security, governed by Luxembourg law, of the Issuer's receivables and rights under, and claims against GrandCity for payment of principal and interest under, the loan agreements between the Issuer and GrandCity in an aggregate principal amount equal to the net issuance proceeds of the Original Bonds and the Series B Bonds ("**GCP Loans**") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) relating to any loan by the Issuer to GrandCity of the net issuance proceeds in respect of any Further Secured Bonds;
- (d) first-ranking account pledges, governed by Luxembourg law, over each bank account held by GrandCity with Bank Hapoalim (Suisse) S.A., Luxembourg branch (the "**GrandCity Luxembourg Account**"); and
- (e) first-ranking charges, governed by Cypriot law, over each bank account held by GrandCity with Cyprus Popular Bank Public Co Ltd. (the "**GrandCity Cypriot Account**").

In this Condition 2.1:

Final Security Discharge Date means the date on which all present and future obligations and liabilities (whether actual or contingent) of the Issuer to the Trustee, the Original Bondholders, the Series B Bondholders and the Further Secured Bondholders under or in respect of the Original Bonds, the Series B Bonds, the Further Secured Bonds, and the Trust Deed have all been discharged.

2.2 If an Event of Default, an Original Bond Event of Default or a Further Secured Bond Event of Default shall occur and is continuing, the Security shall become enforceable and the Trustee may, at its discretion, and, if so requested in writing by the holders of at least one quarter in aggregate principal amount of all the Secured Bonds (taken together as a single series) then outstanding or if so directed by an Extraordinary Resolution of the Secured Bondholders (taken together as a single series) shall, in accordance with the provisions of the Trust Deed but, at all times, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, and without any liability as to the consequence of such action and without having regard to the effect of such action on individual Secured Bondholders, enforce all or any part of the Security by, inter alia, taking possession or disposing of or realising the Security (as the case may be), in each case, in accordance with the provisions of the relevant Bond Security Document. The Trustee shall not be required to take any action that would involve the Trustee in any personal liability or may be contrary to any applicable laws and/or regulation.

2.3 For the avoidance of doubt, the Trustee shall only have the right to enforce the Security on behalf of the Original Bondholders, the Series B Bondholders or the Further Secured Bondholders or any one or more series (as the case may be) whilst bonds of the series held by them remain outstanding.

3. Definitions

In these Conditions, unless otherwise provided:

"Applicable GAAP" means the International Financial Reporting Standards (IFRS) as applicable at the relevant dates and for the applicable accounting periods;

"Asset Sale" means the transfer, sale, loan, parting with or other disposition of, or grant of any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein by the Issuer or its Subsidiaries;

"Bond Security Documents" means those documents set out at Condition 2.1(a)-(e) (inclusive) together with any security document created in connection with the issue of Further Secured Bonds and each a **"Bond Security Document"**;

"Bondholder" and in respect of a Series B Bond, **"holder"** means the person in whose name a Series B Bond is registered in the Register (as defined in Condition 4.1);

"business day" means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place;

"Cash" means cash in hand (or as otherwise defined in International Accounting Standards 7);

"Cash Equivalents" means short-term, liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (or as otherwise defined in International Accounting Standards 7);

"Certificate" has the meaning provided in Condition 1.1;

a **"Change of Control"** occurs when a person or persons (in each case, other than Edolaxia Limited and/or Valuemonth Holdings Ltd, individually or jointly), acting together, acquire control of the Issuer and "control" means (i) the acquisition or control of more than 50 per cent. of the Voting Rights of the Issuer or (ii) the right to appoint and/or remove all or the majority of the members of the Issuer's Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

"Change of Control Notice" has the meaning provided in Condition 6;

"Change of Control Period" means the period commencing on the occurrence of a Change of Control and ending 30 calendar days following the Change of Control or, if later, 30 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 7.5;

"Change of Control Put Date" has the meaning provided in Condition 7.5;

"Change of Control Put Exercise Notice" has the meaning provided in Condition 7.5;

"Charged Accounts" means the GCP Account, the GrandCity Luxembourg Account, and the GrandCity Cypriot Account;

"Closing Date" means 3 June 2013;

"Consolidated Gross Assets" means the consolidated total assets of the Issuer and its Subsidiaries as calculated by reference to the then latest consolidated audited financial statements of the Issuer published on or prior to the date of the occurrence of the relevant Event of Default;

"€" or **"Euro"** means the currency of the economic and monetary union established pursuant to the Treaty on the Functioning of the European Union, as amended;

"Event of Default" has the meaning provided in Condition 10;

"Extraordinary Resolution" has the meaning provided in the Trust Deed;

"Fair Market Value" means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser;

"Final Discharge Date" means the later of (i) the Final Repayment Date and (ii) the date on which all present and future obligations and liabilities (whether actual or contingent) of the Issuer to the Trustee and the Series B Bondholders under or in respect of the Series B Bonds and the Trust Deed have been discharged;

"Final Maturity Date" means 3 June 2020;

"Final Repayment Date" means the earlier of:

- (a) the Final Maturity Date; and
- (b) any other date prior to the Final Maturity Date on which repayment, redemption, or purchase of the Series B Bonds, in each case, in full is effected in accordance with these Conditions,

provided that, in the case of subparagraphs (a) - (b) of this definition of Final Repayment Date, if the Issuer fails to repay the Series B Bonds in full on the Final Maturity Date, Optional Redemption Date or on the Tax Redemption Date, as the case may be, or fails, as the case may be, to repay, redeem or purchase the Series B Bonds, in each case, in full on such other date for repayment, redemption or purchase of the Series B Bonds, then the Final Repayment Date shall be the close of business on the date on which, as the case may be, repayment, redemption or purchase of the Series Bonds, in each case, in full is effected by the Issuer in accordance with these Conditions;

"Further Single Series Bonds" has the meaning set out in Condition 18.1;

"Further Secured Bond Event of Default" means an event of default (howsoever described) under a series of Further Secured Bonds;

"Further Secured Bondholder" and, in respect of a Further Secured Bond, **"holder"** means the holder of a Further Secured Bond (being in the case of a Further Secured Bond in bearer form, the bearer thereof and, in the case of a Further Secured Bond in registered form, the persons whose name is entered in the register of holders of the Further Secured Bonds as a holders thereof);

"Further Secured Bonds" has the meaning set out in Condition 18.2;

"GCP Account" has the meaning provided in Condition 2.1(b);

"GCP Loan(s)" has the meaning provided in Condition 2.1(c);

"GrandCity" has the meaning provided in Condition 2.1(a);

"GrandCity Cypriot Account" has the meaning provided in Condition 2.1(e);

"GrandCity Luxembourg Account" has the meaning provided in Condition 2.1(d);

"Group" means the Issuer and each Subsidiary taken as a whole and "member of the Group" shall be construed accordingly;

"Indebtedness" means any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of (a) money borrowed, (b) liabilities under or in respect of any

acceptance or acceptance credit or (c) any notes, Series B Bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

"Independent Financial Adviser" means an independent financial institution of international repute appointed by the Issuer at its own expense and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following notification to the Issuer;

"Interest Payment Date" has the meaning provided in Condition 5.1;

"Issuer" has the meaning given to it in the recitals to these Conditions;

"Net Debt" means financial indebtedness less Cash and Cash Equivalents, each as set out in the latest (i) published audited consolidated financial statements of the Issuer and each Subsidiary or (ii) consolidated interim financial statements of the Issuer and each Subsidiary which have been reported on by the Issuer's auditors, in each case, prepared in accordance with Applicable GAAP;

"Optional Redemption Date" has the meaning provided in Condition 7.2;

"Optional Redemption Notice" has the meaning provided in Condition 7.2;

"Original Bond Event of Default" means an Event of Default as set out in Condition 10 of the terms and conditions of the Original Bonds;

"Original Bondholder" means a person in whose name an Original Bond is registered in the Original Bonds Register;

"Original Bonds" means the €100,000,000 8% convertible bonds due 2017 issued by the Issuer on 15 October 2012; **"Original Bonds Register"** means the register to be kept at the specified office of the Registrar outside the United Kingdom (and the duplicate register maintained at the registered office of the Issuer in Luxembourg) on which is entered the names and addresses of the holders of the Original Bonds and the particulars of the Original Bonds held by them and of all transfers and redemptions of Original Bonds;

"Permitted Cessation of Business" means, in the case of Successor in Business, the Issuer ensuring the substitution of such Successor in Business as principal debtor under the Series B Bonds and the Trust Deed in place of the Issuer (or any provisions substitution under Condition 14.3) in accordance with Condition 14.3 and the Trust Deed;

"Permitted Cross-Collateralisation" means the creation or maintenance of a Security Interest, directly or indirectly, by a member of the Group over any of its present or future business, undertaking, property, assets or revenues (including any uncalled capital) and/or the giving, or entering into, of any guarantee, indemnity or other arrangement providing credit support by a member of the Group, in each case, for the purposes of securing a Project Financing Debt in respect of which two or more members of the Group are liable;

"Prospectus Directive" means Directive 2003/71/EC of the European Parliaments and the Council of 4 November 2003 (as amended, inter alia, by Directive 2010/73/EU);

"Portfolio Value" means the aggregate Fair Market Value sum of all assets of the Issuer and its Subsidiaries and its Related Parties;

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as

appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Financial Adviser in good faith shall prescribe;

"Project Financing Debt" has the meaning set out in the definition of Subsidiary Project Financing;

"Record Date" has the meaning provided in Condition 8.3;

"Register" has the meaning provided in Condition 4.1;

"Related Party" means any company in which the Issuer holds, directly or indirectly no more than 50% of the share capital or Voting Rights.

"Relevant Date" means, in respect of any Bond, whichever is the later of (a) the date on which payment in respect of it first becomes due and (b) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer to the Series B Bondholders in accordance with Condition 17 that, upon further presentation of the Bond, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions;

"Relevant Indebtedness" means any present or future indebtedness (whether being principal, interest or other amounts), in the form of or evidenced by notes, Series B Bonds, debentures, loan stock or other similar debt instruments, whether issued for cash or in whole or in part for a consideration other than cash, and which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market;

"Retail Bond Issue Event" mean the issue of Further Single Series B Bonds (as defined in Condition 18.1) by way of an offer to the public under the terms of a prospectus to be published in accordance with the provisions of the Prospectus Directive;

"Secured Bonds" means the Original Bonds, the Series B Bonds, the Further Single Series Bonds and the Further Secured Bonds;

"Secured Bondholder" means a person in whose name any Secured Bonds are registered in the Register;

"Security" means the Security Interests granted to the Trustee pursuant to the Bond Security Documents;

"Security Interest" means any mortgage, pledge, lien, charge, assignment, or security interest or any other agreement or arrangement having a similar effect;

"Series B Bonds" has the meaning given in the opening paragraph of these Conditions;

"Series B Bondholder" means a person in whose name a Series B Bond is registered in the Register;

"Shareholders" means the holders of Ordinary Shares;

"Subsidiary" means any company in which the Issuer holds, directly or indirectly through another Subsidiary, more than 50% of the share capital or Voting Rights;

"Subsidiary Project Financing"; means the provision of support for, or the financing or refinancing of, the ownership, acquisition, construction, development, sale (including, but not limited to, an Asset Sale), transfer, assignment and/or operation of an asset or portfolio of assets by means

of the incurrence of any Indebtedness of, or the incurrence of any liability contingent on the giving of any representation, warranty, guarantee, covenant or similar instrument by, a Subsidiary or a Related Party (which, for the purposes of this definition, shall not include any Indebtedness incurred by any member of the Group of the incurrence of any contingent liability by a Subsidiary or Related Party as a result of the raising of funds by the issue of any further Single Series B Bonds, Further Secured Bonds or Further Bonds) (each a "**Project Financing Debt**") in respect of which the person or persons to whom such Project Financing Debt is or may be owed by the relevant Subsidiary or Related Party have no recourse whatsoever to any member of the Group for the repayment of or a payment of any sum relating to such Project Financing Debt other than:

- (a) recourse to such Subsidiary or such Related Party generally and all of its assets; and/or
- (b) recourse directly or indirectly to one member of the Group under any form of direct obligation, payment, performance or completion guarantee, assurance undertaking or similar instruments, where, for these purposes, recourse to the relevant member of the Group is limited to (i) payment obligations or (ii) a claim for damages (other than liquidated damages) for breach of an obligation, representation, warranty, guarantee, covenant or similar instrument, not exceeding (in the case of (i)), and capped at (in the case of (ii)), €70,000,000 in aggregate (or its equivalent in any other currency), provided that any recourse for Project Financing Debt incurred in connection with an Asset Sale by any member of the Group in an aggregate amount of, or capped at, the amount of net proceeds from such Asset Sale shall not be taken into account when calculating the limits or caps pursuant to this subparagraph (b); and/or
- (c) recourse directly or indirectly to more than one member of the Group in the case of a Permitted Cross-Collateralisation, provided that, for each such Permitted Cross-Collateralisation, the total Indebtedness incurred by the Group in respect of the underlying Project Financing Debt shall not exceed the higher of €65,000,000 (or its equivalent in any other currency) or 25% of the Portfolio Value;

"Substitution" has the meaning provided in Condition 14.1;

"Successor in Business" means:

- (a) any consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation); or
- (b) any sale or transfer of all, or substantially all, of the assets of the Issuer to another entity (whether by operation of law or otherwise);

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System;

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings (including interest, penalties, surcharges or fines with respect thereto) that are imposed by any government or other taxing authority;

"Tax Redemption Date" has the meaning provided in Condition 7.2;

"Tax Redemption Notice" has the meaning provided in Condition 7.2;

"United States" means the United States of America (including the states thereof and the District of Columbia) and its territories (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands); and

"Voting Rights" means the right generally to vote at a general meeting of Shareholders of the Issuer or, in respect of any person other than the Issuer, the right generally to vote at a general meeting of the shareholders of that person (in each case, irrespective of whether or not, at the

time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency),

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any document or agreement shall be to that document or agreement as amended, modified, supplemented, restated and/or novated from time to time.

References in these Conditions to principal in respect of the Series B Bonds shall, unless the context otherwise requires, be deemed to include any premium and other amounts which may be payable by the Issuer in respect of the Series B Bonds.

4. Registration and Transfer of Series B Bonds

4.1 Registration

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Series B Bonds and the particulars of the Series B Bonds held by them and of all transfers and redemptions of Series B Bonds.

A duplicate of the Register will be maintained at the registered office of the Issuer in Luxembourg. For Luxembourg law purposes, the information in the Register held at the Issuer's registered office will prevail over the information included in the Register held by the Registrar.

The Registrar will promptly inform the Issuer of any changes made to the Register held by the Registrar.

4.2 Transfer

Series B Bonds may, subject to the terms of the Agency Agreement and to Conditions 4.3 and 4.4, be transferred in whole or in part in an Authorised Denomination by lodging the relevant Certificate (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Series B Bond will be valid unless and until entered on the Register. A Series B Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of a Series B Bond, register the relevant transfer and deliver a new Certificate to the transferee (and, in the case of a transfer of part only of a Series B Bond, deliver a Certificate for the un-transferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

4.3 Formalities Free of Charge

Such transfer will be effected without charge subject to (a) the person making such application for transfer paying or procuring the payment of any taxes, duties and other government-

tal charges in connection therewith, (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (c) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee (and as initially set out in the Agency Agreement).

4.4 Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of any Series B Bond (or part thereof): (a) during the period of 15 days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Series B Bonds pursuant to Condition 7.3; or (b) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Series B Bonds.

5. Interest

5.1 Interest Rate

The Series B Bonds bear interest from (and including) the Closing Date at the rate of 6.25% per annum calculated by reference to the principal amount thereof and payable semi-annually in arrears on 3 June and 3 December in each year (each an "**Interest Payment Date**"), commencing with the Interest Payment Date falling on 3 December 2013.

The amount of interest payable in respect of a Series B Bond in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

"**Interest Period**" means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

5.2 Accrual of Interest

Each Series B Bond will cease to bear interest where such Series B Bond is redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the principal in respect of the Series B Bond is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 5.1 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Series B Bond up to that day are received by or on behalf of the relevant holder, and (ii) the day after the Trustee or the Principal Paying and Transfer Agent has notified Series B Bondholders of receipt of all sums due in respect of all the Series B Bonds up to that day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

6. Change of Control Event

Within 7 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and to the Series B Bondholders in accordance with Condition 17 (a **Change of Control Notice**). Such notice shall contain a statement informing the Series B Bondholders of their entitlement to exercise their rights to require redemption of their Series B Bonds pursuant to Condition 7.5.

The Change of Control Notice shall also specify:

- (i) all information material to Series B Bondholders concerning the Change of Control;
- (ii) the last day of the Change of Control Period;
- (iii) the relevant Change of Control Put Date; and
- (iv) such other information relating to the Change of Control as the Trustee may require.

7. Redemption and Purchase

7.1 Final Redemption

Unless previously purchased and cancelled or redeemed as herein provided, the Series B Bonds will be redeemed at their principal amount on the Final Maturity Date. The Series B Bonds may only be redeemed prior to the Final Maturity Date at the option of the Issuer in accordance with Condition 7.2(a), 7.2(b) or 7.3.

7.2 Redemption at the Option of the Issuer

- (a) At any time on or after the date falling 3 years from the issue of the Series B Bonds, the Issuer may, on giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Series B Bondholders in accordance with Condition 17, redeem all of the aggregate principal amount of the Series B Bonds initially issued on the relevant date (the "**Optional Redemption Date**") specified for redemption in the relevant Optional Redemption Notice at a redemption price equal to:
 - (i) in the case of an Optional Redemption Notice served pursuant to this Condition 7.2(a) on or after the date falling 3 years from the issue of the Series B Bonds but before the date falling 4 years from the issue of the Series B Bonds, 102.5% of their principal amount;
 - (ii) in the case of an Optional Redemption Notice served pursuant to this Condition 7.2(a) on or after the date falling 4 years from the issue of the Series B Bonds but before the date falling 6 years from the issue of the Series B Bonds, 101.5% of their principal amount; or
 - (iii) in the case of an Optional Redemption Notice served pursuant to this Condition 7.2(a) on or after the date falling 6 years from the issue of the Series B Bonds, 100% of their principal amount,

in each case together with accrued but unpaid interest to such date, if any, up to the relevant Optional Redemption Date (subject to the rights of the Series B Bondholders on the relevant Record Date to receive interest on the relevant Interest Payment Date).

- (b) On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Series B Bondholders in accordance with Condition 17, the Issuer may redeem, at the sole discretion of the Issuer, all or some only of the Series B Bonds on the date (an "**Optional Redemption Date**") specified in the relevant Optional Redemption Notice at their principal amount, together with accrued but unpaid interest to such date at any time if, prior to the date the relevant Optional Redemption Notice is given, purchases (and corresponding cancellations) and/or redemptions shall have been effected in respect of 80 per cent or more in principal amount of the Series B Bonds.

- (c) *If less than all of the Series B Bonds are to be redeemed at any time, the Series B Bonds shall be redeemed on a pro rata basis and in such manner as the Trustee may deem appropriate and fair. Where some but not all of the Series B Bonds in respect of which a Certificate is issued are to be redeemed, the notice of redemption that relates to such Certificate shall state the portion of the principal amount of the Series B Bonds to be redeemed, and where applicable, a new Certificate in a principal amount equal to the unredeemed Series B Bonds will be issued in the name of the Series B Bondholder thereof upon cancellation of the original Certificate. Any such new Certificate will be delivered to the specified office of a Paying and Transfer Agent or (at the risk and, if mailed at the request of the Series B Bondholders otherwise than by ordinary uninsured mail, at the expense of the Series B Bondholder) sent by mail to the Series B Bondholder.*

7.3 Redemption for Taxation Reasons

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Series B Bondholders redeem (subject to the provisions of this Condition 7.3) all but not some only of the Series B Bonds for the time being outstanding on the date (the "Tax Redemption Date") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest to such date, if:

- (a) *the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts pursuant to Condition 9 as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 31 May 2012; and*
- (b) *such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Series B Bonds then due.*

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by two directors of the Issuer stating that the obligation referred to in (a) above cannot be avoided by the Issuer taking reasonable measures available to it and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred and that the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out in (a) and (b) above in which event it shall be conclusive and binding on the Series B Bondholders.

On the Tax Redemption Date the Issuer shall (subject to provisions of this Condition 7.2) redeem the Series B Bonds at their principal amount, together with accrued interest to such date.

Notwithstanding the foregoing provisions of this Condition 7.2, if the Issuer gives a Tax Redemption Notice, each Series B Bondholder will have the right to elect that his Series B Bonds shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any payment of interest to be made on such Series B Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts of such interest on such Series B Bonds shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted from time to time. To exercise such right, the holder of the relevant Series B Bond must complete, sign and deposit at the specified office of any

Paying and Transfer Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying and Transfer Agent together with the relevant Series B Bonds on or before the day falling ten days prior to the Tax Redemption Date.

7.4 Optional Redemption and Tax Redemption Notices

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (a) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, which shall be a London business day and (b) the amount of accrued interest payable in respect of each Series B Bond on the Optional Redemption Date or Tax Redemption Date, as the case may be.

7.5 Redemption at the Option of Bondholders upon a Change of Control

Following the occurrence of a Change of Control, the holder of each Series B Bond will have the right to require the Issuer to redeem that Series B Bond on the relevant Change of Control Put Date (as defined below) at a redemption price equal to 101% of its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Series B Bond must deliver the Certificate representing such Series B Bond to the specified office of any Paying and Transfer Agent, together with a duly completed and signed notice of exercise in the form for the time being currently obtainable from the specified office of any Paying and Transfer Agent (a **Change of Control Put Exercise Notice**), at any time during the Change of Control Period. The **Change of Control Put Date** shall be the date falling 180 days after the expiry of the Change of Control Period.

Payment in respect of any such Series B Bond shall be made by transfer to a Euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Series B Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

7.6 Purchase

Subject to the requirements (if any) of any stock exchange on which the Series B Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any member of the Group may at any time purchase any Series B Bonds in the open market or otherwise at any price. Such Series B Bonds may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered to any Paying and Transfer Agent for cancellation. The Series B Bonds so purchased, while held by or on behalf of the Issuer or any member of the Group, shall not entitle the holder to vote at any meetings of the Series B Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Series B Bondholders for the purposes of Condition 14.1.

7.7 Cancellation

All Series B Bonds which are redeemed will be cancelled and may not be reissued or re-sold. Series B Bonds purchased by the Issuer or any member of the Group may be surrendered to the Principal Paying and Transfer Agent for cancellation and, if so surrendered, shall be cancelled.

7.8 Multiple Notices

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

8. Payments

8.1 Principal

Payment of principal in respect of the Series B Bonds and payment of accrued interest payable on redemption of the Series B Bonds (other than on an Interest Payment Date) will be made to the persons shown in the Register at the close of business on the Record Date, subject to surrender (or in the case of partial payment only, endorsement) of the relevant Certificate, at the specified office of any Paying and Transfer Agent.

8.2 Interest and Other Amounts

- (a) Payments of interest due on any Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.
- (b) Payments of all amounts other than as provided in Conditions 8.1 and 8.2(a) will be made as provided in these Conditions.

8.3 Record Date

"**Record Date**" means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

8.4 Payments

Each payment in respect of the Series B Bonds pursuant to Condition 8.1 and Condition 8.2(a) will be made by transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

Payment instructions (for value on the due date or, if that is not a business day in London, for value the first following day which is a business day in London) will be initiated on the business day in London preceding the due date for payment or, in the case of payments referred to in Condition 8.1, if later, on the business day in the place of the specified office of the Paying and Transfer Agent to which the relevant Bond is surrendered as specified in Condition 8.1 (for value the next following business day in London).

8.5 Payments subject to fiscal laws

All payments in respect of the Series B Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to Condition 10. No commissions or expenses shall be charged to Series B Bondholders in respect of such payments.

8.6 Delay in payment

Series B Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due (a) as a result of the due date not being a business day, (b) if the Series B Bondholder is late in surrendering the relevant Certificate (where such surrender is required pursuant to these Conditions as a precondition to payment).

8.7 Business Days

In this Condition, "**business day**" means a day (other than a Saturday or Sunday) in London and (where surrender of the relevant Certificate is required pursuant to these Conditions as a precondition to payment) in the place of the specified office of the Paying and Transfer Agent to whom the relevant Certificate is surrendered.

8.8 Paying and Transfer Agents, etc.

The initial Paying and Transfer Agents and Registrar and their initial specified offices are The Bank of New York Mellon, acting through its office at One Canada Square, London E14 5AL (as Paying and Transfer Agents) and The Bank of New York Mellon (Luxembourg) S.A., acting through its office at Vertigo Building - Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg (as Registrar). The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying and Transfer Agent and Registrar and appoint additional or other Paying and Transfer Agents, provided that it will:

- (a) maintain a Principal Paying and Transfer Agent;
- (b) maintain a Paying and Transfer Agent (which may be the Principal Paying and Transfer Agent) with a specified office in a European Union member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) maintain a Registrar with a specified office outside the United Kingdom.

Notice of any change in the Paying and Transfer Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Series B Bondholders in accordance with Condition 17.

8.9 No charges

Neither the Registrar nor the Paying and Transfer Agents shall make or impose on a Series B Bondholder any charge or commission in relation to any payment, exchange or transfer in respect of the Series B Bonds.

8.10 Fractions

When making payments to Series B Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

9. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Series B Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Luxembourg or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Series B Bondholders of such amounts, after such withholding or deduction, as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect any Series B Bond:

- (a) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Series B Bond by reason of his having some connection with Luxembourg otherwise than merely by holding the Series B Bond or by the receipt of amounts in respect of the Series B Bond; or
- (b) where presentation and surrender of a Series B Bond is required pursuant to these Conditions, if the Series B Bond is surrendered more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amount on surrendering the Series B Bond for payment on the last day of such period of 30 days; or
- (c) where such withholding or deduction is imposed on a payment to an individual or certain residual entities and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) where presentation and surrender of a Series B Bond is required pursuant to these Conditions, presented for payment by or on behalf of a Series B Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Series B Bond to another Paying and Transfer Agent in a Member State of the European Union.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Series B Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefore pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Series B Bonds which are the subject of a Series B Bondholder election pursuant to Condition 7.5.

10. Events of Default

10.1 The Trustee shall, if so requested in writing by the holders of at least 51 per cent. in principal amount of the Series B Bonds then outstanding or if so directed by an Extraordinary Resolution of the Series B Bondholders (subject to being indemnified and/or secured and/or prefunded to its satisfaction and provided that in the case of paragraphs (b), (d), (e), (i) and (j) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of Bondholders) give notice in writing to the Issuer that the Series B Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount, together with accrued interest as at such date, if any of the following events (each an Event of Default) shall have occurred and be continuing:

- (a) the Issuer fails to pay the principal of or any interest on any of the Series B Bonds when due and such failure continues for a period of 14 days in the case of principal and 21 days in the case of interest; or
- (b) the Issuer does not perform or comply with any one or more of its other obligations in respect of the Series B Bonds or the Trust Deed and such default is incapable of remedy or, if (in the opinion of the Trustee) capable of remedy, is not (in the opinion of the Trustee) remedied within 30 days after the Issuer shall have received from the Trustee written notice of such default; or
- (c) if (i) any Indebtedness of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer for any Indebtedness is enforced; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person;

- (d) *if (i) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the assets of the Issuer and is not discharged or stayed within 90 days or such longer period as may be permitted by the Trustee in its sole discretion; or (ii) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer; or*
- (e) *any step is taken to enforce any Security Interest, present or future, created or assumed by the Issuer (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager, judicial manager or other similar person) and, such step is not stayed within 90 days; or*
- (f) *bankruptcy (faillite), insolvency, voluntary or judicial liquidation (liquidation volontaire ou judiciaire), reprieve from payment (sursis de paiement), controlled management (gestion contrôlée), general settlement or composition with creditors (concordat préventif de faillite), reorganisation or similar Luxembourg or foreign laws proceedings affecting the rights of creditors generally are opened against the Issuer and remain unstayed in effect for a period of 90 consecutive days and/or any receiver (curateur), liquidator (liquidateur), auditor (commissaire), verifier (expert-vérificateur), juge délégué or juge commissaire is appointed in respect of the Issuer and, , is not discharged within 90 days of such appointment; or*
- (g) *the Issuer admits inability to, pay, its debts as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law; or*
- (h) *an order is made or a resolution is passed for the winding-up or dissolution of the Issuer , or the Issuer has passed a special resolution to have itself wound up or has made an announcement or issued a notice to that effect, or the Issuer ceases or publicly announces an intention to cease to carry on all or substantially all of its business or operations, except in any such case (i) as a result of a Permitted Cessation of Business, (ii) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (iii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the issuer or another Subsidiary;*
- (i) *a final judgment or judgments for the payment of money are rendered against the Issuer and which judgments are not, within 90 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 90 days after the expiration of such stay;*
- (j) *any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or*
- (k) *the Trustee declares any other series of Secured Bonds due and repayable or the Issuer fails to pay any amount of interest or principal upon the maturity of any other series of Secured Bonds*

provided that, in the case of paragraphs (b) to (k) above, no such event shall constitute an Event of Default unless the amount of the relevant default, either alone or when aggregated with other amounts of default relative to all (if any) other such events which shall have occurred (such amounts, in each case, if not in Euro, converted into Euro at the Prevailing Rate on the date of the occurrence of the relevant Event of Default), shall be equal to, or more than, 10% of Consolidated Gross Assets.

In addition, the Security shall become enforceable following an Event of Default, an Original Bond Event of Default, or a Further Secured Bond Event of Default, subject to and in accordance with the provisions of Condition 2 and the relevant Bond Security Documents.

11. Undertakings

11.1 Up to (and including) the Final Discharge Date, the Issuer will:

- (a) procure that Net Debt shall not exceed:
 - (i) at any time, 70% of the Portfolio Value; and
 - (ii) 65% of the Portfolio Value for a period of more than twelve (12) months;

A certificate addressed to the Trustee by two directors of the Issuer as to the amount of the Net Debt and the Portfolio Value or as to compliance or otherwise by the Issuer with the covenant in this Condition 11.1(a) or as to any other defined term or figure required in connection with this Condition 11.1(a) (unless expressly stated otherwise) may, in the absence of manifest error, be relied upon by the Trustee (without liability to any person for so relying) and, if so relied upon, shall be conclusive and binding on the Issuer and the Bondholders;

- (b) transfer to GrandCity the entire net subscription monies received from the issue and offer of the Series B Bonds by means of the GCP Loan (as defined in Condition 2) and assign to the Trustee, for the benefit of the Trustee and the Series B Bondholders, its rights against GrandCity under, and claims for payment of principal and interest with respect to, the GCP Loan;
- (c) not open, maintain or hold any interest in, and will procure that Grand City 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 GrandCity, respectively, grant a first-ranking security interest, satisfactory to the Trustee, over the respective account in favour of the Trustee, for the benefit of the Trustee and the Series B Bondholders; and
- (d) not, and will not permit any of its Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Issuer to (i) make or pay dividends or any other distributions on its share capital to the Issuer or any of the Issuer's other Subsidiaries or grant to the Issuer or any of the Issuer's other Subsidiaries any other interest or participation in itself or (ii) (a) pay any indebtedness owed to the Issuer or any of the Issuer's other Subsidiaries; (b) make loans or advances to the Issuer or any of the Issuer's other Subsidiaries or (c) transfer any of its properties or assets to the Issuer or any of the Issuer's other Subsidiaries.

Notwithstanding the foregoing provisions of this Condition 11.1, this Condition will not apply to any consensual encumbrances or restrictions existing under or by reason of:

- (i) the provisions of these Conditions and the Trust Deed;
- (ii) any Subsidiary Project Financing;
- (iii) any Project Financing Debt, or any subordination, pledge or security assignment of loans (or similar financing instruments) in respect thereof, granted by a Subsidiary, to a Related Party in the course of the acquisition, financing, refinancing or administration of assets of such Related Party;
- (iv) any applicable law, rule, regulation or order, including, without limitation, laws, rules, regulations or orders regarding foreign ownership, control or influence over the relevant Subsidiary of the Issuer;
- (v) any instrument governing indebtedness of a person acquired by the Issuer or any of its Subsidiaries, as in effect at the time of such acquisition (except to the

extent such indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to such person, or the properties or assets of any person, other than the person, or the property or assets of such person, so acquired;

- (vi) customary non-assignment provisions in contracts and licences entered into in the ordinary course of business;*
- (vii) purchase money obligations for property acquired in the ordinary course of business and obligations under capital leases that impose restrictions on the property purchased or leased;*
- (viii) customary provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, share sale agreements and other similar agreements entered into in compliance with these Conditions and with the approval of the board of directors of the relevant Subsidiary, which limitation is applicable only to the assets that are the subject of such agreements;*
- (ix) restrictions on cash or other deposits imposed by customers under contracts entered into in the ordinary course of business;*
- (x) any Security Interests for Relevant Indebtedness; and*
- (xi) the provision or giving or entry into by the Issuer or any member of the Group of any guarantee or indemnity in respect of the creation and issue of Further Bonds by any other member of the Group.*

11.2 *The Issuer has undertaken in the Trust Deed to deliver to the Trustee annually a certificate signed by two directors of the Issuer, as to there not having occurred an Event of Default or Potential Event of Default (as defined in the Trust Deed) since the date of the last such certificate or if such event has occurred as to the details of such event. The Trustee will be entitled to rely without liability on such certificate and shall not be obliged to independently monitor whether an Event of Default or Potential Event of Default has occurred or monitor compliance by the Issuer with the undertakings set forth in this Condition 11, nor be liable to any person for not so doing.*

12. Prescription

Claims against the Issuer for payment in respect of the Series B Bonds shall be prescribed and become void unless made within ten years from the appropriate Relevant Date in respect of any principal and five years from the appropriate Relevant Date in respect of any interest payable in respect of such Series B Bonds.

13. Replacement of Series B Bonds

If any Series B Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying and Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Series B Bonds must be surrendered before replacements will be issued.

14. Meetings of Series B Bondholders, Modification and Waiver, Substitution

14.1 Meetings of Series B Bondholders

Subject to the third paragraph of this Condition 14.1, the Trust Deed contains provisions for convening meetings of Series B Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the Series B Bonds or of these Conditions, the Bond Security Documents or any provisions of the Trust Deed (any such resolution, provided it shall not be a Collective Series Reserved Matter (as defined below), an **"Individual Series Extraordinary Resolution"**). Such a meeting may be convened by the Issuer or the Trustee and shall, save in the case of a meeting convened to consider a Collective Series Reserved Matter pursuant to which the provisions of the immediately following paragraph will apply, be convened by the Issuer if requested in writing by Series B Bondholders holding not less than 51% in principal amount of the Series B Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Series B Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Series B Bondholders whatever the principal amount of the Series B Bonds so held or represented, unless the business of such meeting includes consideration of proposals in relation to the Series B Bonds, inter alia (a) to change the Final Maturity Date or the dates on which the Issuer or Series B Bondholders are entitled to redeem the Series B Bonds pursuant to Condition 7, (b) to reduce or cancel the principal amount of, or interest on, the Series B Bonds or to reduce the amount payable on redemption of the Series B Bonds, (c) to modify the basis for calculating the interest payable in respect of the Series B Bonds (d) to change the currency of the Series B Bonds or any payment in respect of the Series B Bonds, (e) to change the governing law of the Series B Bonds, the Trust Deed or the Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 14.3 below) or (f) to modify the provisions concerning the quorum required at any meeting of Series B Bondholders or the majority required to pass an Extraordinary Resolution in respect of the Series B Bonds (each, an **"Individual Series Reserved Matter"**), in which case the necessary quorum will be one or more persons holding or representing not less than 51%, or at any adjourned meeting not less than 25%, in principal amount of the Series B Bonds for the time being outstanding. Any Individual Series Extraordinary Resolution duly passed shall be binding on all Series B Bondholders (whether or not they were present at the meeting at which such resolution was passed).

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Trustee to take or refrain from taking enforcement action pursuant to paragraph (b) of Condition 15, (a **"Collective Series Reserved Matter"**) shall only be capable of being passed at a single meeting of the holders of Secured Bonds then outstanding. Any such meeting to consider a Collective Series Reserved Matter may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Secured Bondholders holding not less than 10% in aggregate principal amount of the Secured Bonds for the time being outstanding. The quorum for any meeting convened to consider a Collective Series Reserved Matter will be one or more persons holding or representing a clear majority in aggregate principal amount of the Secured Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Secured Bondholders whatever the principal amount of the Secured Bonds so held or represented. Any Extraordinary Resolution duly passed at a meeting of the Secured Bonds pursuant to this paragraph shall be binding on all Secured Bondholders (whether or not they were present at the meeting at which such resolution was passed).

Pursuant to the Trust Deed and except in respect of a Collective Series Reserved Matter, an acceleration pursuant to Condition 10 or any enforcement action pursuant to paragraph (a) of Condition 15 no resolution of the holders of the Series B Bonds shall be valid unless passed at separate meetings of the holders of the Secured Bonds of each other series so affected or the Trustee is satisfied that such resolution does not affect the holders of the

Secured Bonds of any other series. Further, pursuant to the Trust Deed and except in respect of an acceleration pursuant to Condition 10 or any enforcement action pursuant to paragraph (a) of Condition 15 no request in writing by the holders of not less than 51% in aggregate principal amount of the Series B Bonds shall be valid unless such request has been provided by the holders of not less than 51% in aggregate principal amount of each other series of Secured Bonds so affected or the Trustee is satisfied that such resolution does not affect the holders of the Secured Bonds of any other series.

Subject to the provisions of the immediately preceding paragraph, the Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by or on behalf of the holder(s) of not less than three-fourths of the persons eligible to vote at such meeting, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Series B Bonds for the time being outstanding entitled to form a quorum for a meeting that could be convened to consider such resolution or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three fourths in principal amount of the Series B Bonds for the time being outstanding entitled to form a quorum for a meeting that could be convened to consider such resolution, shall, in each case, be effective as an Extraordinary Resolution of the Series B Bondholders. The Trust Deed also provides that (i), (ii) and (iii) shall apply to any meeting of the Secured Bondholders held to consider a Collective Series Reserved Matter or any written resolutions or resolution given by electronic consent in respect of a Collective Series Reserved Matter.

The provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended, are excluded.

14.2 Modification and Waiver

The Trustee may agree, without the consent of the Secured Bondholders of any series of Secured Bonds, to (a) any modification of any of the provisions of the Trust Deed, the Agency Agreement, the Bond Security Documents, the Secured Bonds of any one or more series of Secured Bonds or these Conditions which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven, or to comply with mandatory provisions of law, and (b) any other modification (except such modifications set out in (a) to (f) in the first paragraph of Condition 14.1 above) to the Trust Deed, the Agency Agreement, the Bond Security Documents, the Secured Bonds of any one or more series of Secured Bonds or these Conditions, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement, the Bond Security Documents, the Secured Bonds of any one or more series of Secured Bonds or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Secured Bondholders of any series of Secured Bonds. The Trustee may, without the consent of the Secured Bondholders of any series of Secured Bonds, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Secured Bondholders of any series of Secured Bonds will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be binding on the Secured Bondholders of all series and, if the Trustee so requires, shall be notified to the Secured Bondholders of all series promptly in accordance with Condition 17.

14.3 Substitution

*The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Secured Bondholders of any series of Secured Bonds, to the substitution in place of the Issuer (or any previous substitute or substitutes under this Conditions) as the principal debtor under the Secured Bonds of all series and the Trust Deed of (a) any Successor in Business or (b) any Subsidiary, in each case, as principal debtor under the Trust Deed and Secured Bonds of all series (a “**Substitution**”). Such Substitution shall be subject to (i) the*

relevant provisions of the Trust Deed and (ii) save in the case of Substitution in place of the Issuer of a Successor in Business, the Secured Bonds of each series being unconditionally and irrevocably guaranteed by the Issuer provided that in any such case, (A) the Trustee being satisfied that the interests of the Secured Bondholders of any series of Secured Bonds will not be materially prejudiced by the substitution, and (B) certain other conditions set out in the Trust Deed being complied with. In the case of such a Substitution the Trustee may agree, without the consent of the Secured Bondholders of any series of Secured Bonds, to a change of the law governing the Secured Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Secured Bondholders of any series. Any such substitution shall be binding on the Secured Bondholders of all series and shall be notified promptly to the Secured Bondholders of all series.

14.4 Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) and the exercise or performance of any right, power, trust, authority, duty or discretion under or in relation to these Conditions, the Trust Deed and the Bond Security Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Trustee shall have regard to the interests of the Series B Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Series B Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise or performance of its trusts, powers or discretions for individual Series B Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof, and the Trustee shall not be entitled to require, nor shall any Series B Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Series B Bondholders.

15. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to:

- (a) enforce the provisions of the Trust Deed, the Series B Bonds and the Bond Security Documents; and
- (b) at any time after the Security has become enforceable, take action to enforce that Security in accordance with the Bond Security Documents and the Trust Deed,

but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bond Security Documents or the Series B Bonds unless:

- (i) in respect of paragraph (a) above (and subject to the third paragraph of Condition 14.1(1) it shall have been so directed by an Extraordinary Resolution of the Series B Bondholders or so requested in writing by holders of not less than 51% in aggregate principal amount of the Series B Bonds then outstanding, and (2) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Series B Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing; and
- (ii) in respect of paragraph (b) above, (1) shall have been so directed by an Extraordinary Resolution of the Secured Bondholders (taken together as a single series) or so requested in writing by the holders of at least one-quarter in aggregate principal amount of the Secured Bonds (taken together as a single series) then outstanding

and (2) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Secured Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

Following an Event of Default, an Original Bond Event of Default, or Further Secured Bond Event of Default, the Security shall become enforceable, subject to and in accordance with the provisions of Condition 2.

16. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Series B Bondholders and to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith. The Trustee may rely, without liability to Series B Bondholders, on a report, confirmation or certificate or any advice of the Issuer, any accountants, financial advisers or financial institution, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise and, if so relied upon, such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Series B Bondholders in the absence of manifest error. The Trustee will not be liable to any holder of any series for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Bond Security Documents.

17. Notices

All notices regarding the Series B Bonds will be valid if sent to the address of the relevant Series B Bondholder as specified in the Register. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Series B Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication, or if published more than once or on different dates, on the first date on which publication is made.

If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

18. Further Issues

18.1 Further Single Series Bonds

The Issuer may, without the consent of the Bondholders, raise further funds, from time to time, on any date by the creation and issue of further bonds ("**Further Single Series B Bonds**"), including by way of a Retail Bond Issue Event, carrying the same terms and conditions in all respects (or in all respects except for the amount and date of the first payment of interest thereon, issue date and/or purchase price) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with the Series B Bonds.

18.2 Further Secured Bonds

The Issuer may, without the consent of the Bondholders, raise further funds, from time to time, on any date by the creation and issue of further bonds ("**Further Secured Bonds**") whether in registered or bearer form, which may have terms and conditions which differ from the Series B Bonds but which have the benefit of the Security provided that:

- (a) the terms and conditions of such Further Secured Bonds relating to the Security shall be on the same terms, *mutatis mutandis*, as Conditions 14, 15 and 18.2 of the Series B Bonds including in respect of enforcement, modification, waiver, substitution, Collective Series Reserved Matters and issuance of Further Secured Bonds;
- (b) the Issuer shall grant security in favour of the Original Bondholders, the Series B Bondholders and the Further Secured Bondholders by an assignment by way of security, governed by Luxembourg law, of the Issuer's receivables and rights under, and claims against Grand City for payment of principal and interest under any loan agreement relating to any loan by the Issuer to GrandCity of the net issuance proceeds in respect of any Further Secured Bonds;
- (c) the Trustee shall be allowed through Condition 10, which shall be incorporated, *mutatis mutandis*, in any series of Further Secured Bonds, additional cross default or similar to accelerate the Further Secured Bonds upon an Event of Default under the Series B Bonds, an Original Bond Event of Default or an event of default under any other series of Further Secured Bonds;
- (d) the Further Secured Bonds will be constituted by a deed supplemental to the Trust Deed;
- (e) the coupon rate shall not exceed 8 per cent. per annum; and
- (f) the maturity date shall be no earlier than 31 March 2018,

and the Trustee shall (at the expense of the Issuer), upon receipt of a certificate from two directors of the Issuer certifying that the terms of the proviso above are satisfied, be obliged to enter into a deed supplemental to the Trust Deed and such Bond Security Documents (including amendments to such Bond Security Documents) as the Issuer shall require in order to comply with the provisions hereof and applicable law, provided that the Trustee shall not be obliged so to enter if in the opinion of the Trustee doing so would impose new or more onerous duties or obligations upon it or expose it to further liabilities or reduce its protections.

18.3 Further Bonds

The Issuer, or any other member of the Group, may, without the consent of the Bondholders or, where the Trustee is not acting as trustee in respect of such Further Bonds, the trustee, raise further funds, from time to time, on any date by the creation and issue of further bonds ("**Further Bonds**") whether in registered or bearer form, and on such terms as the Issuer may decide including the granting of security interests separate to the Security. Any Further Bonds will be constituted by a separate trust deed on terms to be agreed by the Issuer and the trustee appointed in relation to the Further Bonds.

For the avoidance of doubt and without prejudice to clauses 18.1, 18.2 and 18.3 above, the Issuer may only issue further bonds secured pursuant to clauses 18.1 and 18.2 and 18.3 above.

19. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Series B Bonds under the Contracts (Rights of Third Parties) Act 1999.

20. Governing Law and Jurisdiction

20.1 Governing law

The Trust Deed, the Agency Agreement and the Series B Bonds and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

The governing law of the Bond Security Documents is described in Condition 2.

20.2 Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Series B Bonds (including any dispute relating to any non-contractual obligations arising out of or in connection with therewith) and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Series B Bonds (including any dispute relating to any non-contractual obligations arising out of or in connection therewith) ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the Series B Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

20.3 Agent for Service of Process

The Issuer has irrevocably appointed Law Debenture Corporate Services Limited at its registered office for the time being, currently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

Trust Deed and Security

Trust Deed

The Further Series B Bonds are constituted by a trust deed dated October 15, 2012 (as amended and restated by a supplemental trust deed dated May 15, 2013 and further amended by a second supplemental trust deed dated June 3, 2013, a third supplemental trust deed dated June 14, 2013, a deed of replacement of trustee dated June 19, 2013 and a fourth supplemental trust deed to be entered into on or around July 24, 2013 and as supplemented and/or amended and/or restated from time to time) (the "**Trust Deed**"). Prudential Trustee Company Limited (the "**Trustee**") was appointed as trustee.

Under the Trust Deed the Company has agreed to pay any monies due under the Series B Bonds to the Trustee. The Trustee shall pay the monies received in the following order: (1) any taxes of any nature to the competent tax authorities, (2) all amounts due and unpaid to the trustee and/or any appointee and all amounts required with respect to an agreed indemnification of the Trustee and (3) all principal amounts and interests due and payable under the bonds to the bondholders.

The Company covenanted with the Trustee to ensure the fulfilment of its obligations under the Further Series B Bonds as well as under the Convertible Bond 2012-2017 and the Existing Series B Bonds, in particular to repay the principal amount and all interests when due. In addition all security granted by the Company and GrandCity were granted in favour of the Trustee. The Trustee is solely entitled to enforce such security if an event of default as described (see "*Conditions of the Issue - Conditions of the Series B Bonds*") occurs and bondholders of at least 25% of the Original Bonds and the Series B Bonds (taken together as a single series) then outstanding request such enforcement in writing or if the Trustee is so directed by not less than three-fourth of those entitled to vote at a meeting, or not less than three-fourths in principal amount in the case of a written resolution or electronic consent of the holders of the Original Bonds and the Series B Bonds. The Trustee may, in so far as in its sole opinion the interests of the bondholders are not materially prejudiced, waive or authorize any breach of covenants or provisions by the Company, provided that such waiver or authorization does not contravene to any resolution or request by the bondholders. Furthermore the Company agreed to pay an adequate remuneration for the services rendered by the trustee and for the indemnification of the Trustee from certain liabilities.

Security

The Company and GrandCity granted security for the Further Series B Bonds to the benefit of the Trustee and the bondholders of any of the Further Series B Bonds, the Existing Series B Bonds and the Convertible Bond 2012-2017. If an event of default occurs under any of the Further Series B Bonds and/or the Existing Series B Bonds (see "*Conditions of the Issue - Conditions of the Series B Bonds*" and/or the Convertible Bond 2012-2017 (see "*General Information on the Issuer and the Group - Material Contracts - Convertible Bond 2012-2017 - Conditions, Events of Default*") the Trustee is entitled to enforce the respective security. The security consists of the ele-

ments described in clause 2 of “*Conditions of the Series B Bonds*”. The security documentation consists of the following agreements:

Charge over shares of Grandcity Property Ltd.

With pledge and charge over shares agreement dated June 20, 2013 the Company and the Trustee entered into a pledge agreement by virtue of which the Company pledged and charged all its shares held in GrandCity in favour of the Trustee. This agreement replaced the original pledge and charge over shares agreement entered into in the course of the issuance of the Convertible Bond 2012-2017. The pledge agreement is governed by Cypriot law.

The Company has agreed to customary representations and warranties. The Company remains entitled to exercise its voting and other rights attached to the charged shares provided that such exercise of rights is not inconsistent with any provision of the Trust Deed.

If the charge over shares is enforced the Trustee is entitled to any dividends paid in relation to the charged shares and to exercise the voting and other rights attached to the shares. Additionally the Trustee may at its sole discretion sell and realise all or any of the charged shares in GrandCity.

Pledge over bank accounts of the Company

Under an account pledge agreement dated October 15, 2012 as amended on May 15, 2013 and June 19, 2013 the Company agreed to pledge its bank accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch, in favour of the Trustee. The Company has undertaken to extend the pledge on any future accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch. The Company has agreed to customary representations and warranties. The account pledge agreement is governed by Luxembourg law.

Assignment of claims against GrandCity

The Company has lent the monies received in connection with the Convertible Bond 2012-2017 as well as the monies received in connection with the Existing Series B Bonds to GrandCity by loan agreements dated October 15, 2012 and June 3, 2013. Additionally the Company intends to lend the monies received in connection with the issue of the Further Series B Bonds to GrandCity by way of a further loan agreement. With receivables security assignment agreement dated October 15, 2012 as amended on May 15, 2013 and June 19, 2013 the Company and GrandCity have agreed to assign receivables and rights under, and claims against GrandCity for payment of principal and interest under the aforementioned loan agreements as well as under all other (including future) loan agreements to the Trustee. Once the Company and GrandCity enter into a loan agreement with respect to the monies received in connection with the issue of the Further

Series B Bonds the respective repayment claim will form part of the claims assigned to the Trustee.

The Company and GrandCity have agreed not to change or amend the respective loan agreements or any other agreement relating to the assigned claims without the prior written consent of the Trustee provided that such change or amendment would have a material adverse effect on the rights and interests of the Trustee. The receivables security assignment agreement is governed by Luxembourg law.

Account pledge on bank accounts of GrandCity

Under an account pledge agreement dated October 15, 2012 as amended on May 15, 2013 and June 19, 2013 GrandCity agreed to pledge its bank accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch, in favour of the Trustee. GrandCity has undertaken to extend the pledge on any future accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch. GrandCity has agreed to customary representations and warranties. The account pledge agreement is governed by Luxembourg law.

Furthermore GrandCity agreed to charge its bank accounts with Bank of Cyprus Public Co Ltd (ex Laiki Bank Public Co Ltd network), in favour of the Trustee under a floating charge agreement dated June 20, 2013 entered into between GrandCity and the Trustee. This agreement replaced the original floating charge agreement entered into in the course of the issuance of the Convertible Bond 2012-2017. GrandCity has agreed to customary representations and warranties. The floating charge agreement is governed by Cypriot law.

TAXATION IN GERMANY, LUXEMBOURG AND AUSTRIA

The following is a general description of certain tax considerations relating to the Further Series B Bonds in Germany, Luxembourg and Austria. It does not purport to be a complete analysis of all tax considerations relating to the Further Series B Bonds. Prospective purchasers of Further Series B Bonds should consult their tax advisers as to the consequences, under the tax laws of the country in which they are resident for tax purposes and under the tax laws of Germany, Luxembourg and Austria of acquiring, holding and disposing of Further Series B Bonds and receiving payments of principal, interest and other amounts under the Further Series B Bonds. This summary is based upon the laws in force and their interpretation on the date of this Prospectus and is subject to any change in law or interpretation that may take effect after such date.

Germany

Income tax

Further Series B Bonds held by tax residents as non-business assets

Capital gains realised by Holders from the disposition or redemption of the Further Series B Bonds and payments of interest on the Further Series B Bonds to Holders who are tax residents of the Germany (i.e., persons whose residence (*Wohnsitz*) or habitual abode (*gewöhnlicher Aufenthalt*) is located in Germany) are subject to German income tax. In each case where German income tax arises, a solidarity surcharge (*Solidaritätszuschlag*) is levied in addition. Furthermore, church tax may be levied, where applicable.

On payments of interest on the Further Series B Bonds to German tax resident individuals and capital gains from the disposition or redemption of the Further Series B Bonds or the separate disposition or redemption of interest claims German income tax is generally levied as a flat income tax at a rate of 25% (plus solidarity surcharge in an amount of 5.5% of such tax, resulting in a total tax charge of 26.375%, and church tax, if applicable). The total annual investment income of an individual will be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of max. €801 per year (max. €1,602 per year for married couples filing jointly), not by a deduction of expenses actually incurred. Losses resulting from the investment in capital assets can only be off-set against other investment income. If a set-off is not possible in the assessment period in which the losses have been realised, such losses can be carried forward into future assessment periods.

If the Further Series B Bonds are held in a custodial account which the Holder maintains with a German branch of a German or non-German bank or financial services institution (*Finanzdienstleistungsinstitut*) or with a securities trading business (*Wertpapierhandelsunternehmen*) or a

securities trading bank (*Wertpapierhandelsbank*) in Germany (the “**Disbursing Agent**”), the flat income tax on interest received from the Further Series B Bonds will be levied by way of withholding at the aforementioned rate from the gross interest payment to be made by the Disbursing Agent.

If the Further Series B Bonds are held in a custodial account which the Holder maintains with a Disbursing Agent, the flat income tax on capital gains derived from the disposition or redemption of the Further Series B Bonds will be levied by way of withholding. The withholding tax is generally levied on the difference between the proceeds from the disposition or redemption (after deduction of actual expenses directly related thereto) and the issue price or the purchase price of the Further Series B Bonds. If the Further Series B Bonds have been transferred into the custodial account of the Disbursing Agent only after their acquisition, withholding tax will be levied on 30% of such proceeds unless the Disbursing Agent has been provided with evidence of the actual acquisition costs of the Further Series B Bonds by the previous Disbursing Agent or a bank or financial service institution within the European Economic Area or certain other countries in accordance with Art. 17 para. 2 of the EU Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payment (the “**EU Savings Tax Directive**”).

In general, no withholding tax will be levied if the Holder is an individual (i) whose Further Series B Bonds do not form part of the property of a trade or business and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the income derived from the Further Series B Bonds together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

If no Disbursing Agent is involved in the payment process, the Holder will have to include its income on the Further Series B Bonds (interest payments) as well as the capital gains from the disposition or redemption of the Further Series B Bonds or the separate disposition or redemption of interest claims in its income tax return and the flat income tax of 25% plus solidarity surcharge, and church tax, if applicable, will be collected by way of assessment.

The Issuer is, in general, not obliged to levy German withholding tax in respect of payment on the Further Series B Bonds. If, however, the Issuer is deemed to be resident in Germany for tax purposes and if, further, the Further Series B Bonds qualify as hybrid instruments, such as silent partnership or profit participating notes, profit participating rights (*Genussrechte*), German withholding tax has to be imposed by the Issuer irrespective of whether the Further Series B Bonds are held in a custodial account maintained with a Disbursing Agent.

Payment of the flat income tax will generally satisfy any income tax liability of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25% (*Günstigerprüfung*).

Further Series B Bonds held by tax residents as business assets

Payments of interest on Further Series B Bonds and capital gains from the disposition or redemption of Further Series B Bonds or the separate disposition or redemption of interest claims held as business assets by German tax resident individuals or corporations (including via a partnership, as the case may be), are generally subject to German income tax or corporate income tax (in each case plus solidarity surcharge, and church tax, if applicable). The interest and capital gain will also be subject to trade tax if the Further Series B Bonds form part of the property of a German trade or business.

If the Further Series B Bonds are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above), tax at a rate of 25% (plus a solidarity surcharge of 5.5% of such tax, and church tax, if applicable) will also be withheld from interest payments on Further Series B Bonds and capital gains from the disposition or redemption of Further Series B Bonds held as business assets. In these cases the withholding tax does not satisfy the income tax liability of the Holder, as in the case of the flat income tax, but will - subject to certain requirements - be credited as advance payment against the personal income or corporate income tax liability and the solidarity surcharge of the Holder. To the extent the amount withheld exceeds the income tax liability, the withholding tax will - as a rule - be refunded.

Further Series B Bonds held by non-tax-residents

Interest and capital gains under the Further Series B Bonds are in general not subject to German taxation in the case of non-residents, i.e. persons having neither their residence (*Wohnsitz*) nor their habitual abode (*gewöhnlichen Aufenthalt*) nor legal domicile (*statutarischen Sitz*) nor place of effective management (*Geschäftsleitung*) in the Germany, unless the Further Series B Bonds are attributable to the permanent establishment (*Betriebsstätte*) or the permanent representative (*ständiger Vertreter*) of the Holder maintained in Germany. Interest may, however, also be subject to German income tax if it otherwise constitutes income taxable in Germany, e.g. income from certain capital investments directly or indirectly secured by German situs real estate unless the Further Series B Bonds qualify as global notes (*Sammelurkunden*) within the meaning of Sec. 9a of the German Custody Act (*Depotgesetz*) or as fractional bond (*Teilschuldverschreibungen*).

Non-residents of Germany are in general exempt from German withholding tax on interest and capital gains and from solidarity surcharge thereon. However, if the interest or capital gain is subject to German taxation as set forth in the preceding paragraph and the Further Series B Bonds

are held in a custodial account with a Disbursing Agent, withholding tax will be levied as explained above under “*Further Series B Bonds held by tax residents as non-business assets*” or under “*Further Series B Bonds held by tax residents as business assets*”, respectively.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Further Series B Bond will generally arise under the laws Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Further Series B Bond is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in the Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Further Series B Bonds. Currently, net assets tax (*Vermögensteuer*) is not levied in the Germany.

Luxembourg

Non-Residents

Under the existing laws of Luxembourg and except as provided for by the Luxembourg laws of June 21, 2005 implementing the EU Savings Tax Directive (as defined below), there is no withholding tax on the payment of interest on, or reimbursement of principal of, the Further Series B Bonds made to non-residents of Luxembourg.

Under the Luxembourg laws of June 21, 2005 implementing the EU Savings Tax Directive and as a result of ratification by Luxembourg of certain related Accords with the relevant dependent and associated territories, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual holder of a Further Series B Bond or certain residual entities, who, as a result of an identification procedure implemented by the paying agent, are identified as residents or are deemed to be residents of an EU Member State other than Luxembourg or certain of those dependent or associated territories referred to under “*EU Savings Tax Directive*” below, will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his or her country of residence or deemed residence or, in the case of an individual holder of a Further Series B Bond,

has provided a tax exemption certificate from his or her fiscal authority in the format required by law to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 35%.

Residents

According to the law of December 23, 2005, as amended, interest on Further Series B Bonds paid by a Luxembourg paying agent or paying agents established in the EU, the EEA or in a State which has concluded an international agreement related to the EU Savings Tax Directive to an individual holder of Further Series B Bonds who is a resident of Luxembourg or to a residual entity established in another EU Member State or in the dependent and associated territories (as defined under the EU Savings Tax Directive) securing the payment for such individual will be subject to a withholding tax of 10%. In case of payment through a paying agent established in the EU, the EEA or in a State which has concluded an international agreement related to the EU Savings Tax Directive, the Luxembourg resident individual holder of Further Series B Bonds must under a specific procedure remit 10% tax to the Luxembourg Treasury.

If the individual Holder holds the Further Series B Bonds in the course of the management of his or her private wealth, the aforementioned 10% withholding tax will operate a full discharge of income tax due on such payments.

Interest on Further Series B Bonds paid by a Luxembourg paying agent to a resident holder of Further Series B Bonds who is not an individual is not subject to withholding tax.

When used in the preceding paragraphs “interest”, “paying agent” and “residual entity” have the meaning given thereto in the Luxembourg laws of June 21, 2005 (or the relevant Accords) and December 23, 2005, as amended. “Interest” will include accrued or capitalised interest at the sale, repayment or redemption of the Further Series B Bonds.

Payments of interest or similar income under the Further Series B Bonds to Euroclear and payments by or on behalf of Euroclear to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

Residency, other income and wealth taxes

A holder of a Further Series B Bond will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Further Series B Bond or the execution, performance, delivery and/or enforcement of that or any other Further Series B Bond.

A holder of a Further Series B Bond who derives income from such Further Series B Bond or who realizes a gain on the disposal or redemption or exchange thereof will not be subject to Luxembourg taxation on income or capital gains unless: (i) such holder is, or is deemed to be, a resident

in Luxembourg; or (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg.

Luxembourg net wealth tax will not be levied on a holder of a Further Series B Bond unless: (i) such holder is, or is deemed to be, a resident company in Luxembourg for the purpose of the relevant provisions; or (ii) such Further Series B Bond is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg. No Luxembourg net wealth tax is applicable to a Luxembourg resident entity governed by the Luxembourg law of December 16, 2010 on undertakings for collective investments as amended, by the Luxembourg law of February 13, 2007 on specialised investment funds as amended, or by the Luxembourg law of May 11, 2007 on the family estate management company as amended; or to a Luxembourg resident securitisation company governed by the Luxembourg law of March 22, 2004 on securitization as amended; or to a Luxembourg resident capital company governed by the Luxembourg law of June 15, 2004 on venture capital investment companies as amended.

In respect of individuals, the Luxembourg law of December 23, 2005 has abolished the net wealth tax with effect from January 1, 2006.

No Luxembourg inheritance tax is levied on the transfer of the Further Series B Bonds upon death of a Holder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes.

Registration

It is not compulsory that the Further Series B Bonds be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Further Series B Bonds, in accordance therewith, except that, in case of use of the Further Series B Bonds, either directly or by way of reference, (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an *ad valorem* registration duty of 0.24% calculated on the amounts mentioned in the Further Series B Bonds. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money. In practice such kind of registration is rarely ordered.

VAT

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Further Series B Bonds or in respect of the payment of interest or principal under the Further Series B Bonds or the transfer of Further Series B Bonds, provided that Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value-added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from Luxembourg value-added tax does not apply with respect to such services.

Austria

Income Tax

Further Series B Bonds held by Austrian tax residents as non-business assets

Income from the Further Series B Bonds derived by individuals, who are tax residents of the Republic of Austria, is subject to Austrian income tax pursuant to the provisions of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Interest income from the Further Series B Bonds is subject to a special income tax rate of 25%. If the interest is paid out to the Holder by an Austrian paying agent (Austrian bank or branch of foreign bank or investment firm), the interest income from the Further Series B Bonds is subject to Austrian withholding tax (*Kapitalertragsteuer*) at a rate of 25%, which is withheld by the paying agent (*auszahlende Stelle*). The income tax for interest income generally constitutes a final taxation (*Endbesteuerung*) for individuals, irrespectively whether the Further Series B Bonds are held as private assets or as business assets. If the interest income is not subject to Austrian withholding tax because there is no domestic paying agent, the taxpayer will have to include the interest income derived from the Further Series B Bonds in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act.

Furthermore, any realized capital gain (*Einkünfte aus realisierten Wertsteigerungen*) from the Further Series B Bonds is subject to Austrian income tax at a rate of 25%. Realized capital gain means any income derived from the sale or redemption of the Further Series B Bonds. The tax base is, in general, the difference between the sale proceeds or the redemption amount and the acquisition costs, in each case including accrued interest. Expenses which are directly related with income subject to the special tax rate of 25% are not deductible. For Further Series B Bonds held as private assets, the acquisition costs shall not include incidental acquisition costs. For the calculation of the acquisition costs of Further Series B Bonds held within the same securities account and having the same securities identification number but which are acquired at different points in time, an average price shall apply.

Where an Austrian securities depository (*depotführende Stelle*) or paying agent is involved and pays out or settles the capital gain, also any realized capital gain from the Further Series B Bonds is subject to a 25% withholding tax. The 25% withholding tax deduction will result in final income taxation for private investors (holding the Further Series B Bonds as private assets) provided that the investor has evidenced the factual acquisition costs of the Further Series B Bonds to the securities depository. If the realized capital gain is not subject to Austrian withholding tax because there is no domestic securities depository or paying agent, the taxpayer will also have to include the realized capital gain derived from the Further Series B Bonds in his personal income tax return pursuant to the provisions of the Austrian Income Tax Act.

Withdrawals (*Entnahmen*) and other transfers of Further Series B Bonds from the securities account will be treated as disposals (sales), unless specified exemptions will be fulfilled like the transfer of the Further Series B Bonds to a securities account owned by the same taxpayer (i) with the same Austrian securities depository (bank), (ii) with another Austrian bank if the account holder has instructed the transferring bank to disclose the acquisition costs to the receiving bank or (iii) with a non-Austrian bank, if the account holder has instructed the transferring bank to transmit the pertaining information to the competent tax office or has, in the case of transfers from a foreign account, himself notified the competent Austrian tax office within a month; or like the transfer without consideration to a securities account held by another taxpayer, if the fact that the transfer has been made without consideration has been evidenced to the bank or the bank has been instructed to inform the Austrian tax office thereof or if the taxpayer has himself notified the competent Austrian tax office within a month. Special rules apply if a taxpayer transfers his residence outside of Austria or Austria loses for other reasons its taxation right in respect of the Further Series B Bonds to other countries (which gives rise to a deemed capital gain and exit taxation with the option for deferred taxation in the case of a transfer to an EU member state or certain member states of the European Economic Area, at present only Norway).

Taxpayers, whose regular personal income tax is lower than 25% may opt for taxation of the income derived from the Further Series B Bonds at the regular personal income tax rate. Any tax withheld will then be credited against the income tax. Such application for opting into taxation at the regular personal income tax rate must, however, include all income subject to the special 25% tax rate. Expenses in direct economical connection with such income are also not deductible if the option for taxation at the regular personal income tax rate is made.

Income from Further Series B Bonds which are not offered to the public within the meaning of the Austrian Income Tax Act would not be subject to withholding tax and final taxation but subject to normal progressive personal income tax rates.

Losses from Further Series B Bonds held as private assets may only be set off with other investment income subject to the special 25% tax rate (excluding, inter alia, interest income from bank deposits and other claims against banks) and must not be set off with any other income. The Austrian Budget Implementation Act 2012 provides for a mandatory set-off of losses applied as of January 1, 2013 by the Austrian securities depository to investment income from securities accounts at the same securities depository (subject to certain exemptions). However, a carry-forward of such losses is not permitted.

Further Series B Bonds held by Austrian residents as business assets

Income including capital gain derived from the Further Series B Bonds which are held as business assets are also subject to the special income tax rate of 25% deducted by way of the withholding tax. However, realized capital gains, contrary to interest income, have to be included in the tax return and must not be a main focus of the taxpayer's business activity. Write-downs and losses derived from the sale or redemption of Further Series B Bonds held as business assets must primarily be set off against positive income from realized capital gains of financial instruments of the same business and only half of the remaining loss may be set off or carried forward against any other income.

Further Series B Bonds held by Austrian Corporations or Private Foundations

Income including capital gains from the Further Series B Bonds derived by corporate Holders, whose seat or place of management is based in Austria, is subject to Austrian corporate income tax pursuant to the provisions of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*). Corporate Holders deriving business income from the Further Series B Bonds may avoid the application of Austrian withholding tax by filing a declaration of exemption (*Befreiungserklärung*). There is, *inter alia*, a special tax regime for private foundations established under Austrian law (*Privatstiftungen*) (interim tax, no withholding tax).

The Issuer does not assume responsibility for Austrian withholding tax (*Kapitalertragsteuer*) at source and is not obliged to make additional payments in case of withholding tax deductions at source.

Further Series B Bonds held by non-Austrian residents

Income including capital gains derived from the Further Series B Bonds by individuals who do not have a domicile or their habitual abode in Austria or by corporate investors who do not have their corporate seat or their place of management in Austria ("**non-residents**") is not taxable in Austria provided that the income is not attributable to an Austrian permanent establishment (for withholding tax under the EU Savings Directive see below).

Thus, non-resident Holders – in case they receive income or capital gains from the Further Series B Bonds through a securities depository or paying agent located in Austria – may avoid the application of Austrian withholding tax if they evidence their non resident-status vis-à-vis the paying agent by disclosing their identity and address pursuant to the provisions of the Austrian income tax guidelines. The provision of evidence that the Holder is not subject to Austrian withholding tax is the responsibility of the Holder.

If any Austrian withholding tax is deducted by the securities depository or paying agent, the tax withheld shall be refunded to the non-resident Holder upon his application which has to be filed with the competent Austrian tax authority within five calendar years following the date of the imposition of the withholding tax.

Where non-residents receive income from the Further Series B Bonds as part of business income taxable in Austria (e.g. permanent establishment), they will, in general, be subject to the same tax treatment as resident investors.

EU Savings Directive

The EU Council Directive 2003/48/EC on taxation of savings income in the form of interest payments ("Savings Directive") provides for an exchange of information between the authorities of EU member states regarding interest payments made in one member state to beneficial owners who are individuals and resident for tax purposes in another member state.

Austria has implemented the Savings Directive by way of the EU Withholding Tax Act (*EU-Quellensteuergesetz*) which provides for a withholding tax rather than for an exchange of information. Such EU withholding tax is levied on interest payments within the meaning of the EU Withholding Tax Act made by a paying agent located in Austria to an individual resident for tax purposes in another member state of the European Union or certain dependent and associated territories. The EU withholding tax currently amounts to 35%.

No EU withholding tax is deducted if the EU-resident Holder provides the paying agent with a certificate drawn up in his name by the tax office of his member state of residence. Such certificate has to indicate, among other things, the name and address of the paying agent as well as the bank account number of the Holder or the identification of the Further Series B Bonds (section 10 EU Withholding Tax Act).

The Issuer does not assume responsibility for EU withholding tax at source and is not obliged to make additional payments in case of withholding tax deductions at source.

Inheritance and Gift Tax

The Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) was abolished with effect as of August 1, 2008. However, gifts from or to Austrian residents have to be notified to the tax authorities within a three-month notification period. There are certain exemptions from such notification obligation, e.g. for gifts among relatives that do not exceed an aggregate amount of EUR 50,000 per year or gifts among unrelated persons that do not exceed an aggregate amount of EUR 15,000 within five years.

Other Taxes

There should be no transfer tax, registration tax or similar tax payable in Austria by Holders as a consequence of the acquisition, ownership, disposition or redemption of the Further Series B Bonds. Currently, net assets tax (*Vermögensteuer*) is not levied in Austria.

Value-Added Tax

There is no Austrian value-added tax payable in respect of payments in consideration for the issue of the Further Series B Bonds or in respect of the payment of interest or principal under the Further Series B Bonds or the transfer of the Further Series B Bonds.

THE OFFER OF THE FURTHER SERIES B BONDS

Offer of the Further Series B Bonds

The Issuer offers up to € 100,000,000 6.250% Further Series B Bonds with final maturity date June 3, 2020 (the “**Offer**”). The Further Series B Bonds are constituted by the Trust Deed and constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank at all times *pari passu* and rateably, without any preference among themselves, and *pari passu* with all other existing and future secured and unsubordinated obligations of the Issuer.

The Offer consists of

- a public offering in the Grand Duchy of Luxembourg (“**Luxembourg**”), the Federal Republic of Germany (“**Germany**”) and the Republic of Austria (“**Austria**”) via a subscription system provided by the Frankfurt Stock Exchange, the so called XETRA subscription functionality (the “**Subscription Functionality**”) (the “**Public Offering**”), such public offering exclusively made by the Issuer; and
- a private placement to qualified investors in Germany and certain other countries (except for the United States of America, Canada, Japan and Australia) (the “**Private Placement**”) by quirin bank AG, Kurfürstendamm 119, 10711 Berlin (the “**Lead Manager**”) The Lead Manager does not participate in the Public Offering.

The Further Series B Bonds are exclusively publicly offered by the Issuer in Luxembourg, Germany and Austria. The Lead Manager does not participate in the Public Offering.

The Public Offering is directed at all potential investors in Luxembourg, Germany and Austria and is not limited to certain categories of potential investors.

The Public Offering will be made in Luxembourg following the approval of the Prospectus by the CSSF and the Public Offering will be made in Germany and Austria following the notification of the approval of the Prospectus by the CSSF according to Article 18 of the Prospectus Directive.

There are no determined tranches of Further Series B Bonds. There is no minimum or maximum amount of Further Series B Bonds to be purchased. Investors may place offers to purchase Further Series B Bonds in any amount being divisible by the denomination amount of a Further Series B Bond.

Offer period, closing and limitation of the Offer, allotment, date of issue and result of the Offering

The offer period, in which investors may submit their orders to purchase Further Series B Bonds will commence not earlier than July 10, 2013 and will end on July 19, 2013, 14:00 CEST (the **"Offer Period"**). In the event of an over-subscription (as defined below) the Offer Period ends at such trading day the over-subscription occurs. An over-subscription occurs in the event the total amount of (i) orders in accordance with the Public Offering via the Subscription Functionality and (ii) the orders in accordance with the Private Placement exceeds the total amount of the offered Further Series B Bonds (the **"Over-Subscription"**). As long as no Over-Subscription has occurred, orders (i) submitted in the course of the Public Offering through the Subscription Functionality referring to a certain time period and (ii) as well as orders submitted in the course of the Private Placement referring to the same time period, will be allotted completely. As soon as an Over-Subscription occurs, allotment of orders received within the latest time period will be made by the Lead Manager in coordination with the Issuer.

The Issuer reserves the right to extend or shorten the Offer Period. Any extension or shortening of the Offer Period, as well as the determination of any other offer period or premature termination of the Public Offering, will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of the Issuer (www.grandcityproperties.com/anleihe), or, if applicable, by a supplement to the Prospectus which will be prepared and published in accordance with Article 13 of the Luxembourg Prospectus Law.

The allotment of Further Series B Bonds subscribed through (i) the Subscription Functionality or (ii) directly subscribed from the Lead Manager by qualified investors will be decided in coordination between the Issuer and the Lead Manager. The ultimate decision rests with the Issuer. As long as no Over-Subscription has occurred, orders submitted to or received by the Lead Manager which are accounted for the respective trading day, shall be allotted completely. As soon as an Over-Subscription occurs, orders submitted through the Subscription Functionality will be allotted first. The remaining Further Series B Bonds, as the case may be, will be allotted to the qualified investors by the Lead Manager. In general, the Issuer together with the Lead Manager remains entitled to curtail or reject certain orders. Claims of investors regarding incurred order or subscription fees are solely governed by the contractual relationship between the respective investor and the financial institution the investor placed his order with. Investors which submitted orders through the Subscription Functionality may request information on the number of Further Series B Bonds allotted to them from their custodian bank.

The Further Series B Bonds will presumably be issued on July 24, 2013. The final aggregate amount and number of Further Series B Bonds issued will be determined following the end of the Offering Period according to the orders received and will be published together with the result of the Offer by way of a press release as well as on the website of the Issuer

(www.grandcityproperties.com/anleihe) and on the website of the Luxembourg Stock Exchange (www.bourse.lu) on or about July 24, 2013.

Subscription rights for the Further Series B Bonds will not be issued. Therefore, there are no procedures for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.

Public Offering and subscription via the Subscription Functionality

The following sets out details of the Offer which is required to comply with the requirements of the applicable prospectus regulation. There are no conditions to which the Offer is subject.

The Further Series B Bonds will be offered by way of the Public Offering exclusively in Luxembourg, Germany and Austria. Investors wishing to submit orders through the Subscription Functionality need to submit those orders for the Further Series B Bonds via their respective custodian bank during the Offer Period. This implies that the custodian bank (i) is admitted as a trading participant at the Frankfurt Stock Exchange or has access to trading through an admitted trading participant of the Frankfurt Stock Exchange, (ii) is connected to XETRA and (iii) is entitled to use the Subscription Functionality based on the terms of business for the use of the Subscription Functionality (the “**Trading Participant**”).

The Trading Participant will upon request of the investor submit orders through the Subscription Functionality. ICF Kursmakler AG in its capacity as order book manager (“**Order Book Manager**”) will collect orders of the Trading Participants in the order book, will close the order book at least once a day during the Offer Period (the period between the start of the Offer and the first closing of the order book and the time period between each further closing of the order book, respectively, a “**Time Period**”) and will take the orders received in the respective Time Period. Orders received after the end of a Time Period will be taken into account in the following Time Period. The Order Book Manager will submit to the Lead Manager orders received. Only by acceptance of an order by the Lead Manager a purchase contract regarding the Further Series B Bonds is constituted, such purchase contract being subject to the condition subsequent (*auflösende Bedingung*) that the Further Series B Bonds are not issued on the Issue Date. Investors from Luxembourg and Austria whose custodian bank is not a Trading Participant may instruct via their custodian bank a Trading Participant to place on behalf of the investor an order which – subject to acceptance by the Lead Manager in its capacity as Lead Manager and Bookrunner – will settle the order together with the custodian bank of the investor.

Selling restrictions

General

In addition to the specific restrictions set out below, the Lead Manager will agree in the subscription agreement that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer Further Series B Bonds or distribute any offering material.

European Economic Area

In relation to each Member State of the European Economic Area (including the European Union plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), the Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Further Series B Bonds which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated in the Prospectus in Luxembourg, Germany and Austria from the time the Prospectus has been approved by the competent authority in Luxembourg and published and notified to the relevant competent authorit(y)(ies) in accordance with the Prospectus Directive until the Issue Date, and provided that the Issuer has consented in writing to use of the Prospectus for any such offers, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Further Series B Bonds to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Lead Manager nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Further Series B Bonds shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Further Series B Bonds to the public” in relation to any Further Series B Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Further Series B Bonds to be offered so as to enable an investor to decide to purchase or sub-

scribe the Further Series B Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom of Great Britain and Northern Ireland (“United Kingdom”)

The Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Further Series B Bonds in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000, as amended (“**FSMA**”) does not apply to the Issuer or the Guarantors;

and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Further Series B Bonds in, from or otherwise involving the United Kingdom.

Switzerland

Further Series B Bonds issued under the Prospectus may not be offered or sold to any investors in or from Switzerland other than by private placement. This Prospectus does not constitute a prospectus within the meaning of Article 652a or Article 1156 of the Swiss Code of Obligations, and neither this offering nor the Further Series B Bonds have been or will be approved by any Swiss regulatory authority.

United States and its Territories

The Further Series B Bonds have not been and will not be registered under the Securities Act and the Further Series B Bonds may not be offered, or sold within the United States of America or to, or for the account or benefit of, U.S. persons as defined in Regulation S of the Securities Act except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Series B Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act.

Accordingly, neither the Lead Manager, its affiliates (“affiliate” within the meaning of Rule 405 of the Securities Act) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Further Series B Bonds.

Terms used in the preceding paragraphs have the meaning given to them by Regulation S under the Securities Act.

The Further Series B Bonds shall be issued in accordance with the provisions of the United States Treasury Regulation Section 1.163-5 (c)(2)(i)(D) (the “**TEFRA D Rules**”). The Lead Manager has represented and agreed that:

- (a) except to the extent permitted under the TEFRA D Rules, (i) it has not offered or sold, and during the restricted period will not offer or sell, directly or indirectly, Further Series B Bonds to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Further Series B Bonds that are sold during the restriction period;
- (b) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Further Series B Bonds are aware that such Further Series B Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;
- (c) if it was considered a United States person, that is acquiring the Further Series B Bonds for purposes of resale in connection with their original issuance and agrees that if it retains Further Series B Bonds for its own account, it will only do so in accordance with the requirements of the TEFRA D Rules; and
- (d) with respect to each affiliate that acquires from it Further Series B Bonds for the purpose of offering or selling such Further Series B Bonds during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c); or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subclauses (a), (b) and (c).

Terms used in the preceding paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the TEFRA D Rules.

Subscription, Issue Date and delivery of the Further Series B Bonds

The Issuer and the Lead Manager will enter into an agreement to be signed on or around the start date of the Offering Period (the “**Subscription Agreement**”). The Lead Manager will agree in the

Subscription Agreement, subject to certain customary closing conditions, to purchase such Further Series B Bonds allotted to investors, and to sell such Further Series B Bonds to and settle with such investors which have placed orders in the course of the Offer and to which Further Series B Bonds were allotted. The Lead Manager is entitled, under certain circumstances, to terminate the agreement reached with the Issuer. Such circumstances include, *inter alia*, the occurrence of a material adverse change in national or international economical, financial or political framework as well as the occurrence of circumstances limiting the trading on the stock exchange, in particular the Frankfurt Stock Exchange. As a consequence of a termination of the Subscription Agreement, no offering of the Further Series B Bonds as described above will take place. If the Offering Period already has started, the Offer will be cancelled. In such event any allotment becomes void and investors are not entitled to demand delivery of Further Series B Bonds. A delivery of Further Series B Bonds will not take place. Furthermore, the Issuer will agree in the Subscription Agreement to indemnify the Lead Manager against certain liabilities in connection with the Offer and the sale of the Further Series B Bonds.

The delivery and settlement of the Further Series B Bonds subscribed via the Subscription Functionality will be provided by the Lead Manager.

Following the acceptance by the Lead Manager, orders submitted through the Subscription Functionality will be executed with a value date as of the Issue Date, i.e. presumably July 24, 2013. The Lead Manager has undertaken towards the Issuer to subscribe for the Further Series B Bonds after allotment to the investors as a financial intermediary (*Finanzkommissionär*) for the account of the Issuer and to deliver and settle the Further Series B Bonds to the investors who have been allotted Further Series B Bonds in the course of the Public Offering. Delivery of the Further Series B Bonds will be made against payment of the Issue Price (*Zug um Zug*). Investors will be informed by their respective custodian bank on the number of the Further Series B Bonds allotted to them. It can not be excluded that investors will only be informed on the number of the Further Series B Bonds allotted to them after the trading of the Further Series B Bonds on the Frankfurt Stock Exchange has started.

Delivery and settlement of the Further Series B Bonds in connection with the Private Placement will be carried out by the Lead Manager according to the Public Offering against payment of the Issue Price (*Zug um Zug*), presumably to take place also on July 24, 2013.

The Further Series B Bonds will be delivered via bookentry through the Clearing System and its account holding banks against payment of the Issue Price. No physical securities will be delivered. Delivery and settlement for investors from Luxembourg or Austria whose custodian bank has no access to Euroclear or Clearstream, Luxembourg will be carried out through a correspondence bank instructed by the respective custodian bank.

The Lead Manager has undertaken to forward the total issue price received in connection with the issue of the Further Series B Bonds to the Issuer after deduction of costs and fees in accordance with the Subscription Agreement. Proceeds to the Issuer will be net of commissions of up to 2.4 % of the principal amount of the Further Series B Bonds purchased by the Lead Manager. The Issuer has furthermore agreed to reimburse the Lead Manager for certain expenses incurred in connection with the issue of the Further Series B Bonds. The total expenses of the issue of the Further Series B Bonds are expected to amount to approximately € 2,400,000 (calculated on the basis of Further Series B Bonds issued in the aggregate principal amount of € 100,000,000).

Issue price, costs, interest and yield

The issue price for each Further Series B Bond is 100 % of its principal amount (the “**Issue Price**”). The Issuer will not charge any costs, expenses or taxes directly to any investor to participate in the offer of the Further Series B Bonds. Investors must inform themselves about any costs, expenses or taxes in connection with the purchase of Further Series B Bonds which are generally applicable in their respective country of residence, including any charges of their own depository banks in connection with the purchase or holding of securities.

The Further Series B Bonds bear interest from (and including) June 3, 2013 at the rate of 6.250% per annum calculated by reference to the principal amount thereof and payable semi-annually in arrears on June 3 and December 3 in each year, commencing with the interest payment date falling on December 3, 2013. The Issuer determined the rate of interest in its reasonable discretion. The yield of the Further Series B Bonds is 6.250 % per annum.

The Further Series B Bonds are redeemed in their principal amount on June 3, 2020 by the respective custodian bank of the investor provided that the Further Series B Bonds have not been redeemed on an earlier date by the Issuer.

Interests of natural or and legal persons in the Offer

The Lead Manager or its affiliates have established contractual relationships with the Issuer with regard to the Offer and the proposed trading on the stock exchange. Subject to the successful issue, the Lead Manager will be entitled to a commission the amount of which will depend on the aggregate principal amount of the Further Series B Bonds issued. Moreover, the Lead Manager has provided from time to time, and expects to provide in the future, investment services to the Issuer, for which the Lead Manager or its affiliates have received or will receive customary fees and commissions. Besides that, there are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

Transferability, disposal and inheritance of the Further Series B Bonds

The holders of the Further Series B Bonds may dispose of, assign, charge or inherit their Further Series B Bonds without the consent of the Issuer prior to the final maturity date. According to the terms and conditions of Euroclear the Further Series B Bonds are freely transferable. In the event that the global certificate representing the Further Series B Bonds will be exchanged for definitive registered bonds, transfer of the Further Series B Bonds is subject to lodging the relevant definitive bond certificate at the specified office of a registrar or any Paying and Transfer Agent and subject to registration of the respective holder of Further Series B Bonds in the Register as defined below.

Clearance, settlement, ISIN, bond certificate and bond register

The Further Series B Bonds have been accepted for clearance by Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**").

The Further Series B Bonds will be issued in one or more permanent global certificates without separate coupon certificates. Separate bond certificates or coupon certificates will not be issued. The Further Series B Bonds are subject to the TEFRA D procedure of Euroclear and thus will be included in one or more temporary global certificates. The temporary global certificates will be replaced by permanent global certificates on or after September 2, 2013, being the forty-first day following the date of the issue of the Further Series B Bonds. The temporary global certificates and the permanent global certificates will be held in custody by Euroclear. Due to their inclusion in global certificates investors are not entitled to claim issue or delivery of single bond certificates or single coupon certificates until the final maturity date of the Further Series B Bonds.

The Further Series B Bonds have been assigned the following securities codes:

ISIN: XS0951839991

WKN: A1HNBM

On or around September 2, 2013 (being the forty-first calendar day after the Further Series B Bonds have been issued), the Further Series B Bonds shall be included in the existing ISIN XS0937063310 currently assigned to the Existing Series B Bonds.

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Series B Bonds and the particulars of the Further Series B Bonds held by them and of all transfers and redemptions of Further Series B Bonds. As long as the Further Series B Bonds will be represented by one or more global certificates, solely the Bank of New York Depository (Nom-

inees) Limited will be registered in the Register for and on behalf of the holders of the Further Series B Bonds. A duplicate of the Register will be maintained at the registered office of the Issuer in Luxembourg. For Luxembourg law purposes, the information in the Register held at the Issuer's registered office will prevail over the information included in the Register held by the Registrar.

Listing and admission to trading

As to the Further Series B Bonds together with the Existing Series B Bonds application will be made for trading on the Open Market of the Frankfurt Stock Exchange, and at the same time on Entry Standard segment for bonds of Deutsche Börse AG, presumably on July 24, 2013. Upon the Issue of the Further Series B Bonds the Existing Series B Bonds will be redenominated in bonds with a denomination of € 1,000 each. The trading of the Series B Bonds will presumably start on July 24, 2013. The Issuer and the Lead Manager reserve the right to organise a so called “trading on terms of issue“ (*Handel per Erscheinen*). In the event of a “trading on terms of issue” both the Further Series B Bonds and the Existing Series B Bonds will be listed in the quotation board of the Frankfurt Stock Exchange under their respective ISIN, and will be included in trading on the Entry Standard segment at the value date. Admission to trading to a regulated market in the meaning of Directive 2004/39/EC of April 21, 2004 on markets in financial instruments (“**MFID**”) will not take place.

Intended timetable for the Issue

As to the Offer the following timetable is intended:

July 9, 2013	Approval of the Prospectus by CSSF
July 9, 2013	Publication of the approved Prospectus on the website of the Issuer www.grandcityproperties.com/anleihe
July 10, 2013	Start of Public Offering
July 19, 2013 (14:00 CEST)	End of Public Offering

July 24, 2013	Start of trading of Series B Bonds trading on the Open Market of the Frankfurt Stock Exchange and at the same time on the Entry Standard segment for bonds of Deutsche Börse AG
December 3, 2020	Final maturity date of the Series B Bonds

GENERAL INFORMATION

Authorization

The creation and issue of the Further Series B Bonds has been authorised by resolutions of the Board of Directors of the Issuer dated July 8, 2013.

Significant change in the financial or trading position

Since December 31, 2012 the equity of the Company was increased through a capital increase against cash contributions in February 2013 in the amount of € 35.7 million and through conversions under the Convertible Bond 2012-2017 in the amount of approximately € 57.1 million. Accordingly the liabilities under the Convertible Bond 2012-2017 were reduced to approximately € 42.9 million. In addition the non-current liabilities were increased by € 100 million through the issue of the Existing Series B Bonds in June 2013. Furthermore, since December 31, 2012 the Group has purchased and acquired approximately 1,770 units and obtained control in further approximately 2,550 units, which qualified as Joint Venture Properties as of December 31, 2012. Besides the economic effect of the aforementioned there have been no significant changes in the financial or trading position of the Issuer since December 31, 2012, the last date covered by the historical financial information.

Trend Information

There has been no material adverse change in the prospects of the Issuer and GrandCity since December 31, 2012.

Documents on display

For the duration of the validity of this Prospectus, copies of the following documents referred to in this Prospectus, including the Prospectus, will be available free of charge for inspection during regular business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Company in 6, boulevard Pierre Dupong, L-1430 Luxembourg, Grand Duchy of Luxembourg:

- (i) the most recent version of the Articles of Incorporation (*Satzung*) of the Company;
- (ii) the consolidated financial statements prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") of the Company for the

fiscal year ended December 31, 2012 (audited) (the “**IFRS 2012 Consolidated Financial Statements**”);

- (iii) the consolidated financial statements prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”) of Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited) for the fiscal year ended December 31, 2011 (audited) (the “**Adminond IFRS 2011 Consolidated Financial Statements**”);
- (iv) the individual financial statements prepared in accordance with Cypriot law of Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited) for the fiscal year ended December 31, 2011 (audited) and for the fiscal year ended December 31, 2012 (audited) (the “**GrandCity Individual Financial Statements 2011 and 2012**”);
- (v) the Prospectus;
- (vi) the Property Appraisal Report prepared by Jones Lang LaSalle, dated June 4, 2013;
- (vii) the Mannheim Report prepared by Jones Lang LaSalle, dated July 2, 2013;
- (viii) Conditions of the Series B Bonds and the documents mentioned therein.

This Prospectus will be published on the Company’s website under www.grandcityproperties.com/anleihe and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Valuation Report

This Valuation Report has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes ('International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors ('Red Book') and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at 31 December 2012, of the portfolio of all IAS 40 properties (the 'properties') of Grand City Properties S.A. (hereinafter 'company').

The Grand City Properties S.A. portfolio consists of 10,701 residential units, 89 commercial units (in residential properties), 12 commercial buildings (office, retail, hotel, clinic), 2,617 garages/car parking spaces and 119 miscellaneous rental units (including antennae, advertisements and vending machines) with a total lettable area of around 835,402 m², located in 33 locations within North Rhine-Westphalia, Berlin, Saxony, Thuringia, Lower-Saxony, Bavaria, Brandenburg and Bremen.

Client

Grand City Properties S.A.
6, boulevard Pierre Dupong
L 1430 Luxembourg



Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin



Date of Valuation:

31 December 2012

Date of Valuation Report:

4 June 2013

Jones Lang LaSalle GmbH
International Real Estate Consultants
Frankfurt/Main
Local Court Frankfurt/Main, HRB no. 13139
Certified according to ISO 9001
CEO Germany: Dr. Frank Pörschke

Summary of Valuation Results

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the company, and subject to the Assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Grand City Properties S.A.(hereinafter 'company') as at the effective date of Valuation, 31 December 2012, was as follows:

€ 591,651,000

(FIVE HUNDRED NINETY-ONE MILLION, SIX HUNDRED FIFTY-ONE THOUSAND EUROS)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	835,402 m ²
Average market value per m ² of lettable area:	€ 708
Current rental income (gross) per annum:	€ 43,837,890
Potential rental income (gross) per annum:	€ 50,395,411
Market rental value (gross) per annum:	€ 52,067,556
Multiplier (based on current rent):	13.5-fold
Multiplier (based on potential rent):	11.7-fold
Multiplier (based on market rent):	11.4-fold
Gross initial yield:	7.41%
Net initial yield:	5.07%
Net reversionary yield:	6.19%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the valuation report.

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1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Grand City Properties S.A. (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has examined the properties of the company and carried out a valuation (the 'Valuation') to determine the Market Value, as at 31 December 2012, of the freehold and leasehold interests (as appropriate) in each of the properties.

We understand that this Valuation Report is required firstly, to confirm the Market Value of the real estate assets as at 31 December 2012 for the Board of the company. Furthermore this Valuation Report will be included in an prospectus (the 'Prospectus') for bonds of Grand City Properties S.A. (the 'bonds') in Germany and the Grand Duchy of Luxembourg to be approved by the Commission de Surveillance du Secteur Financier ("CSSF") in accordance with the Law of 10 July 2005 on prospectuses for securities, as amended, and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as recently amended as well as in the securities prospectus (the 'Offering Circular') to be used for the private placements of the bonds elsewhere (including in the United States in accordance with Rule 144A of the U.S. Securities Act of 1933, as amended). Investors will rely on the Prospectus and the Offering Circular in making their decision to invest in the company.

1.2 Addressees

The Valuation Report is addressed to and may be relied upon only by:

- Grand City Properties S.A., 6, boulevard Pierre Dupong, L 1430 Luxembourg;
- quirin bank Aktiengesellschaft, Kurfürstendamm 119, 10711 Berlin, Germany
- further banks, investors and their respective affiliates

The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

1.3 Publication

Jones Lang LaSalle acknowledges and agrees that the Valuation Report will appear in unchanged format in the Prospectus as well as in the Offering Circular. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must be first obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle is referred to by name and whether or not the contents of our Valuation Report are combined with others. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Prospectus and the Offering Circular.

1.4 Assignment of Rights to Third Parties

The addressees of the Valuation Report are not entitled to assign their rights – either in whole or in part – to third parties.

1.5 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle has acted as an Independent Valuer according to the definition of ESMA guidelines (ESMA (European Securities and Markets Authority) update of the CESR recommendations - The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated March 23, 2011).

Finally we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.6 Scope of Work

The scope of work has been carried out for the Market Valuation, including the following processes:

- Analysis and evaluation of the property information (e.g. property database, rent roll, land register extracts, information to leasehold properties, etc.) provided by the company;
- Analysis, evaluation and interpretation of the properties (e.g. location, type of property etc.);
- Inspection of all individual property units, as well as the determination of a qualified sample of representative units for the internal inspection;
- Individual market and locational analysis of all properties;
- Determination of the Market Value on an individual property basis.

1.7 Subject of Valuation

The subject of the Valuation is the IAS 40 portfolio belonging to Grand City Properties S.A. (the 'Grand City Properties S.A. portfolio' or 'portfolio'). The portfolio consists of 13,526 rental units in total and is divided into 10,701 residential units, of which 9,150 are private residential units, 1,551 are publicly subsidised residential units, 89 commercial units (in residential properties) as well as 2,617 garages/car parking spaces and 119 miscellaneous units (e.g. antennae, advertisements and vending machines). Furthermore, there are 12 commercial buildings in the portfolio. The total lettable area amounts to 835,402 m² of which 701,797 m² is defined as residential space (thereof 106,609 m² being publicly subsidised) and 133,605 m² as commercial space. Aside from this, the portfolio encompasses 4 ground leasehold properties with a total lettable area of 44,607 m² (5.4% of the portfolios total lettable area) and one parcel of undeveloped land with a total area of 14,009 m².

1.8 Valuation Definitions

Market Value

Our Valuation has been prepared in accordance with the appropriate sections of the current Valuation Standards (VS) contained within the RICS Valuation - Professional Standards 2012 (the Red Book) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards (EVS 2012), and in accordance with IVSC International Valuation Standard 1 (IVS 1) (9th Edition, 2011), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value.

This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation. The Market Value is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking our Valuation on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards. According to VS 3.2, Commentary 3:

'Market value ignores any existing mortgage, debenture or other charge over the property.'

Market Rent

The Market Rent is assessed in accordance with VS 3.3, which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that we consider obtainable on an open market letting for vacant areas as at the date of Valuation.

1.9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('Assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our Valuation, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, we have let the company confirm that our Assumptions are correct to the best of their knowledge. In the event that any of these Assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The company has provided Jones Lang LaSalle with the current property-related databases. This included key information such as addresses, construction years, number of units, lettable areas, vacancy rates and current rental income on a single unit basis. We have assumed that the information the company have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the company.

Jones Lang LaSalle has carried out a verification of such data on the basis of qualified samples, which were then checked for accuracy and plausibility. No abnormalities were detected in the results. Furthermore, land register extracts, information regarding public easements and leasehold have been made available. These documents were sampled and checked for plausibility accordingly, whereby Jones Lang LaSalle again detected no abnormalities. We have assumed the accuracy of the documents that have been provided to us by the company and that all such documents have been verified by the company.

1.10 Valuation Timeline

Confirmation of instruction: 21 February 2013
Delivery of Valuation Report: 4 June 2013

1.11 Date of Valuation

The date of Valuation is 31 December 2012.

1.12 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.13 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.14 Currency

The currency referred to in the Valuation Report is Euros (€).

1.15 Roundings

Due to the calculation basis, marginal differences can occur in the roundings of the numbers (€, %, etc.).

1.16 Legal Terms

The valuation is conducted on the following legal basis:

- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004
- Valuation methods: RICS Valuation - Professional Standards 2012 (the Red Book)
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40

2 Portfolio Overview

2.1 General Overview

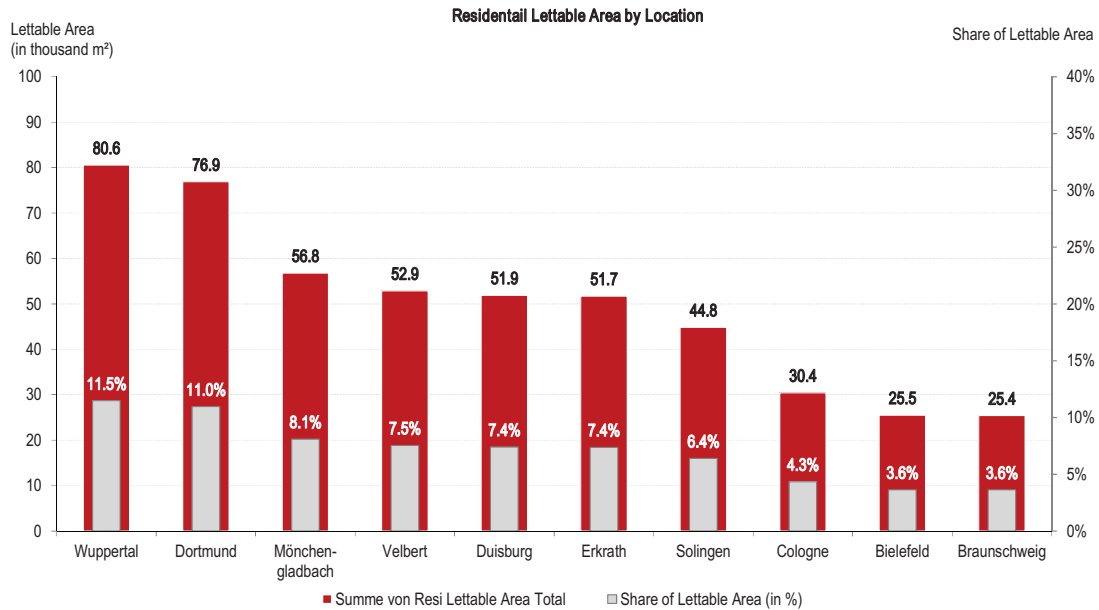
The properties within the whole portfolio of the company are located in North Rhine-Westphalia, Berlin, Saxony, Thuringia, Lower-Saxony, Bavaria, Brandenburg and Bremen.

The distribution of the properties in the portfolio is depicted in the following map:



2.2 Analysis of Units and Areas by Location

The portfolio, which for the most part comprises residential-use properties, consists of 13,526 rental units in total, as at the valuation date. 70.8% of the total 701,797 m² residential space (10,701 residential units) is situated in the following cities: namely Wuppertal, Dortmund, Mönchengladbach, Velbert, Duisburg, Erkrath, Solingen, Cologne, Bielefeld, Braunschweig. The cities with the highest share of lettable residential area are Wuppertal (80,550 m²) and Dortmund (76,892 m²).



Units by Location

Location	Residential Housing Units	Commercial Units (in residential buildings)	Commercial Buildings*	Garages / Parking Spaces	Miscellaneous	Units Total
Dortmund	1,286	10		261	7	1,564
Wuppertal	1,139	3		204	12	1,358
Mönchengladbach	899	12		130	1	1,042
Erkrath	683	-		349	1	1,033
Velbert	762	1		214	-	977
Duisburg	803	1		46	7	857
Berlin	458	21		285	63	827
Solingen	580	6	5	69	2	657
Fürth adj. Nuremberg	-	-	1	430	-	430
Cologne	426	1		-	2	429
Other Locations	3,665	34	6	629	24	4,352
Total	10,701	89	12	2,617	119	13,526 *

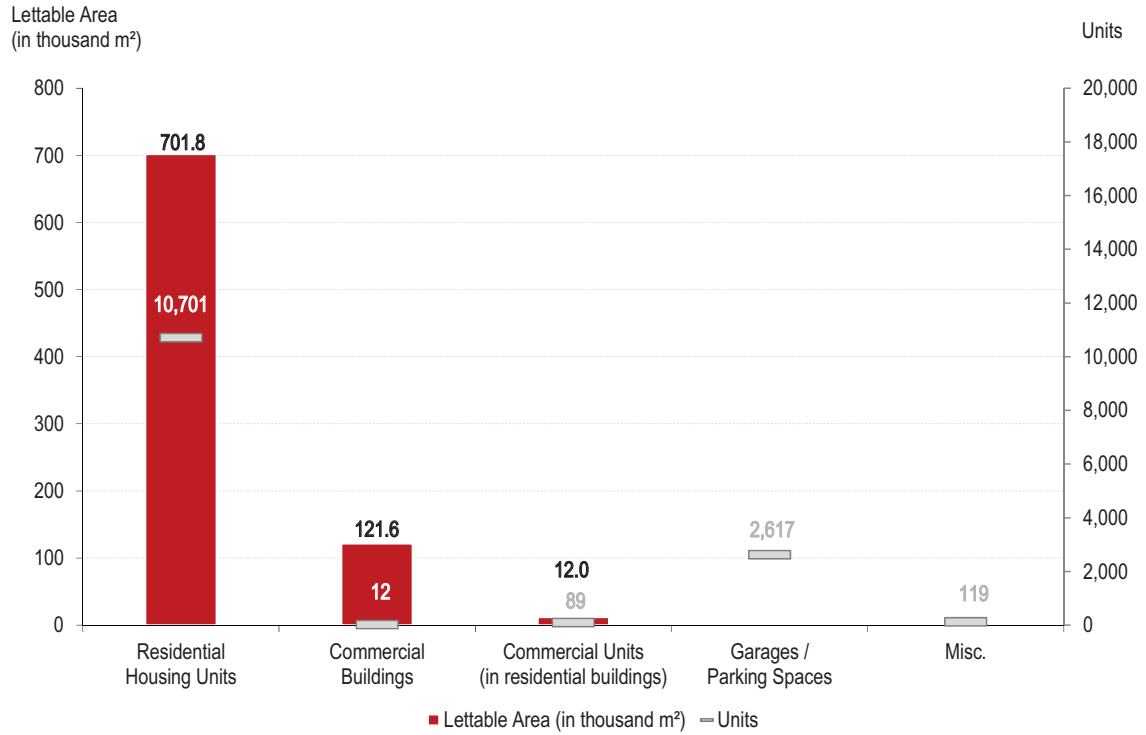
* Commercial buildings are not included in the calculation.

2.3 Analysis of Units and Areas by Type of Use and Property

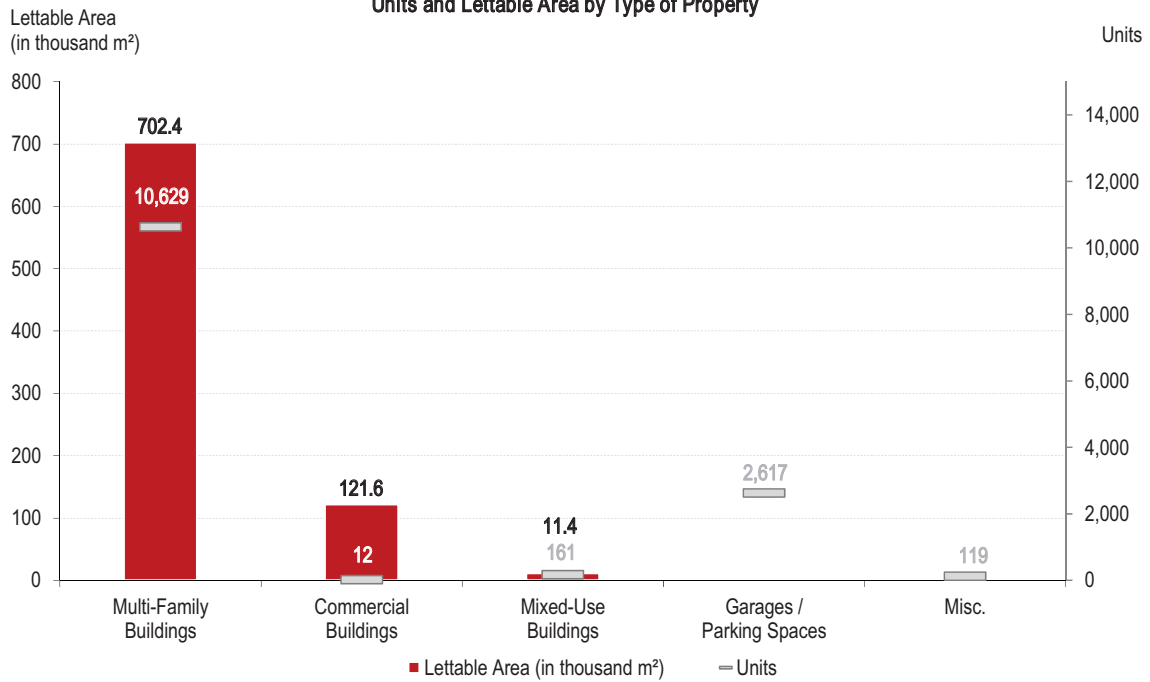
The portfolio includes 10,701 residential housing units, of which 9,150 are private housing units and 1,551 are publicly subsidised housing units. Furthermore the portfolio includes 89 commercial units in residential properties, 2,617 garages and/or parking spaces and a further 119 miscellaneous units (such as antennae, advertisements and vending machines)

In addition there are 12 commercial buildings, which generate additional rental income.

Units and Lettable Area by Type of Use

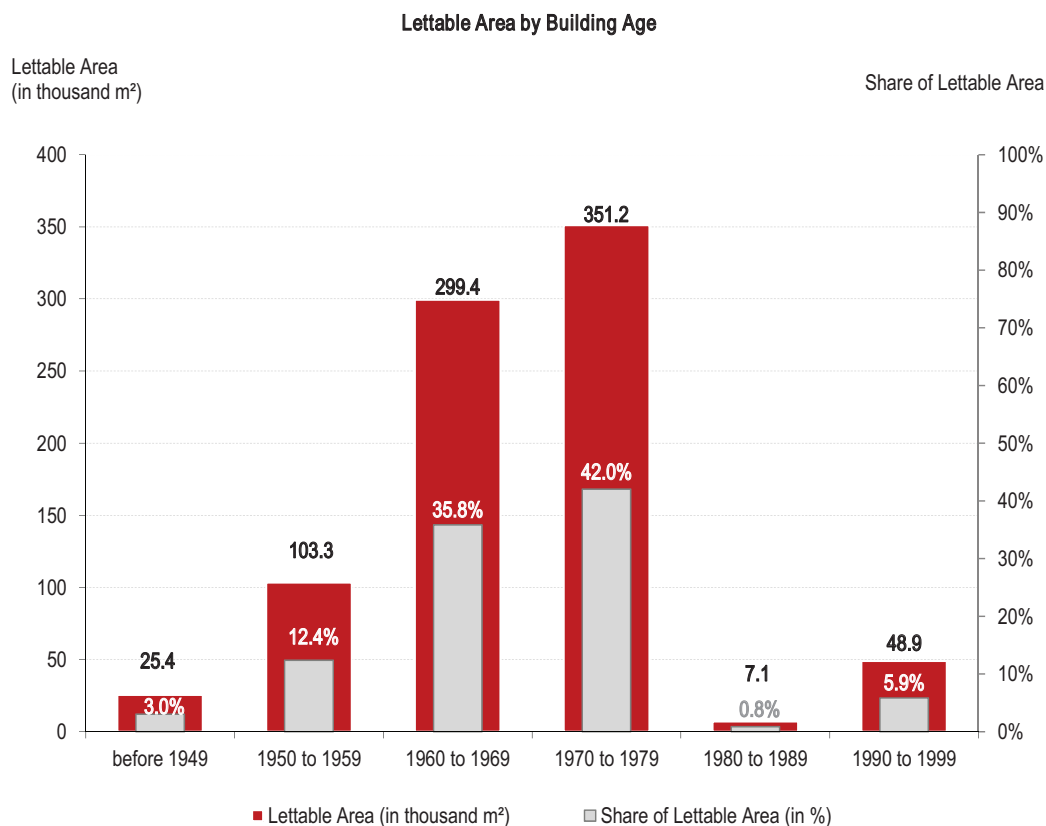


Units and Lettable Area by Type of Property



2.4 Analysis of Units and Areas by Building Age

The properties within the Grand City Properties S.A. portfolio have been classified in different construction year categories. The majority of residential space was built between 1970 and 1979 (42.0%), followed by properties constructed between 1960 and 1969 (35.8%) and thereafter those erected between 1950 and 1959 (12.4%).



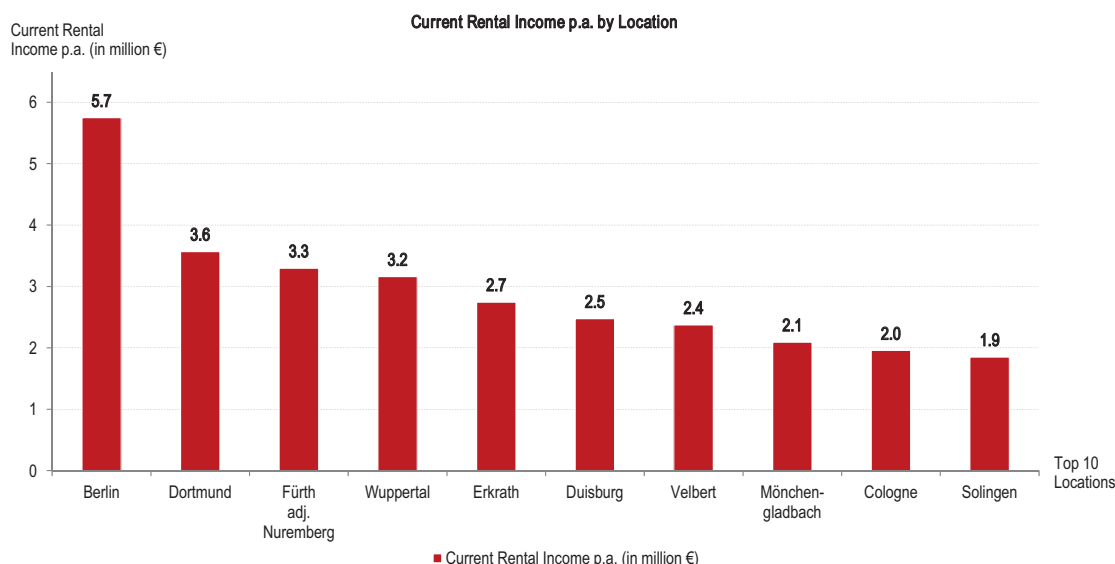
Units by Building Age

Building Age	Residential Housing Units	Commercial Units (in residential buildings)	Commercial Buildings*	Garages / Parking Spaces	Miscellaneous	Units Total
before 1949	364	6		1	7	378
1950 to 1959	3,917	47	2	1,192	79	5,235
1960 to 1969	4,550	33	4	810	26	5,419
1970 to 1979	82		2	14		96
1980 to 1989	144			458		602
1990 to 1999	1,644	3	4	142	7	1,796
Total	10,701	89	12	2,617	119	13,526 *

* Commercial buildings are not included in the calculation.

2.5 Analysis of Current Rental Income by Location

The top 10 locations namely Berlin, Dortmund, Fürth (adjacent Nuremberg), Wuppertal, Erkrath, Duisburg, Velbert, Mönchengladbach, Cologne and Solingen generate approximately € 29.3 million of the total current rental income per annum for lettable space. Thereby, the cities together generate around 66.8% of the current rental income from 66.0% of the lettable space within the entire portfolio. Berlin produces the most rental income per annum with € 5.7 million (13.1%), followed by Dortmund with € 3.6 million (8.1%) and Fürth (adjacent Nuremberg) with € 3.3 million (7.5%).

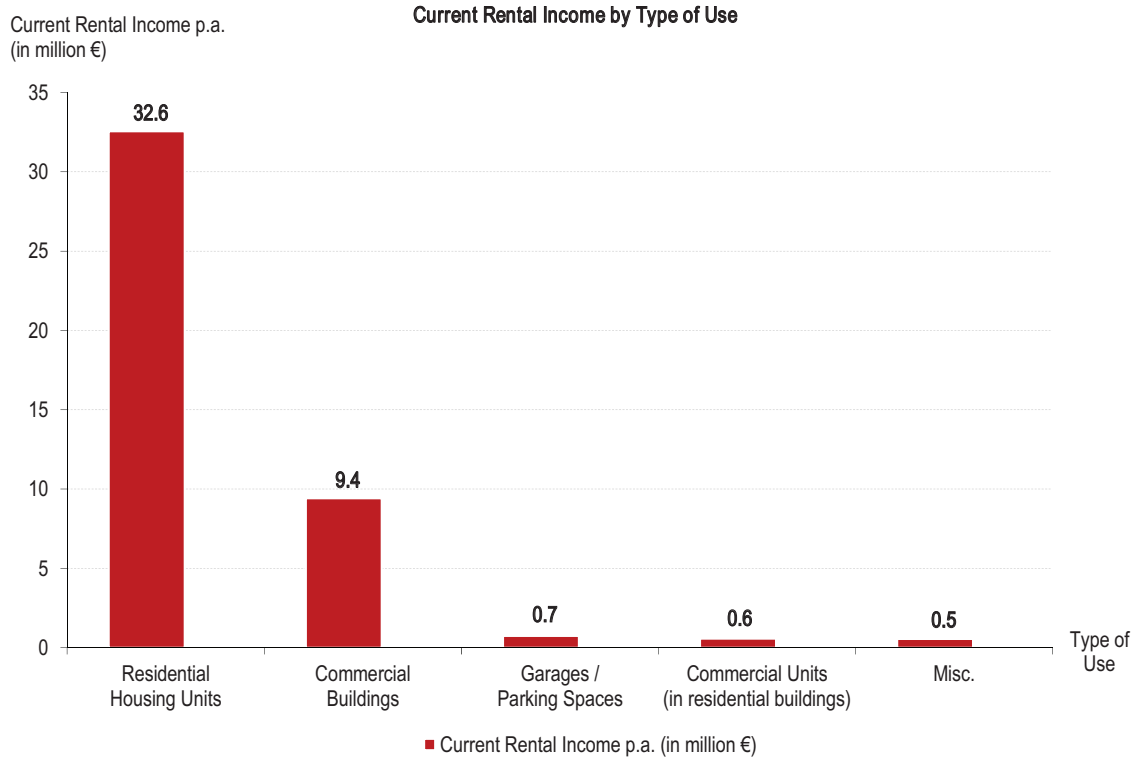


2.6 Analysis of Current Rental Income by Type of Use and Property

According to the property database as at the Valuation date, 31 December 2012, the current rental income p.a. equates to € 43.8 million. Of this, € 32.6 million p.a. (74.3%) is generated through the residential units in the portfolio; publicly subsidised residential units account for € 4.9 million p.a. (11.3%).

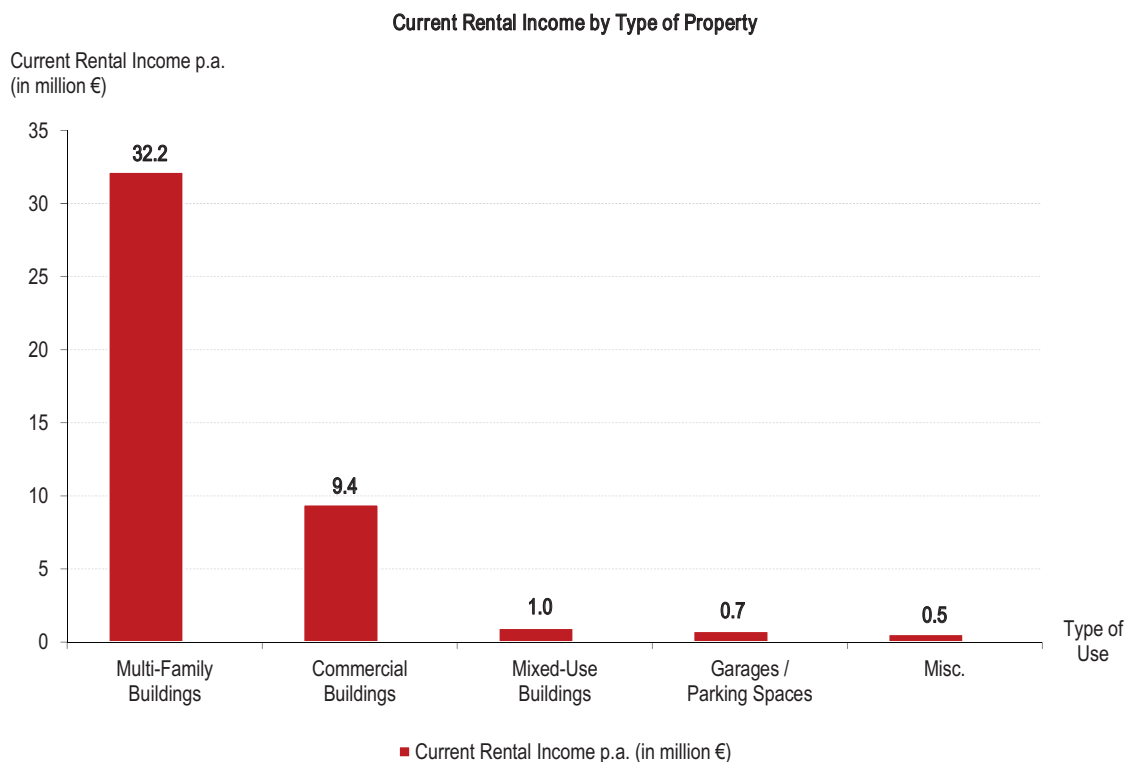
€ 0.6 million p.a. (1.3%) of the current rental income p.a. is generated through the commercial units in residential properties in the portfolio. The commercial buildings amount to € 9.4 million p.a. (21.5%) of the current rental income p.a.

The 2,617 garages and/or parking spaces generate € 0.7 million p.a. (1.7%), while the 119 miscellaneous units (such as antennae, advertisements and vending machines) generate a current rental income of € 0.5 million p.a. (1.3%).



From the current rental income, multi-family buildings account for € 32.2 million p.a. (73.4%), commercial buildings account for € 9.4 million p.a. (21.5%) and mixed-use buildings account for € 1.0 million p.a. (2.2%).

Garages and/or parking spaces account for € 0.7 million p.a. (1.7%) and miscellaneous units account for € 0.5 million p.a. (1.3%).



2.7 Analysis of Current Rental Income by Building Age

The analysis of the current rental income based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 38.0% of the current rental income of the total lettable area originates from properties built between 1960 and 1969, followed by 35.0% of the current rental income generated from properties constructed between 1970 and 1979. 12.7% of the current rental income originates from properties constructed between 1950 and 1959 and 10.6% from the properties erected between 1990 and 1999.

2.8 Undeveloped Sites

There is one undeveloped site in the portfolio (Leipzig) with a total area of 14,009 m².

2.9 Ground Leasehold Properties

There are 4 properties listed in the company's portfolio, which have been leased long term under ground lease contracts from third parties. The total lettable area for the ground lease properties amounts to 44,607 m² (5.4% of the portfolios total lettable area). Leasehold-related rental costs amount to € 199,644 and the weighted remaining lease term of the leasehold agreements stands at around 105 years.

2.10 Assessment of the portfolio Locations

Jones Lang LaSalle developed a macro-location scoring model to assess the future prospects of the various markets in the portfolio. The relevant indicators for scoring the markets cover the demand and supply side as well as underlying economic trends:

Market demand

- population and household development (2005-2011)
- population and household forecast (2011-2025)

Economic trends

- development (2005-2011) and forecast (2011-2025) of employment
- unemployment rate and development of unemployment rate (2007-2011)
- gross domestic product per inhabitant (2011)
- purchasing power per inhabitant (2012)

Market supply

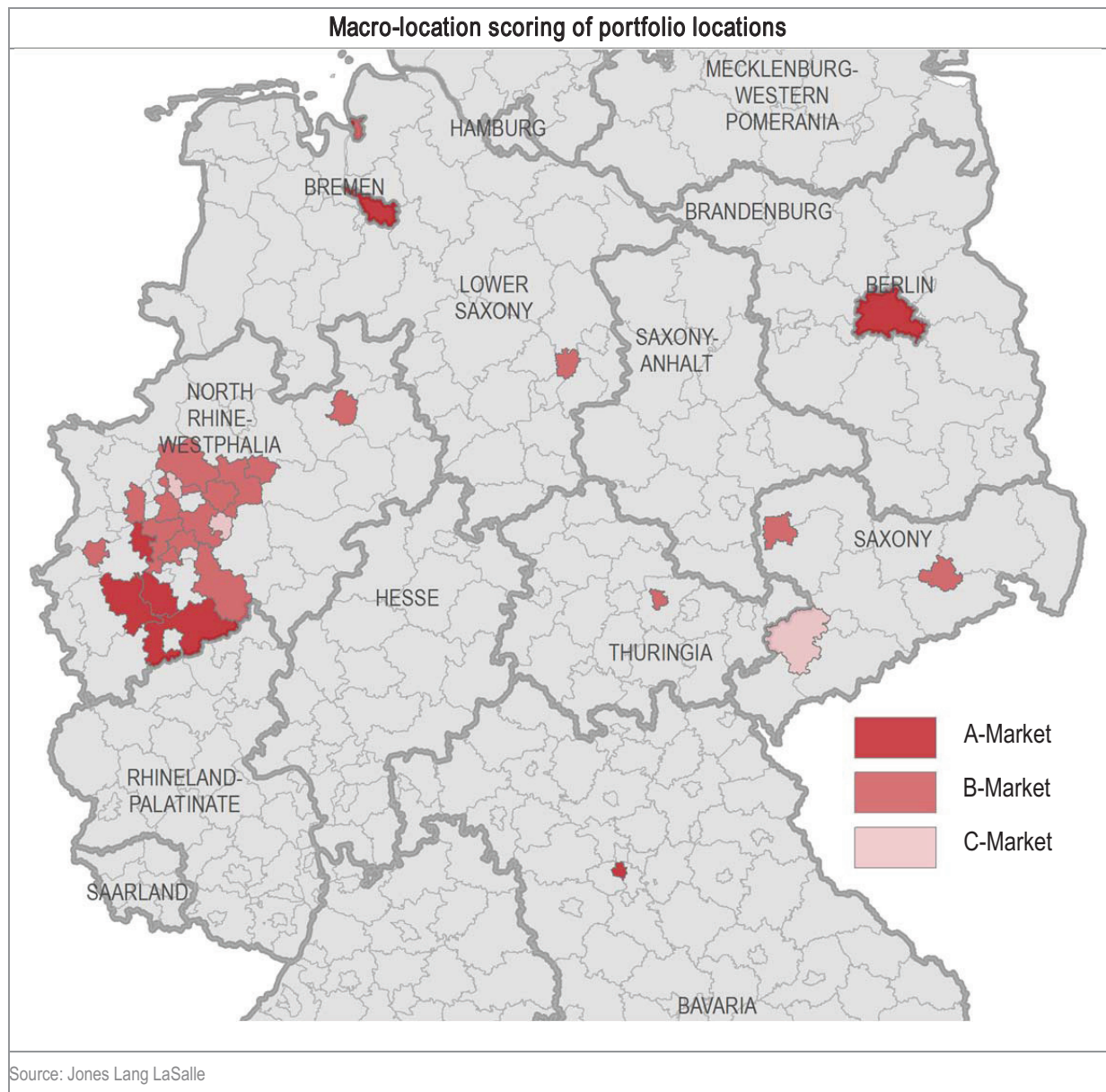
- vacancy rate (2009)
- development of vacancy rate (2005-2009)
- rent level and development (2006-2012)
- purchase prices and development (2006-2012)

The demand in the respective property markets is mainly reflected by the population and household trends. Positive population development indicates increased demand and even in the case of declining population, household growth may remain positive, due to smaller household size.

The local economic situation largely influences the ability to pay rent and determines the demand for commercial units. Positive economic indicators support rental value growth. The most important indicators are employment trends and resulting wealth, reflected by the purchasing power.

A reliable measurement of supply metrics in a local market is the vacancy rate. Oversupply results in high vacancy rates, while demand markets register low levels of vacancy. Changes in the vacancy rate indicate the market trend in recent years. The market trend is also reflected by the development of rents and prices. The absolute level of rents and prices identify the market character as mature and expensive or inexpensive and more risky.

The markets in the portfolio are segmented into three different types: A-Markets, with an above-average future prospect compared to Germany as a whole, B-Markets, with an average outlook, and C-Markets, with a below-average outlook.



2.10.1 A-Markets

A-Markets are characterised by an above-average future prospect. The population and household growth is positive and reflects increasing demand. The economy develops at a higher pace than the German economy. Residential vacancy rates are below the German average of 3.7% and commercial vacancy levels are low. The residential markets are undersupplied, which causes rents and prices to increase. Commercial rents and prices are also on a growth path.

2.10.2 B-Markets

The outlook for B-Markets is comparable to the prospect for properties in Germany as a whole. The population in most regions has been stagnating or only experienced modest growth in recent years. The forecast for population growth is negative but households and demand in these markets will likely increase until 2025. The outlook for the economy in B-Markets is at the German average. Vacancy rates are usually at or slightly above the German average of 3.7% for residential properties. For modern commercial units, the vacancy risk is moderate. Rents and prices have marginally appreciated in recent years and are forecasted to continue on this trajectory in the medium-term.

2.10.3 C-Markets

C-Markets are likely to perform below the German market average. They have already lost population and households, thus experiencing declining demand for housing and commercial units. Economic development is weak and the prospects for economic growth are weaker than for Germany as a whole. The vacancy level is above the German average. Rents and prices are below other regions of Germany and show little momentum. Rents and prices can be at risk to marginally decline in the medium-term (5-10 years) but this depends largely on the individual property.

3 Valuation Approach

3.1 Valuation units

The portfolio of Grand City Properties S.A. comprises 135 individual property units (client ID's). The Valuation has been carried out on an individual property unit basis in order to adequately and correctly reflect property-specific information, such as the current rental income, the vacancy rate, the existing public subsidies or the leaseholds or entries in Section II of the land register.

3.2 Site Inspections

Property and site inspections were carried on the following dates:

2011 - 21 September

2012 - 2 February, 30 May, 20 June, 9 and 15 August, 7 and 19 December

2013 - 4 and 9 January, 5 and 6 February, 5 March 2013

All valuation-relevant property units were fully inspected. For internal inspections at least the staircase, basement, attic (if applicable and accessible), all other common areas as well as a vacant or in the case of fully let properties, a let apartment (in some cases not possible) were inspected with a property manager of the company.

3.3 DCF Calculation

The calculation of the Market Value has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) for residential properties are explicitly determined for a ten-year detailed planning period (a period of 23 years have been used for the hotels due to the long remaining lease term of 20 years. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property. The Assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy and/or rent collection loss. The resulting amount reflects the current rental income. For non-subsidised housing and/or following the end of public funding for subsidised housing, rents have been adjusted with due regard to the relevant legislation (§ 558 of German Building Code, Sec. 3). This legislation states that the rent may not be increased by more than 20% (cap limit) within a three-year period and may not exceed local comparable rents. For commercial in accordance to the regulations of the lease contracts (Step, Index, None). After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate (see Determination of Discount Rate, Sec. 5.11).

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the property-specific capitalisation rate (see Determination of Capitalisation Rate, Sec. 5.11), the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

3.4 Valuation of Undeveloped Sites

To determine the value of undeveloped land, purchase prices of comparable land have been generally used. In the Valuation process, land values are derived according to the German Building Code (BauGB), thus in most cases suitable land values, have been determined by independent expert committees (or valuation panels) on the basis of actual transactions and purchase price analyses (cf. §§ 193 et seq. BauGB).

4 Assumptions

4.1 Title / Legal Restrictions / Building and Other Encumbrances

The available information regarding title, legal restrictions, building and other encumbrances has been made available to Jones Lang LaSalle by the company. A random sampling of the information based on the documents provided by the company was carried out. No discrepancies or points of concern were identified. Title entries registered in Section II of the sampled land registers were considered to have either no or only a minimal influence on value, if at all. Furthermore, any potential encumbrances and restrictions from Section II of the valued properties are duly registered in the land registers.

We have made the Assumption that the provided copies of the available documents for the properties have been made available to us, that they are complete, correct and up to date and that such documents have been verified by the company.

Moreover based on the above and a random sampling of the available information we identified no points of concern and have made the Assumption that the properties have good and marketable freehold or leasehold title in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

As is normal valuation practise, we have also assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our Valuation of any goodwill that may arise from the present occupation of the properties.

4.2 Contamination and Soil Conditions

Information with regard to the suspicion of soil or other contamination for the properties has been made available to us, however, according to the company, no environmental issues for the properties as at the date of Valuation were known. We have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

We have assumed that there are no abnormal ground conditions or contamination, which are sufficient to affect value or adversely affect the present or future occupation or development of the properties. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in case contamination is detected, the Valuation would have to be appropriately adjusted.

We have also made the Assumption that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

4.3 Condition and Structural Inspections, Deleterious Materials

Information regarding condition and structural reports as well as deleterious materials has been made available to us by the company, where applicable. We have not undertaken nor been instructed to conduct a formal condition or structural survey, although where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the Valuation.

The results of the inspections are based on exclusively purely visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the company, we have made the Assumption that the properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the properties. For the purposes of this Valuation, unless otherwise informed by the company, we have made the Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defect. Unless otherwise informed by the company, we have made the Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed thereon.

4.4 Building Law

We have made the Assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply.

4.5 Town and Traffic Planning

We have made the Assumption that the existing uses of the properties are duly authorised or established, and that no adverse planning conditions or restrictions apply. According to the company there is no information regarding value-relevant impact of public planning projects (town or traffic planning) available.

4.6 Protection of Historic Structures

Based on the provided information by the company, Jones Lang LaSalle understands neither of the properties in the portfolio are listed structures.

4.7 Technical Equipment, Plant & Machinery

During our inspections, no tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the company, we have made the Assumption that all services to the properties are functioning satisfactorily.

No allowance has been made in this Valuation for any items of plant or machinery not forming part of the service installations of the properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses.

The technical equipment in the subject properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the property. We have excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

4.8 Areas

We have not measured the properties, but have applied floor areas provided by the company. We have assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located. A qualified sampling of the information was verified and checked for plausibility, whereby we could not find any discrepancies.

4.9 Leases and Tenancy Information

Information regarding rental units, contractual rents, lease terms, rental terms and, where applicable, publicly subsidised units was made available to Jones Lang LaSalle by the company. A random sampling of the information was verified based on documents provided by the company. No abnormalities were detected.

We have made the Assumption that copies of all relevant documents for the properties have been made available to us, that they are complete, correct and up to date and that such documents have been verified by the company.

For the purpose of the Valuation, we have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge or we have been specifically advised to the contrary, we have made the Assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, we have also made the Assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

However, our Valuation reflects the type of tenants currently leasing the properties or responsible for meeting lease commitments or likely to lease vacant spaces, and the market's general perception of their creditworthiness, if appropriate.

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

4.10 Taxes, Fees and Charges

No information has been made available to Jones Lang LaSalle. We have made the Assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this Valuation.

4.11 Insurance Policies

At the date of the Valuation, Jones Lang LaSalle was not aware of whether or to what extent insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the company nor known by Jones Lang LaSalle, we have made the Assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

5 Valuation Parameters

5.1 Market Rents

Jones Lang LaSalle has used the following sources for obtaining information on market rents:

- Grand City Properties S.A. Assessment (basis – rent roll)
- Rent index (Mietspiegel) for respective cities/municipalities (if available)
- Internal Jones Lang LaSalle database
- Offered rents from the online real estate portal IDN Immodaten on street level.

Market Rent

The market rents were determined in 3-steps by Jones Lang LaSalle. In the first step, the current rental income per m², a list of new private housing lettings from the past two years (as provided by the company) as well as the researched, quality-differentiated market rents per m² were assigned and compared. In the second step, with consideration to the current vacancy rate and depending on the three respective rental levels per m² (current rent, new lettings rents and the researched market rent per m²), the preliminary market rent per m² is determined. In the third and last step as part of the individual evaluation, the preliminary market rent per m² undergoes on an individual assessment basis a more precise review with regard to the existing micro-location quality and the property condition and if necessary, is adjusted according to expert knowledge.

5.2 Rent Adjustment

Non-Rent Controlled Properties

The rental growth forecast applied in the Valuation was developed separately for the various types of use within the real estate market (residential, commercial, garage, parking spaces and miscellaneous) by means of a detailed analysis of the current rental situation, the regional markets and the location of the property in this market.

For non-rent controlled residential properties, a growth rate of 0.75% to 2.00% p.a. was assumed, depending on the location rating and beginning in the second year. The weighted average for non-rent controlled residential units is 1.42% p.a.

The valuation Assumptions relating to the macroeconomic parameters (e.g. purchasing power) were considered on an administrative district or independent municipality level.

Rent Controlled Properties

The growth of rental costs (up to 31 December 2001) or the rents for subsidised social housing (after 1 January 2002) generally progresses more moderately than the development of rents for non-rent controlled housing, as the increase in rental costs usually requires proof from the landlord regarding a change in the cost situation with regard to the property (calculation of profitability) or because a rent increase for subsidised social housing effective from 1 January 2002 may not exceed the maximum permissible rent determined by the subsidy regulation ('Förderzusage'). A growth rate of 0.25% p.a. starting in the second year for rent-controlled properties was assumed.

Commercial Buildings

The rent escalation analysis is based on the individual clauses agreed within the leases, whereby the rental income is most commonly linked to growth in the inflation rate (Consumer Price Index [CPI]).

5.3 Publicly Subsidised Units

According to the information provided by the company 11.3% of the current rental income of the portfolio or respectively, 1,551 rental units are publicly subsidised and subject to rent controls. The restrictions related to rent controls were taken into consideration in our Valuation. The benefits resulting from the granting of cheaper loans are generally not considered in property valuations. These benefits are assessed by the company according to IAS 39.

5.4 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property had been rented out. Jones Lang LaSalle has calculated with a stabilised vacancy for each property, ranging from 0.00% to 16.90% of the gross rent p.a., depending on the local market situation, property condition, level of rent adjustment (net rent to market rent) and current vacancy rate. The stabilised weighted average rental loss for the Grand City Properties S.A. portfolio has been calculated at 4.46% of the potential rental income.

5.5 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

The on-going maintenance costs have been calculated as a € per m²-figure relating to the total lettable area.

In the Valuation, the maintenance costs for residential and commercial units range from € 6.00 to € 15.00/m² p.a., calculated depending on the age and condition of the respective property. The weighted average amounts to € 8.42/m² p.a. For garages and parking spaces as well as miscellaneous units, maintenance costs of € 10.00 per unit p.a., were applied.

Maintenance Costs associated with Tenant Turnover

Costs for the refurbishment of units associated with tenant turnover are incurred in order to successfully re-let a vacant flat. These costs include decorative repairs as well as renovation costs, marketing costs and non-recoverable operating costs.

Based on our experience of similar properties or portfolios, an annual tenant turnover of 10.00% of the let residential units has been adopted.

Jones Lang LaSalle has estimated € 40.00/m² for each residential unit, which becomes vacant as a result of tenant turnover.

Tenant improvements for commercial properties are incurred when a new rental contract is signed. These costs are assumed by the landlord in the process of contractual negotiations. We have taken tenant improvements of € 0.00/m² to € 150.00/m² depending on the use and type of property into account in our valuation.

5.6 Deferred Maintenance

No in-depth technical review (Technical Due Diligence) of the properties was instructed nor carried out for this Valuation. Based on the information provided to Jones Lang LaSalle by the company as at the date of Valuation and with reference to the results from the on-site inspections, in cases there were identified maintenance backlog, Jones Lang LaSalle considered adequate capital expenditures. In total, the estimated costs for the maintenance backlog in the portfolio for the next 10 years amounts to € 18,812,150.

5.7 Management Costs (Non-Transferable)

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. Jones Lang LaSalle has considered management costs in the Valuation depending on location and property type in the range of € 240 to € 280 per residential unit p.a. The weighted mean value amounts to € 272 per residential unit p.a. For commercial units, the potential rental income was applied at 1.0% to 3.0% p.a., management cost for parking spaces as well as garages and miscellaneous units € 30 per unit p.a.

5.8 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, Jones Lang LaSalle has applied for each vacant m² of residential area non-transferable operating costs between € 15.54 and € 18.06/m² p.a. The weighted average for the Grand City Properties S.A. portfolio is approx. € 18.00/m² p.a. for vacant residential areas.

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

5.9 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage between 0.00% and 1.00% of the current rental income was used in the Valuation. The weighted average is 0.99% of the current rental income per annum.

5.10 Inflation

Residential Buildings

All costs, calculated on a per square metre or per unit basis, have been indexed with the average rate of inflation over the last 10 years according to the German Statistical Office.

In average the inflation increased by 1.69% per annum within the last 10 years. The indexation of other costs such as management costs, vacancy costs and costs for ground lease is calculated by applying the above indexation figure.

Commercial Buildings

General inflation is based on the forecast of Global Insight. Inflation was added to all costs included within the cash flow. The average long-term inflation forecast is between 1.30% and 1.80% per annum. This applies also to the non-recoverable ancillary costs as well as to tenant improvements.

5.11 Discount Rate and Capitalisation Rate (Cap Rate)

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. Jones Lang LaSalle uses the risk-free interest rate of 4.0% p.a. referring to the average interest rate of the past 120 months of a 10-year bond, issued by the European Central Bank. A property-specific, weighted risk premium, which is based on a rating (market, location, property and cash flow) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the properties in the market. Normal discount rates for German properties generally range between 4.5% and 9.0%, depending on market conditions, the micro-location quality, property type and use, property condition and cash flow security. The weighted discount rate for the subject portfolio stands at 6.7%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period. The Cap Rate is based on each property's individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The weighted capitalisation rate for the subject portfolio stands at 5.9%, which, based on our experience, is comparable to similar transactions on the market.

5.12 Purchaser's Costs

Purchaser's costs have been considered in the Valuation as a percentage of the Market Value. These costs include legal fees for the sale, land transfer tax, deed registration as well as agent's fees.

In the Valuation, the currently valid land transfer tax within Saxony and Bavaria amounting to 3.5%, within Bremen and Lower-Saxony amounting to 4.5% and within Brandenburg, North Rhine-Westphalia, Thuringia and Berlin amounting to 5.0% of the purchase price was applied.

Agent's fees were assumed between 0.5% to 3.5% lump sum payment in the Valuation, while notary and associated court costs were assumed to be 1.0%.

6 Valuation Results

6.1 Market Value

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the company, and subject to the Assumptions and comments detailed in Section 4 below, of the freehold and leasehold (as appropriate) properties of Grand City Properties S.A.(hereinafter 'Grand City Properties S.A.' or 'company') as at the effective date of Valuation, 31 December 2012, was as follows:

€ 591,651,000

(FIVE HUNDRED NINETY-ONE MILLION, SIX HUNDRED FIFTY-ONE THOUSAND EUROS)

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the portfolio (including undeveloped sites and leasehold properties):

Total lettable area:	835,402 m ²
Average market value per m ² of lettable area:	€ 708
Current rental income (gross) per annum:	€ 43,837,890
Potential rental income (gross) per annum:	€ 50,395,411
Market rental value (gross) per annum:	€ 52,067,556
Multiplier (based on current rent):	13.5-fold
Multiplier (based on potential rent):	11.7-fold
Multiplier (based on market rent):	11.4-fold
Gross initial yield:	7.41%
Net initial yield:	5.07%
Net reversionary yield:	6.19%

For detailed information regarding the rental income, please refer to paragraph 7 ("Valuation Definitions") of the valuation report.

6.2 Market Value by Location

The aggregated value of the individual units by location revealed the following:

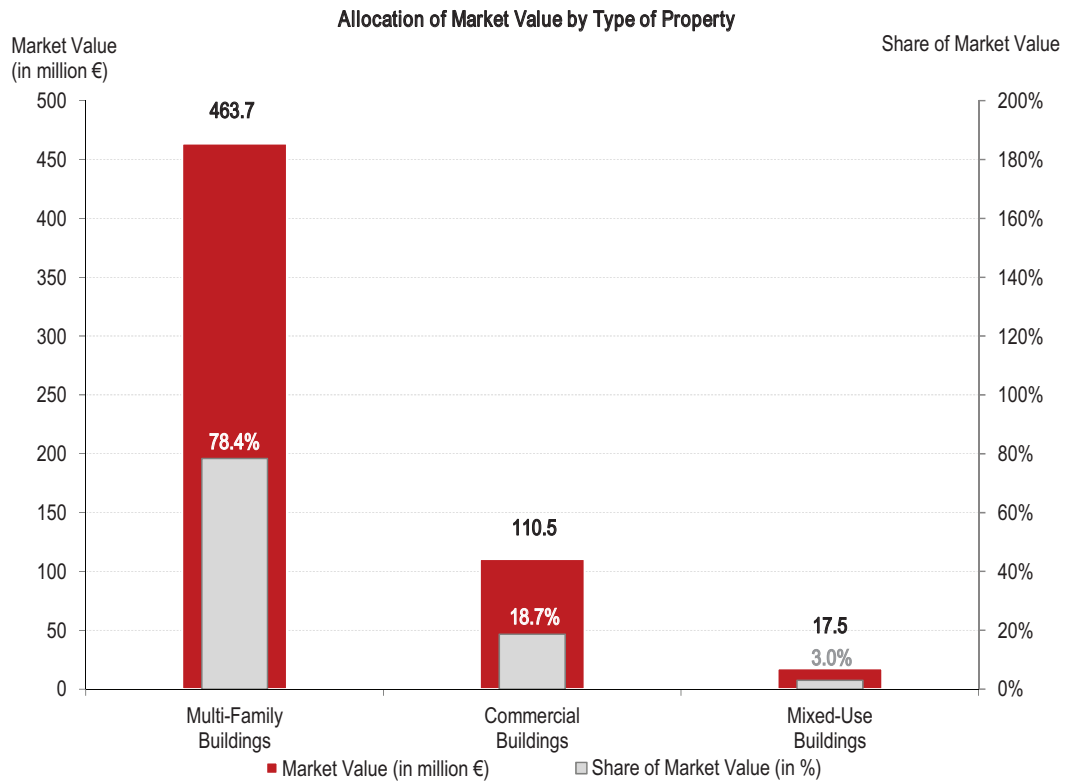
74.1% of total Market Value of the Portfolio is to be found within the top 10 locations out of the total 33 locations. The single largest concentration of value is to be found in Berlin (measured by Market Value) with € 79.5 million (13.4%), followed by Wuppertal with € 49.7 million (8.4%), Dortmund with € 46.5 million (7.9%), Erkrath with € 39.4 million (6.7%) and Mönchengladbach with € 38.3 million (6.5%).

Market Value by Location

Location	Market Value (in €)	Market Value (in €/m ²)	Multiplier based on Potential Rent	Share in Market Value
Berlin	79,510,000	1,161	13.6	13.4%
Wuppertal	49,700,000	614	11.1	8.4%
Dortmund	46,513,000	598	10.8	7.9%
Erkrath	39,400,000	762	13.0	6.7%
Mönchengladbach	38,320,000	654	11.7	6.5%
Fürth adj. Nuremberg	34,600,000	1,063	10.5	5.8%
Velbert	33,360,000	625	11.9	5.6%
Duisburg	32,249,000	621	12.1	5.5%
Cologne	31,200,000	1,024	15.3	5.3%
Braunschweig	26,980,000	971	15.9	4.6%
Solingen	26,740,000	584	11.3	4.5%
Other Locations	153,079,000	598	10.5	25.9%
Total	591,651,000	708	11.7	100.0%

6.3 Market Value by Type Property

The value of the real estate portfolio is dominated by residential-uses. In an analysis of the Market Values according to main type of use, multi-family buildings account for € 463.7 million (78.4%) of the portfolio value. Commercial properties have a market value share of € 110.5 million (18.7%). Mixed-use buildings account for € 17.5 million (3.0%)



6.4 Market Value by Type of Building Age

The analysis of the Market Value based on the building age of the properties is broken down similarly to the analysis of lettable areas according to building age. 39.1% of the Market Value of the lettable areas originates from properties built between 1960 and 1969, followed by 36.6% of the properties built between 1970 and 1979. 11.6% of the Market Value is generated from properties constructed between 1950 and 1959 and 8.6% between 1990 and 1999.

7 Valuation Definitions

Potential Rental Income

The potential rental income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property. The rental income is calculated by using the 31 December 2012 as a reference point and multiplying this figure by 12 months.

Current Rental Income

The net rental income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

Market Rent (MR)

The Market Rent is the rent for an unfurnished apartment in the privately financed housing market, without service costs such as heating, electricity or gas. The Market Rent is derived from a comparison with other properties of the same construction, real estate and fit-out category. The economic principle applies that the rent price formation is based upon the interplay between supply and demand in the housing market.

The estimated rental value indicates Jones Lang LaSalle's opinion of the Market Rent, which could be reasonably expected to be achieved on a new letting or rent review at a property at the time of valuation.

Gross Capital Value

The sum of the discounted cash flows for Years 1 to 10 as well as the discounted final value as at the date of valuation (please refer to section 5.11).

Net Capital Value

The net capital value results from the gross capital value less the purchaser's costs, which equal the Market Value.

Net Operating Income

The net operating income is calculated by subtracting all non-transferable operating costs from the annual gross profit (current rental income).

Net Initial Yield

The net initial yield is defined as the ratio of the net operating income divided by the gross capital value:

Net Initial Yield =	Net Operating Income
	Gross Capital Value

Net Reversionary Yield

The net reversionary yield is defined as the ratio of the net operating income (based on MR) at full occupancy minus the on-going expenditures (maintenance, management, loss of rental income, agent's fees, vacancy and ground rent costs) to the gross capital value. This yield relates the future growth in net operating income in comparison to the current acquisition costs or value of the property (incl. purchase costs).

Net Reversionary Yield =	Net Operating Income (based on MR)
	Gross Capital Value

Multiplier (with regard to Current Rent)

The multiplier is defined as the ratio of the current rental income to the Market Value.

Multiplier (based on Current Rent) =	Net Market Value
	Current Rent p.a.

Multiplier (with regard to Potential Rent)

The multiplier is defined as the ratio of the potential rent to the Market Value.

Multiplier (based on Potential Rent) =	Net Market Value
	Potential Rent p.a.

8 Conclusion

This Valuation Report was prepared by Jones Lang LaSalle, Berlin, dated 4 June 2013 and has been authorised for use by Grand City Properties S.A., Luxembourg as well as the addressees listed under Section 1.2 of this report.

Berlin, 4 June 2013
Jones Lang LaSalle GmbH

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation & Transaction Advisory

ppa. Christian Hüller
Principal Consultant
Teamleader Residential Valuation Berlin

Condense Valuation Report

This Valuation Report has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes ('International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors ('Red Book') and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at 31 March 2013, of the portfolio of all IAS 40 properties (the 'properties') of Grand City Properties S.A. (hereinafter 'company').

The Grand City Properties S.A. portfolio consists of 574 residential units (condominiums) and 608 internal parking spaces with a total lettable area of around 34,540 m², located in Mannheim, Baden-Wurttemberg.

Client

Grand City Properties S.A.
6, boulevard Pierre Dupong
L 1430 Luxembourg



Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin



Date of Valuation:

31 March 2013

Date of Valuation Report:

2 July 2013

1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Grand City Properties S.A. (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has examined the properties ("Mannheim"-portfolio) of the company and carried out a valuation (the 'Valuation') to determine the Market Value, as at 31 March 2013, of the freehold interests in each of the properties.

We understand that this Valuation Report is required firstly, to confirm the Market Value of the real estate assets of the "Mannheim"-portfolio as at 31 March 2013 for the Board of the company. Furthermore this Valuation Report will be included in an prospectus (the 'Prospectus') for bonds of Grand City Properties S.A. (the 'bonds') in Germany and the Grand Duchy of Luxembourg to be approved by the Commission de Surveillance du Secteur Financier ("CSSF") in accordance with the Law of 10 July 2005 on prospectuses for securities, as amended, and the Commission Regulation (EC) No. 809/2004 of 29 April 2004 as recently amended as well as in the securities prospectus (the 'Offering Circular') to be used for the private placements of the bonds elsewhere (including in the United States in accordance with Rule 144A of the U.S. Securities Act of 1933, as amended). Investors will rely on the Prospectus and the Offering Circular in making their decision to invest in the company.

1.2 Addressees

The Valuation Report is addressed to and may be relied upon only by:

- Grand City Properties S.A., 6, boulevard Pierre Dupong, L 1430 Luxembourg;
- quirin bank Aktiengesellschaft, Kurfürstendamm 119, 10711 Berlin, Germany
- further banks, investors and their respective affiliates

The valuation report is intended solely for the addressees and may be used only for the purpose specified here.

1.3 Publication

Jones Lang LaSalle acknowledges and agrees that the Valuation Report will appear in unchanged format in the Prospectus as well as in the Offering Circular. Before this Valuation Report, or any part thereof, is reproduced or referred to in any other document, circular or statement and before its contents (other than as contemplated in this Prospectus), or any part thereof, are otherwise disclosed verbally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must be first obtained. For the avoidance of doubt, such approval is required whether or not Jones Lang LaSalle is referred to by name and whether or not the contents of our Valuation Report are combined with others. Such approval shall not be unreasonably withheld. Notwithstanding the foregoing, the contents and data contained in the Valuation Report may be cited and summarised elsewhere in the Prospectus and the Offering Circular.

1.4 Assignment of Rights to Third Parties

The addressees of the Valuation Report are not entitled to assign their rights – either in whole or in part – to third parties.

1.5 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle has acted as an Independent Valuer according to the definition of ESMA guidelines (ESMA (European Securities and Markets Authority) update of the CESR recommendations - The consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive, dated March 23, 2011).

Finally we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.6 Scope of Work

The scope of work has been carried out for the Market Valuation, including the following processes:

- Analysis and evaluation of the property information (e.g. property database, rent roll, apartment register sheets as sample) provided by the company;
- Analysis, evaluation and interpretation of the properties (e.g. location, type of property etc.);
- Inspection of all individual property units, as well as the determination of a qualified sample of representative units for the internal inspection;
- Individual market and locational analysis of all properties;
- Determination of the Market Value on an individual property basis.

1.7 Subject of Valuation

The subject of the Valuation is the IAS 40 portfolio belonging to Grand City Properties S.A. (the 'Grand City Properties S.A. portfolio' or 'portfolio'). The portfolio consists of 574 private residential units (condominiums) and 608 internal parking spaces with a total lettable area of 34,540 m².

1.8 Valuation Definitions

Market Value

Our Valuation has been prepared in accordance with the appropriate sections of the current Valuation Standards (VS) contained within the RICS Valuation - Professional Standards 2012 (the Red Book) published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards (EVS 2012), and in accordance with IVSC International Valuation Standard 1 (IVS 1) (9th Edition, 2011), the International Accounting Standards (IAS), International Financing Reporting Standards (IFRS) as well as the guidelines of the European Securities and Markets Authority (ESMA) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation. The Market Value is defined as:

'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking our Valuation on the basis of Market Value, we have considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards. According to VS 3.2, Commentary 3:

'Market value ignores any existing mortgage, debenture or other charge over the property.'

Market Rent

The Market Rent is assessed in accordance with VS 3.3, which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that we consider obtainable on an open market letting for vacant areas as at the date of Valuation.

1.9 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('Assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking our Valuation, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, we have let the company confirm that our Assumptions are correct to the best of their knowledge. In the event that any of these Assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The company has provided Jones Lang LaSalle with the current property-related database. This included key information such as addresses, number of units, lettable areas, vacancy rates and current rental income on a single unit basis. We have assumed that the information the company have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the company.

Jones Lang LaSalle has carried out a verification of such data on the basis of qualified samples, which were then checked for accuracy and plausibility. No abnormalities were detected in the results. Furthermore, apartment register sheets as sample have been made available. These documents were checked for plausibility accordingly, whereby Jones Lang LaSalle again detected no abnormalities. We have assumed the accuracy of the documents that have been provided to us by the company and that all such documents have been verified by the company.

We have not been provided with any information as to heritable building rights, building encumbrances and contamination sites.

1.10 Valuation Timeline

Confirmation of instruction:	2 July 2013
Delivery of Valuation Report:	2 July 2013

1.11 Date of Valuation

The date of Valuation is 31 March 2013.

1.12 Taxation and Costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.13 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.14 Currency

The currency referred to in the Valuation Report is Euros (€).

1.15 Roundings

Due to the calculation basis, marginal differences can occur in the roundings of the numbers (€, %, etc.).

1.16 Legal Terms

The valuation is conducted on the following legal basis:

- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004
- Valuation methods: RICS Valuation - Professional Standards 2012 (the Red Book)
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40

2 Portfolio Overview

The mainly residential used portfolio consists of 574 private residential units with a lettable area of 34,540 m². Further the portfolio also includes 608 internal parking spaces. The usage "parking" includes underground car parks.

According to the database provided by the client the current annual net rent amounts to € 2,714,001 p.a. Residential rents make up for about 90.7% (€ 2,462,719 p.a.). Parking generates another 9.3% (€ 251,283 p.a.). An overview of the total passing rent (= current net rent) compared to the PRI (= Potential Rental Income) based on the tenancy schedules is as follows:

Type of use	Net Rental Income p.a.		Potential Rental Income p.a.	
Residential	€	2,462,719	€	2,522,080
Parking	€	251,283	€	301,936
Total	€	2,714,001	€	2,824,016

At the date of valuation the annual Potential Rental Income added up to € 2,823,974 p.a. with € 2,522,080 p.a. originating from residential units and € 301,894 p.a. from parking spaces.

The current average rent for the rented private residential units in this portfolio is € 6.07/m²/month and ranges overall between € 2.93/m²/month and € 7.21/m²/month.

Taking into account the location as well as the building conditions, the MRV (Market Rental Value) for the fully let units in their current condition at market level is € 7.28/m²/month (€ 3,015,731 p.a.).

According to the provided database a total of 13 private residential units with a lettable area of 750 m² and 102 parking spaces were vacant on the date of valuation. Calculated on the basis of lettable area, this equals a vacancy rate of 2.2% for the portfolio.

Mannheim-Portfolio	Vacant Residential Units	Vacant Residential Area	Vacant Units Total	Vacant Area Total
	13	750	13	750
2.3%	2.2%	2.3%	2.2%	

The state of refurbishments on the 31 March 2013 is similar and can be described as partly refurbished.

The valued properties are unlisted as historical monument.

The inspection of the individual properties took place on 20 May 2013. During such inspections, residential and the commercial units were inspected on a sample basis. Inspected properties were assessed with regard to damage of building substance, vacancy rate and general appearance. Furthermore, the survey involved examination of the surroundings and the number of lettable units and vacancy.

3 Valuation Results

Jones Lang LaSalle is of the opinion that the Market Value, based on the information provided by the company, and subject to the Assumptions and comments detailed in the prepared full valuation report, of the freehold properties of Grand City Properties S.A.(hereinafter 'company') as at the effective date of Valuation, 31 March 2013, was as follows:

€ 38,100,000
(THIRTY-EIGHT MILLION, ONE HUNDRED THOUSAND EUROS)

The above figure represents the property market value and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows key property data for the portfolio:

Total lettable area:	34,540 m ²
Market value per m ² of lettable area:	€ 1,103
Current rental income (gross) per annum:	€ 2,741,001
Potential rental income (gross) per annum:	€ 2,823,974
Market rental value (gross) per annum:	€ 3,015,731
Multiplier (based on current rent):	14.0-fold
Multiplier (based on potential rent):	13.5-fold
Multiplier (based on market rent):	12.6-fold
Gross initial yield:	7.41%
Net initial yield:	5.37%
Net reversionary yield:	6.11%

4 Conclusion

This Valuation Report was prepared by Jones Lang LaSalle, Berlin, dated 2 July 2013 and has been authorised for use by Grand City Properties S.A., Luxembourg as well as the addressees listed under Section 1.2 of this report.

Berlin, 2 July 2013
Jones Lang LaSalle GmbH

ppa. Roman Heidrich MRICS
National Director
Teamleader Residential Valuation Berlin

ppa. Christian Hüller
Principal Consultant
Residential Valuation Berlin

FINANCIAL INFORMATION

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Audited Consolidated Financial Statements of Grand City Properties S.A. for the financial year ended December 31, 2012

Consolidated Statement of Comprehensive Income

	Note	For the year ended December 31,	
		2012	2011(*)
<u>In thousands of Euro</u>			
Revenue	5	60.372	26.402
Capital gains, property revaluations and other income	6	98.043	72.843
Share of profit from investments in equity accounted investees	16	8.384	1.497
Refurbishment and maintenance		(2.195)	(1.886)
Property operating expenses	7	(19.424)	(12.019)
Other expenses	8	(4.513)	(2.417)
Cost of buildings sold		(18.301)	-
Operating profit		<u>122.366</u>	<u>84.420</u>
Net finance expenses	9b	(9.016)	(5.779)
Other finance result	9a	(4.268)	(8.125)
Net finance expenses		<u>(13.284)</u>	<u>(13.904)</u>
Profit before tax		109.082	70.516
Tax expenses	10	(16.166)	(11.859)
Profit for the year		<u>92.916</u>	<u>58.657</u>
Other comprehensive income for the year after tax		-	-
Total comprehensive income for the year		<u>92.916</u>	<u>58.657</u>
Profit attributable to:			
Owners of the Company		<u>81.831</u>	<u>55.586</u>
Non-controlling interests		11.085	3.071
Net earnings per share attributable to owners of the Company (in euro)			
Basic earnings per share		<u>1,97</u>	<u>11,11</u>
Diluted earnings per share	12	<u>1,89</u>	<u>11,11</u>

(*) please refer to note 1(c) for the comparative figures.

The notes on pages F-7 to F-59 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

		December 31	
		2012	2011(*)
		In thousands of Euro	
Assets			
Investment property	15	407.086	258.116
Equity-accounted investees	16	20.162	2.397
Deferred tax assets	10	1.812	1.396
Equipment and intangible assets	14	55	128
Other long - term assets	13	7.924	1.928
Non-current assets		<u>437.039</u>	<u>263.965</u>
Financial asset at fair value through profit and loss	11	4.875	-
Trade and other receivables	18	21.108	11.803
Cash and cash equivalents		80.977	8.158
Assets held for sale	25	10.721	5.400
Current assets		<u>117.681</u>	<u>25.361</u>
Total assets		<u><u>554.720</u></u>	<u><u>289.326</u></u>

(*) please refer to note 1(c) for the comparative figures

The notes on pages F-7 to F-59 are an integral part of these consolidated financial statements.

		December 31	
		2012	2011(*)
Note		In thousands of Euro	
Equity			
Share Capital	19	5.550	500
Other reserves		14.345	14.211
Share premium		13.391	-
Retained earnings		150.972	69.141
Equity attributable to owners of the Company		184.258	83.852
Non-controlling interests		18.685	5.379
Total equity		202.943	89.231
Liabilities			
Loans and borrowings	20	171.752	138.149
Convertible bond	20	95.920	-
Loan from shareholders	24	-	18.793
Derivative financial instruments	17	12.599	8.823
Deferred tax liabilities	10	29.329	14.289
Other long term liabilities	22	7.031	1.909
Non-current liabilities		316.631	181.963
Short term portion of long-term loans	20	4.249	2.599
Trade and other payables	21	21.822	13.587
Accrued interest related to convertible bond	20	1.804	-
Provisions for other liabilities and charges	23	2.289	1.946
Liabilities classified as held for sale	25	4.982	-
Current liabilities		35.146	18.132
Total liabilities		351.777	200.095
Total equity and liabilities		554.720	289.326

The Board of Directors of Grand City Properties S.A. authorized these consolidated financial statements for issue on March 18, 2013

.....
Cleo Koushos - Cros
Director

.....
Daniel Malkin
Director

(*) please refer to note 1(c) for the comparative figures

The notes on pages F-7 to F-59 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					Total	Non-controlling interests	Total Equity
	Share capital	Share Premium	Equity portion of convertible bond	Other reserve	Retained earnings			
In thousands of Euro								
Balance at January 1, 2011	500	-	-	14.211	24.584	39.295	4.600	43.895
Profit for the year	-	-	-	-	55.586	55.586	3.071	58.657
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	55.586	55.586	3.071	58.657
Dividends	-	-	-	-	(10.545)	(10.545)	(586)	(11.131)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	(484)	(484)	(1.706)	(2.190)
Balance as of December 31, 2011	(*) <u>500</u>	<u>-</u>	<u>-</u>	<u>14.211</u>	<u>69.141</u>	<u>83.852</u>	<u>5.379</u>	<u>89.231</u>
Profit for the year	-	-	-	-	81.831	81.831	11.085	92.916
Other comprehensive loss for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	81.831	81.831	11.085	92.916
Issuance of share capital	5.050	(**13.391)	-	-	-	18.441	-	18.441
Equity portion of convertible bond	-	-	134	-	-	134	-	134
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	2.221	2.221
Balance as of December 31, 2012	<u>5.550</u>	<u>13.391</u>	<u>134</u>	<u>14.211</u>	<u>150.972</u>	<u>184.258</u>	<u>18.685</u>	<u>202.943</u>

The notes on pages F-7 to F-59 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

		For the year ended December 31,	
		2012	2011(*)
		In thousands of Euro	
	Note		
Cash flows from operating activities			
Profit for the year		92.916	58.657
Adjustments for:			
Depreciation and amortization	14	94	13
Share of profit from investments in equity-accounted investees	16	(8.384)	(1.497)
Profit from business combination and sale of investment		(19.677)	(1.678)
Change in fair value of investment property	6/15	(78.335)	(71.165)
Interest expense and other financial results		12.026	13.872
Change in financial assets through profit and loss		(2.925)	269
Change in fair value of derivative financial instruments		5.727	8.432
Interest income		(1.070)	-
Income tax expense	10	16.166	11.859
		<u>16.538</u>	<u>18.762</u>
Changes in:			
Sale of inventories		18.630	115
Increase in trade and other receivables		(6.756)	(5.770)
Increase in trade and other payables		7.958	1.616
Provisions		431	1.577
Cash generated from operating activities		<u>36.801</u>	<u>16.300</u>
Interest received		1.070	-
Taxes paid		(2.364)	(1.373)
Net cash provided by operating activities		<u>35.507</u>	<u>14.927</u>
Cash flows from investing activities			
Acquisition of equipment and intangible assets	14	(22)	(82)
Acquisition of investment property	15	(48.365)	(65.260)
Loan granted to investments in equity-accounted investees		(3.432)	(910)
Acquisition of subsidiaries, net of cash acquired	(4 a-e)	(10.700)	-
Acquisition of financial asset and financial instruments		(2.593)	-
Proceeds from sale of investments		13.373	56.400
Loans granted		-	(110)
Net cash used in investing activities		<u>(51.739)</u>	<u>(9.962)</u>
Proceeds from issuance of share capital	19	18.441	-
Repayment of loans from shareholders and related companies		(19.357)	(10.776)
Repayment of loans from financial institutions		(27.403)	-
Proceeds from borrowings		30.985	29.585
Proceeds from convertibles bond, net	20	96.054	-
Dividends paid to owners of the Company and to non-controlling interest		-	(11.131)
Interest paid		(9.658)	(13.872)
Net cash from/ (used in) financing activities		<u>89.062</u>	<u>(6.194)</u>
Assets held for sale - cash	25	(11)	-
Net increase (decrease) in cash and cash equivalents		<u>72.819</u>	<u>(1.229)</u>
Cash and cash equivalents at January 1 (**)		<u>8.158</u>	<u>9.387</u>
Cash and cash equivalents at December 31		<u>80.977</u>	<u>8.158</u>

(*) please refer to note 1(c) for the comparative figures.

(**) The amount of cash and cash equivalents as at January 1, 2011 was adjusted by EURO 500 thousand to reflect the issuance of 5,000,000 ordinary shares of €0,10 each at par as if they had been from the earliest period presented in the consolidated financial statements. For more information see note 1(c).

The notes on pages F-7 to F-59 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2012

1. GENERAL

(a) Incorporation and principal activities

Grand City Properties S.A. ("the Company") was incorporated in Luxemburg on December 16, 2011 as a private company with limited liability. Its registered office is at 6 boulevard Pierre Dupong, L - 1430 Luxembourg.

The consolidated financial statements for the year ended December 31, 2012 consist of the financial statements of the Company and its subsidiaries ("the Group").

The Group vision is buying, redeveloping, turning-around and optimizing residential properties in Germany.

(b) Restructuring

As of January 1, 2012 the Company received from its shareholders the control of, rights to and interests in 94,8% of the shares of GRAND CITY PROPERTY LTD (Former: ADMINOND TRADING & INVESTMENTS LTD) (a private Company limited by shares and incorporated under the laws of Cyprus, hereinafter ("**Grand city ltd**") as part of a group restructuring under common control. As of this date Grand city ltd owned approximately 5.000 residential and commercial units in Germany through its subsidiaries and joint ventures.

(c) Comparative figures

To reflect the acquisition of Grand city ltd's shares by the Company as a transaction under common control as described above, the Group presents comparative figures (which comprise the consolidated statement of financial position as of December 31, 2011 and the consolidated statement of comprehensive income, change in equity and cash flows for the year then ended as of December 31, 2011), as if the transaction had occurred always been from the earliest period presented in the consolidated financial statements. In fact The Group's consolidated financial statements include the Company's interests in Grand city ltd's results as of January 1, 2011.

Certain balance sheet and profit and loss items related to 2011 have been reclassified to enhance comparability.

(d) Capital increase

On April 12, 2012 the Company increased its share capital to EURO 5.000.000 (50.000.000 shares of EURO 0,10 EURO per share).

On July 19, 2012, the Company received net proceeds of EURO 14 million from a capital increase against a cash contribution. A total of 5,5 million new shares were placed at an issue price of EURO 2,75 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.

(e) Listing on 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.

(f) On February 19, 2013, the Company received net proceeds of EURO 33,4 million from a second capital increase against a contribution in cash. A total of 8 million new shares were placed at an issue price of EURO 4,46 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.

(g) Definition

In these 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 IAS 27) and whose financial statements are consolidated with those of the Company.
Associates	Companies over which the Company has significant influence and that are not subsidiaries. The Company's investment therein is included in the consolidated financial statements of the Company at equity.

Investees	Subsidiaries, jointly controlled entities and associates.
Related parties	As defined in IAS 24.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on March 18, 2013.

(b) Basis of measurement

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

- Financial assets classified as fair value through profit or loss;
- Investment property is measured at fair value;
- Non-current assets held for sale;
- Investments accounted for at equity;
- Derivative financial instruments,

(c) Use of estimates and judgments

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

The estimates and underlying assumptions are revised on a regular basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if

the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- Fair value of investment property

The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. Changes in their fair value are recognized in consolidated income statement.

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

- Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses the fair values as determined by the relevant bank. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

- Impairment of investments in associates

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

- Legal claims

In estimating the likelihood of outcome of legal claims filed against the Company and its investees, the companies rely on the opinion of their legal counsel. These estimates are based on the legal counsel's best professional judgment, taking into account the stage of proceedings and historical legal precedents in respect of the different issues. Since the outcome of the claims will be determined in courts, the results could differ from these estimates.

(d) Functional and presentation currency

The consolidated financial statements are presented in EURO, rounded to the nearest thousand (EURO '000), except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the parent company Grand City Properties S.A. and the financial statements of its subsidiaries. Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date that control commences until the date control ceases. Intra-group transactions, balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The restructuring of the group in which **Grand city ltd's** shares were transferred to the Company at par value was treated as a restructuring under common control. Therefore, these consolidated financial statements present the results as if the Company owned 94.8% of **Grand city ltd's** shares from the beginning of the earliest reported period. See note 1(c).

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied by all group entities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Accounting for business combinations under IFRS3 only applies if it is considered that a business has been acquired. The Group may invest in subsidiaries that hold properties but do not constitute a business. Those transactions are therefore treated as asset acquisitions rather than business combinations. The Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisitions.

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method, i.e. when control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are generally recognised in the consolidated income statement as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is initially measured as the excess of the sum of the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for

within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in consolidated income statements.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

(c) Investments in associates and equity- accounted investees

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

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

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

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

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

(d) Revenue recognition

Revenues are recognized in profit or loss when the revenues can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Change in the operating cost receivable that consist of accumulated recoverable property operating expenses recharged on the tenants. The operating cost receivables are paid off on an annual basis by the respective prepayments received for operating costs.

- Other operating income

Other operating income is used to represent income from activities other than rental operations, such as profit from release of provisions, tax repayments, commissions, cancelled debts and others.

- Sale of buildings

Revenue from the sale of buildings in the course of ordinary activities is measured as the fair value of the consideration received or receivable. Revenue is recognizing when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the buildings can be estimate reliably.

(e) Interest result, Net (finance income and finance costs)

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(f) Other finance expenses

Other finance expenses represent changes in the time value of provisions, changes in the fair value of financial assets, impairment losses of financial assets and profit or losses on derivative financial instruments which are recognized in the consolidated income statement. In addition, other finance expenses include borrowing costs and loan arrangement fees.

(g) Deferred tax, income tax and property taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(1) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

(2) Deferred tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the

- temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences

to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(h) Dividends

Dividend distribution to the Group's shareholders is recognised in the Group's consolidated financial statements in the year in which they are approved by the Group's shareholders.

(i) Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Furniture, fixtures and office equipment	10-50

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

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

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

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

(j) Deferred income

Deferred income represents income which relates to future periods.

i. Prepayments

Payments received in advance on development contracts for which no revenue has been recognised yet, are recorded as prepayments for clients as at the reporting date and carried under liabilities.

Prepayments received for operating costs

Prepayments received comprise payments received from tenants for the operating cost of the property.

Prepaid expenses

Expenses prepaid by the Company which are e.g. recognized throughout a period or prepayments of the Company for services that remain incomplete as of the statement's date.

Tenancy deposits

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

(k) Investment properties

An investment property is property comprising buildings held by the owner to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property are included in profit or loss when they arise.

Investment property is derecognized on disposal or when the investment property ceases to be used and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of the disposal.

The Group determines the fair value of investment property on the basis of valuations by independent valuers who hold recognized and relevant professional qualifications and have the necessary knowledge and experience.

(l) Assets held for sale

Non-current assets or disposal groups, comprising assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

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

(m) Financial instruments

1. Non-derivative financial assets:

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables.

a) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

2. Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

3. Share capital

a) Ordinary shares

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

4. Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in EURO that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

5. Derivative financial instruments

Derivative financial instruments are initially accounted for at cost and subsequently measured at fair value. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative. The adjustments on the

fair value of derivatives held at fair value are transferred to the consolidated income statement.

6. Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

7. Trade payables

Trade payables are initially measured at fair value.

(n) Derecognition of financial assets and liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

(o) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(p) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(r) Property operating expenses

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties.

(s) Refurbishment maintenance

Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the income statement. Refurbishment that takes place subsequent to the property valuation, thus excluded in its additional value, will also be stated in this account, until the next property valuation.

(t) Operating segments

The Group operates in one operating segment. An operating segment is a component of the Group that meets the following three criteria:

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

(u) Comparatives

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

(v) Earnings per share

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

(w) Leases

i. Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is

Measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or

Contains a lease. This will be the case if the following two criteria are met:

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- The arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

(x) Trading properties (Inventories)

Inventories are trading properties acquired with the clear intention that they are to be sold in the ordinary course of business. Trading properties considered as inventories are shown at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Trading properties are purchased and sold on a portfolio basis. Each separately identifiable portfolio of trading properties is held by a Group subsidiary entity established and/or acquired for the purpose of holding the respective trading property portfolio. Trading properties are recognized in the balance sheet only when full control is obtained. Trading properties are de-recognized in the consolidated financial statements only when full control is transferred outside of the Group. Cost of trading properties is determined on the basis of specific identification of the individual costs of the trading property including acquisition costs such as transfer taxes, legal and due diligence fees

(y) New standards and interpretations not yet adopted

Adoption of new and revised International Financial Reporting Standards and Interpretations

During the current period the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on January 1, 2012. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these consolidated financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Group.

(I) IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

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 additions 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 add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Group's financial assets, but not any impact on the Group's financial liabilities.

(II) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011).

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.

The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

The Group may need to reclassify its joint arrangements, which may lead to changes in current accounting for these interests.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(III) IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(IV) IAS 19 Employee Benefits (2011)

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

4. ACQUISITION OF SUBSIDIARY AND NON - CONTROLLING INTEREST

During the year the Group obtains control of several companies through acquisitions.

The significant transactions are as follows:

A. Loseranco Investment Limited

The Group obtained control of Loseranco Investment Limited (hereinafter- Loseranco), a holding company which holds real estate properties in Germany by acquiring 94 percent of the shares, voting interests and shareholder loans in Loseranco on December 17, 2012 for the amount of EURO 5,170 thousand net of cash acquired. As a result of the business combination the Company recorded a negative goodwill of EURO 8.902 thousand in the consolidated income statement. The Company recognized non-controlling interest at the amount of EURO 429 thousands.

Identifiable assets and liabilities acquired for the date of transaction as follows:

	<u>In thousands of Euro</u>
Investment properties	16,160
Trade and other receivable	4,190
Deferred tax assets	438
Other assets	634
Loans and borrowings	(4,509)
Deferred tax Liabilities	(2,037)
Trade and other payable	(256)
Other liabilities	(119)
Acquisition of non-controlling interests	(429)
Profit arising from business combination (negative goodwill)	(8.902)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	5,170

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 896 thousand, and the Group's net profit have been increased by Euro 533 thousand.

B. Trovemco Limited

The Group obtained control of Trovemco Limited (hereinafter- Trovemco), a holding company which holds real estate property in Berlin (through holding of 70% in a company) by acquiring 100 percent of the shares, voting interests and shareholder loans in Trovemco on December 28, 2012 for the amount of EURO 1.547 thousand net of cash acquired. As a result of the business combination the Company recorded a negative goodwill of EURO 1.476 thousand in the consolidated income statement. The Company recognized non-controlling interest at the amount of EURO 640 thousands.

Identifiable assets and liabilities acquired for the date of transaction as follows:

	<u>In thousands of Euro</u>
Investment properties	8,430
Trade and other receivable	345
Deferred tax assets	11
Other assets	23
Loans and borrowings	(4.480)
Deferred tax Liabilities	(407)
Trade and other payable	(259)
Acquisition of non-controlling interests	(640)
Profit arising from business combination (negative goodwill)	(1,476)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	1.547

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 940 thousand, and the Group's net profit would have been increased by Euro 228 thousand.

C. Maltisius Investment Limited

The Group obtained control of Maltisius Investment Limited (hereinafter- Maltisius) , a holding company which holds real estate property in Berlin (through holding of 100% in a company) by acquiring 94 percent of the shares, voting interests and shareholder loans in Maltisius on December 17, 2012 for the amount of EURO 2.752 thousand net of cash acquired. As a result of the business combination the company recorded a negative goodwill of EURO 2.795 thousand in the consolidated income statement. The Company recognized non-controlling interest at the amount of EURO 188 thousands.

Identifiable assets and liabilities acquired for the date of transaction as follows:

	<u>In thousands of Euro</u>
Investment properties	10.320
Trade and other receivable	94
Deferred tax assets	296
Loans and borrowings	(3.703)
Deferred tax Liabilities	(851)
Trade and other payable	(298)
Other liabilities	(123)
Acquisition of non-controlling interests	(188)
Profit arising from business combination (negative goodwill)	(2.795)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	2.752

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 798 thousand, and the Group's net profit would have been decrease by Euro 9 thousand.

D. Mavelianco Limited

The Group, through Mavelianco Limited (a 100% subsidiary of the group), obtained control of a group of companies holding real estate properties in Berlin (hereinafter- acquired group), by acquiring 90 Percent of the shares of the company and 85 percent of the shares of the companies, voting interests and shareholder loans on July 15, 2012. As consideration the Group paid EURO 306 net of cash acquired. As a result of the business combination the Company recorded a negative goodwill of EURO 4.758 thousand in the consolidated income statement. The Company recognized non-controlling interest in amount of EURO 964 thousands.

Identifiable assets and liabilities acquired for the date of transaction as follows:

	<u>In thousands of Euro</u>
Investment properties	17.910
Trading properties - inventory	18.630
Trade and other receivable	1.788
Deferred tax assets	1.532
Loans and borrowings	(28.996)
Deferred tax Liabilities	(2.392)
Trade and other payable	(2.407)
Other liabilities	(37)
Acquisition of non-controlling interests	(964)
Profit arising from business combination (negative goodwill)	(4.758)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	306

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 1.682 thousand, and the Group's net profit would have been increased by Euro 79 thousand.

E. Other purchases

The Group obtained control of two a holding companies which holds real estate property in Berlin (through holding of 100% in a company) by acquiring 51 percent of the shares, voting interests and shareholder loans on November 1, 2012 for the amount of EURO 925 thousand net of cash acquired. These transactions have no effect on the profit and loss or on the non-controlling interest.

Identifiable assets and liabilities acquired for the date of transaction as follows:

	<u>In thousands of Euro</u>
Investment properties	10.379
Trade and other receivable	1.287
Other assets	50
Loans and borrowings	(10.633)
Trade and other payable	(158)
Cash paid regarding acquisition of subsidiaries, net of cash acquired	925

If the purchase was carried out at the beginning of the reporting period, the Group's revenue would have been increased by Euro 885 thousand, and the Group's net profit would have been decrease by Euro 6 thousand.

5. REVENUE

	Year ended December 31	
	2012	2011(*)
	In thousands of Euro	
Rental income (a)	39.872	24.898
Revenue from sales of residential buildings	19.989	-
Other operating income	511	1.504
	<u>60.372</u>	<u>26.402</u>

(a) Of which EURO 15.996 thousand (Euro 8,729 Thousand in 2011) refers to property operating income (See note 3(d)).

6. CAPITAL GAINS, PROPERTY REVALUATIONS AND OTHER INCOME

	Year ended December 31	
	2012	2011(*)
	In thousands of Euro	
Capital gains	4.187	1.678
Change in fair value in investment Property (note 15)	78.335	71.165
Profit arising from business combination	15.521	-
	<u>98.043</u>	<u>72.843</u>

7. PROPERTY OPERATING EXPENSES

	Year ended December 31	
	2012	2011(*)
	In thousands of Euro	
Personnel expenses related to rental income	(997)	(1.151)
Property operating expenses	(18.427)	(10.868)
	<u>(19.424)</u>	<u>(12.019)</u>

(*) please refer to note 1(c) for the comparative figures.

8. OTHER EXPENSES

	Year ended December 31,	
	2012	2011(*)
	In thousands of Euro	
Provision for doubtful debts	(720)	(349)
Audit cost	(528)	(261)
Legal costs	(949)	(769)
Sales and marketing expenses	(459)	(446)
Non recoverable expenses	(454)	(46)
Administrative expenses	(557)	(37)
Depreciation and amortization	(95)	(7)
Other expenses	(751)	(502)
	<u>(4.513)</u>	<u>(2.417)</u>

9. NET FINANCE EXPENSES

	Year ended December 31,	
	2012	2011(*)
	In thousands of Euro	
a. Other finance results		
Changes in fair value of derivative and other financial instruments	(2.802)	(6.494)
Finance related expenses	<u>(1.466)</u>	<u>(1.631)</u>
	<u>(4.268)</u>	<u>(8.125)</u>
b. Finance Income/expenses		
Finance income from credit institutions	1.070	-
Finance expenses from credit institutions and third parties	(7.663)	(4.438)
Finance expenses from convertible bond	(1.804)	-
Finance on loans from related parties and shareholders	<u>(619)</u>	<u>(1.341)</u>
	<u>(9.016)</u>	<u>(5.779)</u>
	<u>(13.284)</u>	<u>(13.904)</u>

(*) please refer to note 1(c) for the comparative figures.

10. TAXATION

a. Tax rate applicable to the Group

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15,0 % for December 31, 2012, plus an annual solidarity surcharge of 5,5 % on the amount of federal corporate taxes payable. (Aggregated tax rate: 15,825%).

The corporation tax rate for Cyprus companies is 10%.

Under certain conditions interest income of the Cyprus company may be subject to defense contribution at the rate of 15% (10% to August 30, 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to August 30, 2011 and 17% thereafter).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liabilities is settled (liabilities method), based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

b. Taxes on income included in consolidated income statement

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011(*)</u>
	<u>In thousands of Euro</u>	
Corporation tax	(635)	(306)
Property tax	(1.637)	(1.067)
Deferred tax, see also c below	<u>(13.894)</u>	<u>(10.486)</u>
Charge for the year	<u>(16.166)</u>	<u>(11.859)</u>

(*) please refer to note 1(c) for the comparative figures.

c. **Movement on the deferred taxation account is as follows:**

Deferred tax liabilities (assets)

	Deferred tax on trade and other receivables	Deferred taxes - loss carried forward, Net	Fair value gains on in- vestment prop- erty	Total
In thousands of Euro				
Balance as at January 1, 2011	-	(527)	3.302	2.775
Charged to:				
Consolidated income statement	-	(198)	11.712	11.514
Balance as at December 31, 2011(*)	<u>-</u>	<u>(725)</u>	<u>15.014</u>	<u>14.289</u>
Balance as at January 1, 2012	-	(725)	15.014	14.289
Charged to:				
Consolidated income statement		2.978	11.877	14.855
Initial consolidation	396	(2.277)	4.640	2.759
Deconsolidation	-	844	(2.290)	(1.446)
Transfer to liability held for sale	-	(277)	(851)	(1.128)
Balance as at December 31, 2012	<u>396</u>	<u>543</u>	<u>28.390</u>	<u>29.329</u>

The Group's tax losses are of indefinite life.

Deferred tax assets

	Derivative finan- cial instruments	Total
In thousands of Euro		
Balance as at January 1, 2011	372	372
Charged to:		
Consolidated income statement	1.024	1.024
Balance as at December 31, 2011 (*)	<u>1.396</u>	<u>1.396</u>
Balance as at January 1, 2012	1.396	1.396
Charged to:		
Consolidated income statement	961	961
Deconsolidation	(223)	(223)
Transfer to liabilities held for sale	(19)	(19)
Initial consolidation	(303)	(303)
Balance as at December 31, 2012	<u>1.812</u>	<u>1.812</u>

(*) please refer to note 1(c) for the comparative figures.

d. **Reconciliation of effective tax rate**

	Year ended December 31,	
	2012	2011 (*)
	In thousands of Euro	
Profit before tax	109.082	70.516
Statutory tax rate	28.8%	28.8%
Tax computed at the statutory tax rate	31.416	20.308
Increase/(decrease) in taxes on income resulting from the following factors:		
Group's share of earnings of companies accounted for at equity	(1.320)	(237)
Effect on tax rates in foreign jurisdictions (at 15,825%)	(14.153)	(8.149)
Effect on tax rates in foreign jurisdictions (at 10%)	52	(205)
Others	171	142
Taxes on income	16.166	11.859

11. **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS**

a. Composition

	December 31,	
	2012	2011 (*)
	In thousands of Euro	
Balance as of January 1		
Investment in trade securities	1.950	-
Fair value adjustment	2.925	-
Balance as of December 31	4.875	-

b. After the reporting period the group realized approximately 25% of its investment for Euro 1.3M.

c. For hierarchy level used for the valuation of these financial assets refer to note 26.

(*) please refer to note 1(c) for the comparative figures.

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

A. Basic earnings per share

The calculation of basic earnings per share as of December 31, 2012 is based on the profit attributable to ordinary shareholders of EURO 81.831 thousand (2011: EURO 55.586 thousand), and a weighted average number of ordinary shares outstanding of 41.500.000 (2011:5.000.000), calculated as follows.

1. Profit attributed to ordinary shareholders (basic)

	<u>2012</u>	<u>2011(*)</u>
	<u>In thousands of Euro</u>	
Profit for the year, attributable to the owners of the Company	81.831	55.586

2. Weighted average number of ordinary shares (basic)

	<u>Note</u>	<u>2012</u>	<u>2011(*)</u>
Issued ordinary shares at January 1	19	5.000.000	5.000.000
Effect of shares issued in April 2012	19	33.750.000	-
Effect of shares issued in July 2012	19	2.750.000	-
Weighted average number of ordinary shares at December 31,		41.500.000	5.000.000
Basic earnings per share (EURO)		<u>1,97</u>	<u>11,11</u>

B. Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2012 is based on profit attributable to ordinary shareholders of EURO 83.116 thousand (2011: EURO 55.586 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 43.965.753 (2011: 5.000.000), calculated as follows.

1. Profit attributed to ordinary shareholders (diluted)

	<u>2012</u>	<u>2011(*)</u>
	<u>In thousands of Euro</u>	
Profit attributable to ordinary shareholders (diluted)	81.831	55.586
Interest expense on convertible notes, net of tax	1.285	-
Profit attributable to ordinary shareholders (diluted)	<u>83.116</u>	<u>55.586</u>

(*) please refer to note 1(c) for the comparative figures.

2. Weighted average number of ordinary shares (diluted)

	<u>Note</u>	<u>2012</u>	<u>2011(*)</u>
Issued ordinary shares on January 1	19	5.000.000	5.000.000
Effect of shares issued in April 2012	19	33.750.000	-
Effect of shares issued in July 2012	19	2.750.000	-
Effect of exercise of convertible bond	19	2.465.753	-
Weighted average number of ordinary shares at December 31,		43.965.753	5.000.000
Diluted earnings per share		<u>1,89</u>	<u>11,11</u>

13. OTHER LONG TERM ASSETS

	<u>December 31,</u>	
	<u>2012</u>	<u>2011 (*)</u>
	In thousands of Euro	
Finance lease asset	2.516	-
Tenancy deposit (note 18)	2.986	1.449
Advanced payment for investment property	2.422	-
Loans to associate undertakings	-	479
Balance as of December 31	<u>7.924</u>	<u>1.928</u>

(*) please refer to note 1(c) for the comparative figures.

14. EQUIPMENT AND INTANGIBLE ASSETS

	Furniture, fixtures and office equipment	Goodwill	Computer software	Total
	In thousands of Euro			
Cost				
Balance as at January 1, 2011	18	45	6	69
Additions	61	27	2	90
Balance as at December 31, 2011	79	72	8	159
Balance as at January 1, 2012	79	72	8	159
Additions	22	-	-	22
Balance as at December 31, 2012	101	72	8	181
Depreciation/Amortization				
Balance as at January 1, 2011	13	8	3	24
Depreciation/Amortization for the year	5	-	2	7
Balance as at December 31, 2011	18	8	5	31
Balance as at January 1, 2012	18	8	5	31
Depreciation/Amortization for the year	28	64	3	95
Balance as at December 31, 2012	46	72	8	126
Carrying amounts				
Balance as at December 31, 2012	55	-	-	55
Balance as at December 31, 2011(*)	61	64	3	128

15. INVESTMENT PROPERTY

	December 31,	
	2012	2011(*)
	In thousands of Euro	
Balance as of January 1	258.116	181.813
Additions	48.365	66.938
Disposals	(509)	(56.400)
Addition through business combinations	63.199	-
Deconsolidation	(30.100)	-
Transfer to assets held for sale (note 25)	(10.320)	(5.400)
Fair value adjustment (note 6)	78.335	71.165
Balance as at December 31	407.086	258.116

(*) please refer to note 1(c) for the comparative figures

Investment properties are stated at fair value, which has been determined based on external valuation reports performed by independent professionally qualified valuers as of December 31, 2012.

The range of the yields applied to the net annual rentals to determine the fair value of property is between 6.5%-7.5% .

16. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

1. Composition

	December 31,	
	2012	2011 (*)
	In thousands of Euro	
Balance as of January 1	2.397	-
Additions	230	900
Long term loans and receivables	3.331	-
Deconsolidation - loss of control (a)	5.820	-
Share of profit from associates	8.384	1.497
Balance as of December 31	<u>20.162</u>	<u>2.397</u>

(a). On October 4, 2012, the Company sold 50 percent of its shares in Residential Köln Grundstücks GmbH and shareholders loan to third party for EURO 7.902 thousand. As a result the Company recorded Euro 1.743 thousand as a capital gain.

(*) please refer to note 1(c) for the comparative figures.

2. The details of the significant investments are as follows:

Name	December 31, 2012			December 31, 2011 (*)		
	Holding %	Group share of net assets	Group's share of profit	Holding %	Group share of net assets	Group's share of profit
		In thousands of Euro			In thousands of Euro	
Terra Heimbau Zwei Ltd & Co KG	50%	3.149	2.483	50%	1.348	644
Terra Heimbau 407 Ltd & Co KG	50%	1.707	565	50%	1.049	853
Residential Essen I Grundstucks GmbH	50%	565	140	-	-	-
Residential Duisburg Grundstucks GmbH	50%	5.451	2.586	-	-	-
Residential Project Monchengladbach II GmbH	50%	869	343	-	-	-
Residential Koln Grundstucks GmbH	50%	8.421	2.267	-	-	-
		<u>20.162</u>	<u>8.384</u>		<u>2.397</u>	<u>1.497</u>

(a) All the companies above are incorporated in Germany

(b) The principle activity of all the companies above is investing in real estate properties

(*) please refer to note 1(c) for the comparative figures

17. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31,	
	2012	2011(*)
<u>Year of maturity</u>	<u>In thousands of Euro</u>	
<u>Liabilities</u>		
Non-current portion 2016 - 2018	12.599	8.823
	<u>12.599</u>	<u>8.823</u>

The Group uses interest rate swaps, collars, caps and floors (“hedging instruments”) to manage its exposure to interest rate movements on its bank borrowings.

All of the Group’s derivatives financial instruments are linked to the bank loans maturity (see note 20a).

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.

18. TRADE AND OTHER RECEIVABLES

	December 31,	
	2012	2011(*)
	<u>In thousands of Euro</u>	
Operating costs receivable	14.996	8.875
Receivables from related parties (note 24)	-	374
Rent and other receivables (a)	2.925	2.423
Tenancy deposits	2.986	1.449
Prepaid expenses	155	131
Others	3.032	-
	<u>24.094</u>	<u>13.252</u>
Non-current portion (note 13)	2.986	1.449
Current portion	21.108	11.803
	<u>24.094</u>	<u>13.252</u>

(a) Of which EURO 2.1M refers to rent receivables

The Group does not hold any collateral over the trading balances.

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

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

(*) please refer to note 1(c) for the comparative figures.

19. EQUITY

A. Share capital

	December 31			
	2012		2011 (*)	
	Number of shares	EURO in thousands	Number of shares	EURO in thousands
Authorised				
Ordinary shares of EURO 0,10 each	<u>200.000.000</u>	<u>20.000</u>	<u>5.000.000</u>	<u>500</u>
Issued and fully paid				
Balance as of January 1	5.000.000	500	5.000.000	500
Issuance of shares on April 12, 2012	45.000.000	4.500	-	-
Issuance of shares on July 19, 2012	5.500.000	550	-	-
Balance on December 31	<u>55.500.000</u>	<u>5.550</u>	<u>5.000.000</u>	<u>500</u>

(*) please refer to note 1(c) for the comparative figures.

Authorised capital

Under its Memorandum of association the Shareholders set the authorized share capital at 200.000.000 ordinary shares of nominal value of EURO 0,10 each.

Issued capital

- (1) Upon incorporation on December 16, 2011 the Company issued to the subscribers 5.000.000 ordinary shares of EURO 0,10 each at par.

On April 12, 2012, the Company made an issuance of 45.000.000 shares of EURO 0,10 each at par value. The issue was fully paid up in cash.

- (2) On July 19, 2012, the Company received net proceeds of EURO 14 million in a capital increase against a contribution in cash. A total of 5,5 million new shares were placed at an issue price of EURO 2,75 as part of an international private placement to institutional investors. The funds are primarily intended to be used for the acquisition of additional real estate portfolio.

Share premium

The share premium derives directly from the capital increase which was effected during the year. The share premium cannot be distributed.

Other reserves

The other reserves except for the equity component related to the convertible bond (see note 20b) were shareholders loan that were converted to equity, therefore the other reserves can be distributed at any time.

20. LOANS AND BORROWINGS

A. Composition

	Nominal Interest rate Weighted average	Year of maturity	December 31,	
			2012	2011(*)
In thousands of Euro				
Long - term liabilities				
Bank loans	3.6%	2014 -2021	165.751	138.149
Other loans	7%		6.001	-
Total loans			171.752	138.149
Convertible bond (B)	8%	2017	95.920	-
			267.672	138.149
Short - term liabilities				
Bank loans	3.6%	2013	4.249	2.599
			4.249	2.599
Total			271.921	140.748

B. Convertible bond

1. General:

	December 31,	
	2012	2011 (*)
In thousands of Euro		
Proceeds from issue of convertible bond (1.000 notes at EURO 100.000 par value)	100.000	-
Transaction costs	(3.946)	-
Net proceeds	96.054	-
Amount classified as equity	(*) (134)	-
Accrued interest	1.804	-
Carrying amount of liability at December 31, 2012	97.724	-
Non-current portion	95.920	-
Current portion	1.804	-
	97.724	-

(*)The amount of the convertible bond classified as equity of Euro 134 thousands is net of attributable transaction costs of Euro 5 thousands and based on annual effective interest rate of 9.02%.

(*) please refer to note 1(c) for the comparative figures.

Condition:

On October 15, 2012, the Company successfully completed the placement of convertible bonds convertible into ordinary shares of the Company ("the Bonds") for an aggregate principal amount of EURO 100 million.

The Bonds have a maturity of five years. The initial conversion price of the Bonds was EURO 4,00.

The Bonds bear interest at the rate of 8% per annum calculated by reference to the principal amount and payable semi-annually in arrears on April 15 and October 15 in each year, commencing with the Interest Payment Date falling on April 15, 2013.

2. Security, negative pledge

- a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Company in Grand City Ltd.
- a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Company with Bank Hapoalim (Suisse) S.A., Luxembourg branch ;
- first-ranking account pledges, governed by Luxembourg law, over each bank account held by Grand city ltd with Bank Hapoalim (Suisse) S.A., Luxembourg branch ; and
- first-ranking charges, governed by Cypriot law, over each bank account held by
- Grand city ltd with Cyprus popular bank public co ltd.

3. Covenants

- procure that Net Debt shall not exceed (i) at any time, 70% of the Portfolio Value and (ii) 65% of the Portfolio Value for a period of more than six (6) months;
- not make or pay, and will procure that its Subsidiaries will not make or pay, any Dividend other than a Permitted Dividend (EURO 0,07 per share per year);
- at all times hold at least 90% of the ordinary shares in Grand city ltd;
- Grand city ltd will not open, maintain or hold any interest, in each case directly or indirectly, in any account whatsoever with any bank or financial institution except for the Charged Accounts, unless the Issuer or Grand city ltd, respectively, grant a first-

ranking security interest, satisfactory to the Trustee, over the respective account in favour of the Trustee, for the benefit of the Trustee and the Bondholders;

Maintain 8 separate loans (without cross - collateral) with a maximum loan amount each of Euro 65m or 25% of total loans (whichever is the higher)

21. TRADE AND OTHER PAYABLES

	December 31	
	2012	2011 (*)
	In thousands of Euro	
Trade and other payables	5.935	2.746
Prepayments received from tenants	15.326	9.995
Tenancy deposits (note 22)	3.077	1.600
Deferred income	561	473
Payables to related parties	-	373
	<u>24.899</u>	<u>15.187</u>
Non-current portion	3.077	1.600
Current portion	21.822	13.587
	<u>24.899</u>	<u>15.187</u>

22. OTHER LONG TERM LIABILITIES

	December 31	
	2012	2011 (*)
	In thousands of Euro	
Tenancy deposits (note 21)	3.077	1.600
Finance lease liability	2.516	-
Loan from associate undertakings (see note 24)	1.438	309
	<u>7.031</u>	<u>1.909</u>

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	In thousands of Euro
Balance as at January 1, 2011	369
Charged to consolidated income statements during the year	<u>1.577</u>
Balance as at December 31, 2011(*)	<u>1.946</u>
Balance as at January 1, 2012	1.946
Charged consolidated income statements during the year	<u>343</u>
Balance as at December 31, 2012	<u>2.289</u>

(*) please refer to note 1(c) for the comparative figures.

24. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(i) Receivables from related companies (Note 18)

<u>Name</u>	<u>Nature of transactions</u>	<u>December 31,</u>	
		<u>2012</u>	<u>2011 (*)</u>
		<u>In thousands of Euro</u>	
Other related companies	Trade	-	374
		-	374

(ii) Loans to associated undertakings

	<u>December 31,</u>		
	<u>2012</u>	<u>2011 (*)</u>	
		<u>In thousands of Euro</u>	
Other associate undertakings	-	479	
	-	479	

(iii) Payables to related companies (Note 21)

<u>Name</u>	<u>Nature of transactions</u>	<u>December 31,</u>	
		<u>2012</u>	<u>2011 (*)</u>
		<u>In thousands of Euro</u>	
Other related companies	Trade	-	373
		-	373

(iv) Loans from associated undertakings

	<u>December 31,</u>		
	<u>2012</u>	<u>2011 (*)</u>	
		<u>In thousands of Euro</u>	
Other associated undertakings	1.438	309	
	1.438	309	

(v) Loan from shareholders

	<u>December 31,</u>		
	<u>2012</u>	<u>2011 (*)</u>	
		<u>In thousands of Euro</u>	
Loans from shareholders	-	18.793	
	-	18.793	

The loans from shareholders were provided with an interest rate of 8%. The loans were repaid during 2012.

(*) please refer to note 1(c) for the comparative figures.

(vi) Interest on loans from related parties

	December 31,	
	2012	2011 (*)
	In thousands of Euro	
Interest on loans from related party during the year	751	1.266
	<u>751</u>	<u>1.266</u>

There were no transactions between the group and its key management during the year.

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

25. ASSETS / LIABILITIES HELD FOR SALE

During the reporting period, the Company resolved to dispose of the control of one of the Group's subsidiaries. Negotiations with specific interested parties have taken place. The assets and liabilities attributable to the subsidiary, which is expected to be sold within twelve months, have been classified as asset/liability held for sale and are presented separately in the consolidated statement of financial position. No impairment loss was recognised on reclassification of the assets as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	December 31,	
	2012	2011 (*)
	In thousands of Euro	
Assets classified as held for sale		
Investment property	10.320	5.400
Trade and other receivables	94	-
Cash	11	-
Deferred tax	296	-
Total assets classified as held for sale	<u>10.721</u>	<u>5.400</u>
Liabilities classified as held for sale		
Trade payables	304	-
Loans and borrowings	3.710	-
Deferred tax liabilities	851	-
Derivative	117	-
Total liabilities classified as held for sale	<u>4.982</u>	<u>-</u>

(*) please refer to note 1(c) for the comparative figures.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Group is exposed to the following major risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

(i) Credit risk

Credit risk arises because a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

(a) Rent and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

(b) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows.

		Carrying amount	
		December 31,	
	Note	2012	2011
		In thousands of Euro	
Rent and other receivables	18	2.925	2.423

The maximum exposure to credit risk for rent and other receivables at the end of the reporting period was by end-users customers.

i. Impairment losses

The aging of trade and other receivables at the end of the reporting period that were unimpaired was as follows.

	December 31,	
	2012	2011
	In thousands of Euro	
Neither past due nor impaired	820	1.712
Past due 1-30 days	313	93
Past due 31-90 days	434	107
Above 90 days	1.358	511
	2.925	2.423

II. Cash and cash equivalents

The Group held cash and cash equivalents of EURO 80.977 thousand as of December 31 2012 (2011: EURO 8.158 thousand), which represents its maximum credit exposure on these assets.

(* please refer to note 1(c) for the comparative figures.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2011 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements.

December 31, 2012

Carrying amount	Contractual cash flows including interest						
	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years	
In thousands of Euro							
Non-derivative financial liabilities							
Secured bank loans	170.000	192.407	92	9.562	9.831	10.549	162.373
Convertible bond	97.724	140.000	-	8.000	8.000	8.000	116.000
Other loans	6.001	8.113	309	488	542	561	6.213
Trade payables	5.935	5.935	5.935	-	-	-	-
Total	279.660	346.455	6.336	18.050	18.373	19.110	284.586

December 31, 2011

Carrying amount	Contractual cash flows including interest						
	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years	
In thousands of Euro							
Non-derivative financial liabilities							
Secured bank loans	140.748	176.528	3.465	7.911	8.485	8.820	147.847
Shareholders loan	18.793	19.357	-	-	-	-	19.357
Trade payables	2.746	2.746	2.746	-	-	-	-
Total	162.287	198.631	6.211	7.911	8.485	8.820	167.204

(*) please refer to note 1(c) for the comparative figures.

(iii) Market risk

a. Profile

At the end of the reporting period the interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group was as follows.

	Nominal amount, December 31,	
	2012	2011
	In thousands of Euro	
Fixed rate instruments		
Fixed with swap, fixed	73.295	64.938
Variable rate instruments		
Cap, collar, variable	92.453	76.464
Total	165.748	141.402

b. Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	In thousands of Euro			
December 31, 2012				
Variable rate instruments	(924)	205	(924)	205
Cash flow sensitivity	<u>(924)</u>	<u>205</u>	<u>(924)</u>	<u>205</u>
December 31, 2011				
Variable rate instruments	(765)	95	(765)	95
Cash flow sensitivity	<u>(765)</u>	<u>95</u>	<u>(765)</u>	<u>95</u>

(*) please refer to note 1(c) for the comparative figures.

(iv) Operating Risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

(v) Accounting classifications and fair values

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).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>In thousands of Euro</u>			
December 31, 2012				
Financial asset at fair value through profit or loss	-		4.875	4.875
Total assets	<u>-</u>		<u>4.875</u>	<u>4.875</u>
Derivative financial instruments	-	12.599	-	12.599
Total liabilities	<u>-</u>	<u>12.599</u>	<u>-</u>	<u>12.599</u>
December 31, 2011				
Derivative financial instruments	-	8.823	-	8.823
Total liabilities	<u>-</u>	<u>8.823</u>	<u>-</u>	<u>8.823</u>

(*) please refer to note 1(c) for the comparative figures.

(vi) Other risks

The general economic environment prevailing internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. As at December 31, 2012 and 2011 the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group.

In the current period the Group issued a convertible bond (note 20b) for which Net Debt (which is define at financial indebtedness less cash and cash equivalents) shall not exceed (i) at any time, 70% of the Portfolio Value and (ii) 65% of the Portfolio Value for a period of more than six (6) months. The Group is in compliance with these terms at year end.

The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the year covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

27. COMMITMENTS

The Group entered into long term rent agreements as a lessor, the minimum rent income which will be received are as follows.

	December 31,	
	2012	2011
	In thousands of Euro	
Less than a year	1,150	-
2 to 5 year	4,897	-
Beyond 5 years	22,088	-
	<u>28,135</u>	<u>-</u>

28. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets and liabilities as at December 31, 2012.

29. EVENTS AFTER THE REPORTING PERIOD

- A. On February 20, 2013, S&P assigned the Company, a corporate rating and convertible bond rating for the bond of BB-, Ail with a stable outlook.
The stable outlook reflects the current liquidity position of the company and the estimate of cash production capacity from its current operations, among others factors,
- B. On February 19, 2013, the Company received net proceeds of EURO 33,4 million from a second capital increase against contribution in cash. A total of 8,0 million new shares were placed at an issue price of EURO 4,46 as part of an international private placement to institutional investors. The funds are primarily intend to be used for the acquisition of additional real estate portfolio.
- C. The company is at an advenced stage in discussions to purchase 3.000 units in several deals mainly in Berlin North Rhine - Westphalia and Nurenberg.

APPENDIX A

The details of the significant Group entities are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>December 31, 2012 Holding %</u>	<u>2011 (*) Holding %</u>
Subsidiaries held directly by the Company				
Grand City Property Ltd. (Former Adminond Trading & Investments Limited)	Cyprus	Holding of investments	94,8	94,8

Significant subsidiaries held directly under Grand City Property Ltd.

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>December 31, 2012 Holding %</u>	<u>2011 (*) Holding %</u>
Nimessa Investments Limited	Cyprus	Holding of investments	100%	100%
Mindoza Investments Limited	Cyprus	Holding of investments	100%	100%
Mansanu Investments Limited	Cyprus	Holding of investments	100%	100%
Sedoy Investments Limited	Cyprus	Holding of investments	100%	100%
Brencere Investments Limited	Cyprus	Holding of investments	100%	100%
Pahlia Limited	Cyprus	Holding of investments	100%	100%
Romeliaco Investments Limited	Cyprus	Holding of investments	100%	100%
Deprimus Limited	Cyprus	Holding of investments	100%	-
Trovemco Limited	Cyprus	Holding of investments	100%	-
Mavelianco Limited	Cyprus	Holding of investments	100%	-
Matlisius Limited	Cyprus	Holding of investments	94%	-
Loseranco Limited	Cyprus	Holding of investments	94%	-
Residential Koln Grundstucks GmbH	Germany	Investing in real estate properties	-	100%
Residential Bielefeld I Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Bielefeld II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Braunschweig II Grundstucks GmbH	Germany	Investing in real estate properties	100%	100%

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	December 31,	
			<u>2012 Holding %</u>	<u>2011 (*) Holding %</u>
Residential Braunschweig III Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Erkrath I Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Erkrath II Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Dortmund II Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Solingen II Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Wuppertal Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Velbert Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Lunen Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
RGG Rohrdamm Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Residential Bremen Grundstücks GmbH	Germany	Investing in real estate properties	100%	100%
Awdess 1.Grundstücks GmbH	Germany	Investing in real estate properties	100%	-
Residential Project Monchengladbach Grundstücks GmbH	Germany	Investing in real estate properties	94%	94%
Hartit Berlin Grundstücks GmbH	Germany	Investing in real estate properties	94%	94%
		Investing in real estate properties	85%	-

Report of the Réviseur d'Entreprises agréé (Auditors Report)

To the Shareholders of
Grand City Properties S.A.
6 Boulevard Pierre Dupong
L-1430 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Grand City Properties S.A., which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements.

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

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain

reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Grand City Properties S.A. as of December 31, 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors' Report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Luxembourg, March 18, 2013

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Alison Macleod

Audited Consolidated Financial Statements of Grandcity Property Ltd. (previous name: Adminond Trading & Investments Limited) for the financial year ended December 31, 2011 (IFRS)

Consolidated Statement of Comprehensive Income

	Note	2011 €'000	2010 €'000
Revenue	4	26.402	10.404
Capital gains and property revaluation		74.339	20.792
Staff costs		(1.151)	(361)
Maintenance and refurbishment		(1.886)	(722)
Property operating expenses		(10.867)	(6.269)
Other expenses		<u>(2.462)</u>	<u>(315)</u>
Operating profit		<u>84.375</u>	<u>23.529</u>
Net interest result		(5.747)	(2.160)
Other financials result		<u>(8.125)</u>	<u>221</u>
Net finance expenses	5	<u>(13.872)</u>	<u>(1.939)</u>
Profit before tax		70.503	21.590
Deffered and current tax expenses	6	<u>(11.859)</u>	<u>(1.362)</u>
Profit for the year		<u>58.644</u>	<u>20.228</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>58.644</u>	<u>20.228</u>
Attributable to:			
Shareholders of the Company		58.662	19.213
Non-controlling interests		<u>(18)</u>	<u>1.015</u>
Profit for the year		<u>58.644</u>	<u>20.228</u>

The notes on pages 13 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

	Note	2011 €'000	2010 €'000
Assets			
Non-current assets			
Equipment	8	52	5
Intangible assets	9	68	47
Investment properties	10	258,116	181,813
Investments in equity-accounted investees	12	2,397	-
Derivative financial assets	17	-	269
Loans to associate undertakings	24	479	369
Deferred tax assets	21	725	527
Total non-current assets		<u>261,837</u>	<u>183,030</u>
Current assets			
Inventories	15	-	115
Trade and other receivables	16	13,252	7,482
Available-for-sale investment property	13	5,400	-
Cash at bank and in hand	18	7,658	8,887
Total current assets		<u>26,310</u>	<u>16,484</u>
Total assets		<u>288,147</u>	<u>199,514</u>
Equity			
Share capital	19	2	2
Reserves		87,988	40,950
Total equity attributable to shareholders of the Company		<u>87,990</u>	<u>40,952</u>
Non-controlling interests		<u>739</u>	<u>2,445</u>
Total equity		<u>88,729</u>	<u>43,397</u>
Liabilities			
Loans and borrowings			
Loans from associate undertakings	24	138,149	110,129
Loans from shareholders	24	309	1,075
Loans from shareholders	24	18,793	28,801
Derivative financial liabilities	14	8,823	391
Deferred tax liabilities	21	13,618	3,189
Total non-current liabilities		<u>179,692</u>	<u>143,585</u>
Current liabilities			
Short term portion of long-term loans	20	2,599	1,034
Trade and other payables	23	15,213	11,161
Provisions	22	1,914	337
Total current liabilities		<u>19,726</u>	<u>12,532</u>
Total liabilities		<u>199,418</u>	<u>156,117</u>
Total equity and liabilities		<u>288,147</u>	<u>199,514</u>

On 16 May 2012 the Board of Directors of Admonid Trading & Investments Limited authorised these financial statements for issue.

Nicolas Treppides
Director

KJLAW MANAGERS LIMITED
Director

The notes on pages 13 to 41 are an integral part of these consolidated financial statements.

ADMINOND TRADING & INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

Note	Attributable to equity holders of the Company					Non-controlling interests €'000	Total equity €'000
	Share capital €'000	Hedge reserve €'000	Other reserve €'000	Retained earnings €'000	Total €'000		
Balance at 1 January 2010	2	(132)	15,000	6,687	21,557	1,582	23,139
Total comprehensive income for the year	-	-	-	19,213	19,213	1,015	20,228
Adjustments due to acquisitions and disposals of subsidiaries	-	22	-	160	182	(152)	30
Balance at 31 December 2010	2	(110)	15,000	26,060	40,952	2,445	43,397

The notes on pages 13 to 41 are an integral part of these consolidated financial statements.

ADMINOND TRADING & INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company					Non-controlling interests €'000	Total equity €'000
	Share capital €'000	Hedge reserve €'000	Other reserve €'000	Retained earnings €'000	Total €'000		
Balance at 1 January 2011	2	(110)	15,000	26,060	40,952	2,445	43,397
Total comprehensive income for the year	-	-	-	58,662	58,662	(18)	58,644
Dividends	-	-	-	(11,131)	(11,131)	-	(11,131)
Adjustments due to acquisitions and disposals of subsidiaries	-	(45)	-	(448)	(493)	(1,688)	(2,181)
Balance at 31 December 2011	2	(155)	15,000	73,143	87,990	739	88,729

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The notes on pages 13 to 41 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

	2011 €'000	2010 €'000
Cash flows from operating activities		
Profit for the year	58,644	20,228
Adjustments for:		
Depreciation of property, plant and equipment	5	3
Amortisation of goodwill	8	-
Amortisation of computer software	1	1
Fair value gains on investment property	(71,165)	(20,792)
Other financials result	8,125	-
Interest expense, net	5,747	1,939
Tax expense	11,859	1,362
Cash flows from operations before working capital changes	13,224	2,741
Decrease/(increase) in inventories	115	(115)
Increase in trade and other receivables	(5,770)	(3,282)
Decrease/(increase) in financial assets at fair value through profit or loss	269	(20)
Increase in derivative financial instruments	8,432	145
Increase in trade and other payables	1,616	7,518
Increase in provisions	1,577	156
Cash flows from operations	19,463	7,143
Tax paid	(1,373)	(203)
Net cash flows from operating activities	18,090	6,940
Cash flows from investing activities		
Payment for purchase of intangible assets	(30)	(33)
Payment for purchase of property, plant and equipment	(52)	-
Payment for purchase of investment property	(66,938)	(103,241)
Payment for purchase of investments in investments in equity-accounted investees	(2,397)	-
Loans granted	(110)	(273)
Proceeds from sale of investment properties	56,400	-
Interest received	-	1,873
Net cash flows used in investing activities	(13,127)	(101,674)
Cash flows from financing activities		
Repayment of loans from related companies	(766)	(200)
Repayment of loans from shareholders	(10,008)	-
Proceeds from borrowings - net	29,585	84,188
Proceeds from loans from shareholders	-	22,774
Interest paid	(5,747)	(3,812)
Dividends paid	(11,131)	-
Other financials result	(8,125)	-
Net cash flows (used in)/from financing activities	(6,192)	102,950

The notes on pages 13 to 41 are an integral part of these consolidated financial statements.

	2011 €'000	2010 €'000
Net (decrease)/increase in cash and cash equivalents	(1.229)	8.216
Cash and cash equivalents at the beginning of the year	<u>8.887</u>	<u>(* 671)</u>
Cash and cash equivalents at the end of the year	<u>7.658</u>	<u>(* 8.887)</u>

(* The Company reclassified amount of Euro 819 thousands from cash and cash equivalents to tenancy deposits that record in the trade and other receivables.

The notes on pages 13 to 41 are an integral part of these consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Adminond Trading & Investments Limited (the "Company") was incorporated in Cyprus on 10 May 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Kafkasou 9, 6th floor, 2112 Nicosia, Cyprus.

The consolidated financial statements for the year ended 31 December 2011 consist of the financial statements of the Company and its subsidiaries. (which together are referred to as "the Group")

The principal activity of the Group is to invest in European real estate.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except in the case of land, buildings and equipment, leases, and investments, which are shown at their fair value.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011 . This adoption did not have a material effect on the accounting policies of the Group

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the consolidated financial statements of the Group

(d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**2. BASIS OF PREPARATION** (continued)**(d) Use of estimates and judgements** (continued)• Provision for bad and doubtful debts

The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

• Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

• Fair value of investment property

The Group uses external valuation reports issued by independent professionally qualified valuers to determine the fair value of its investment properties. The fair value of the investment property has been estimated based on the fair value of the particular investment properties held.

• Impairment of investments in associates

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

• Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. BASIS OF PREPARATION *(continued)*

(d) Use of estimates and judgements *(continued)*

- **Impairment of intangible asset**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

(e) Functional and presentation currency

The financial statements are presented in Euro (€'000) which is the functional currency of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements and in stating the financial position of the Group. The accounting policies have been consistently applied by all companies of the Group.

Basis of consolidation

The Group consolidated financial statements comprise the financial statements of the parent company Adminond Trading & Investments Limited and the financial statements of the subsidiaries stated in note 14. Subsidiaries are entities controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date that control commences until the date control ceases. Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Basis of consolidation (continued)Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

ADMINOND TRADING & INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Business combinations (continued)**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)Business combinations (continued)

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

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Investments in associates

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

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

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

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Revenue recognition

Revenue comprises the invoiced amount for the sale of services net of Value Added Tax, rebates and discounts. Revenues earned by the Group are recognised on the following bases:

- Rendering of services
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- Income from investments in securities
Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2011 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- Changes in balance of operating cost receivables
The position reflects the change in the operating cost receivables that consists of accumulated recoverable property operating expenses recharged on the tenants. The operating cost receivables are paid off on an annual basis by the respective prepayments received for operating costs.
- Other operating income
Other income is used to represent income from activities other than rental operations, such as profit from release of provisions, tax repayments, commissions, cancelled debts and others.
- Rental income
Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Net interest result

Net interest result comprises interest income and expenses recognized on an accrual basis, using the effective interest method. The results originate from loans granted by related parties and credit institutions.

Other financials result

Other financials result contains changes in fair value of derivative financial instruments, borrowing costs such as loan brokerage fees and refinance consultancy premiums, bank transaction fees, etc.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Property taxes

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

Dividends

Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group's shareholders.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Furniture, fixtures and office equipment	10-50

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Property, plant and equipment *(continued)*

sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment property, principally comprising residential and office buildings, is held for long-term rental yields and/or for capital appreciation. Investment property is carried at fair value, representing open market value determined by external valuers. Changes in fair values are recorded in profit or loss and are included in other operating income. Property that is being constructed or developed for future use as investment property is treated as owner occupied until construction or development is completed at which time the property becomes investment property. Such property is carried at cost which includes transaction costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Any excess of the interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised immediately in profit or loss.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***(ii) Computer software**

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Prepayments

Payments received in advance on development contracts for which no revenue has been recognised yet, are recorded as prepayments from clients as at the reporting date and carried under liabilities.

Prepayments received for operating costs

Prepayments received comprise payments received from tenants for the operating cost of the property.

Prepaid expenses

Expenses prepaid by the company which are e.g. recognized throughout a period or prepayments of the company for services that remained incomplete as of the statement's date.

Tenancy Deposits

Tenancy deposits are paid to ensure the apartment is returned in good condition. The tenancy deposits can also be used as loss of rent occurs.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Financial assets and liabilities (continued)(iii) Investments

The Group classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

• Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the profit or loss.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)Financial assets and liabilities (continued)(iii) Investments (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(iv) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

(v) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vi) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilitiesFinancial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Derecognition of financial assets and liabilities (continued)Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*Property operating expenses

This item includes operating costs that can be recharged to the tenants and direct management costs of the properties.

Maintenance and refurbishment

Maintenance expenses for the upkeep of the property in its current condition, as well as expenditure for repairs are charged to the income statement. Refurbishment that takes place subsequent to an external valuation, thus missing to reflect its additional value, will also be stated in this account.

Comparatives

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

4. REVENUE

	2011 €'000	2010 €'000
Net Rent	16.169	7.706
Property operating income	8.729	2.654
Other income	<u>1.504</u>	<u>44</u>
	<u><u>26.402</u></u>	<u><u>10.404</u></u>

Property operating income consists of reimbursed property operating costs amounted to €4,009 and changes in balance of operating cost receivables amounted to €4,720.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. NET INTEREST AND OTHER FINANCIALS RESULT

	2011 €'000	2010 €'000
Interest expense		
Loan interest	4.407	1.748
Group interest	<u>1.340</u>	<u>412</u>
	<u>5.747</u>	<u>2.160</u>

Other financials result is analysed as follows:

	2011 €'000	2010 €'000
Derivative financial instruments	6.494	(211)
Others	<u>1.631</u>	<u>-</u>
	<u>8.125</u>	<u>(211)</u>

6. TAX EXPENSE

	Note	2011 €'000	2010 €'000
Current income taxes		306	83
Property taxes		1.067	203
Deferred taxes	21	<u>10.486</u>	<u>1.076</u>
Total tax for the year		<u>11.859</u>	<u>1.362</u>

The German subsidiaries are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15,0 % for 31 December 2011, plus an annual solidarity surcharge of 5,5 % on the amount of federal corporate taxes payable. (Aggregated tax rate: 15,825%).

The corporation tax rate for Cyprus companies is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to special contribution to the defence fund at the rate of 15%.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**7. DIVIDENDS**

	2011 €'000	2010 €'000
Final dividend paid	<u>11.131</u>	<u>-</u>
	<u>11.131</u>	<u>-</u>

On 31 October 2011 the Company in General Meeting declared the payment of a final dividend of €11.131 thousand (2010: €NIL thousand).

Dividends are subject to a deduction of special contribution to the defence fund at the rate of 15% for individual shareholders that are resident in Cyprus.

8. EQUIPMENT

	Furniture, fixtures and office equipment €'000	Total €'000
Cost		
Balance at 1 January 2010	<u>18</u>	<u>18</u>
Balance at 31 December 2010	<u>18</u>	<u>18</u>
Balance at 1 January 2011	18	18
Additions	<u>52</u>	<u>52</u>
Balance at 31 December 2011	<u>70</u>	<u>70</u>
Depreciation		
Balance at 1 January 2010	10	10
Depreciation for the year	<u>3</u>	<u>3</u>
Balance at 31 December 2010	<u>13</u>	<u>13</u>
Balance at 1 January 2011	13	13
Depreciation for the year	<u>5</u>	<u>5</u>
Balance at 31 December 2011	<u>18</u>	<u>18</u>
Carrying amounts		
Balance at 31 December 2011	<u>52</u>	<u>52</u>
Balance at 31 December 2010	<u>5</u>	<u>5</u>

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. INTANGIBLE ASSETS

	Goodwill €'000	Computer software €'000	Total €'000
Cost			
Balance at 1 January 2010	12	6	18
Additions	<u>33</u>	<u>-</u>	<u>33</u>
Balance at 31 December 2010	<u>45</u>	<u>6</u>	<u>51</u>
Balance at 1 January 2011	45	6	51
Additions	<u>28</u>	<u>2</u>	<u>30</u>
Balance at 31 December 2011	<u>73</u>	<u>8</u>	<u>81</u>
Amortisation			
Balance at 1 January 2010	-	3	3
Amortisation for the year	<u>-</u>	<u>1</u>	<u>1</u>
Balance at 31 December 2010	<u>-</u>	<u>4</u>	<u>4</u>
Balance at 1 January 2011	-	4	4
Amortisation for the year	<u>8</u>	<u>1</u>	<u>9</u>
Balance at 31 December 2011	<u>8</u>	<u>5</u>	<u>13</u>
Carrying amounts			
Balance at 31 December 2011	<u>65</u>	<u>3</u>	<u>68</u>
Balance at 31 December 2010	<u>45</u>	<u>2</u>	<u>47</u>

Computer software comprises of 5 software programs

10. INVESTMENT PROPERTY

	2011 €'000	2010 €'000
Balance at 1 January	181.813	57.780
Additions	66.938	103.241
Disposals	(56.400)	-
Transfer to available for sale investment property	(5.400)	-
Fair value adjustment	<u>71.165</u>	<u>20.792</u>
Balance at 31 December	<u>258.116</u>	<u>181.813</u>

Investment properties are stated at fair value, which has been determined based on external valuation reports performed by independent professionally qualified valuers as of 31 December 2011.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011

11. INVESTMENTS IN SUBSIDIARIES

The details of the subsidiaries included in the consolidated financial statements of the Group are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2011 Holding %	2010 Holding %
Residential Project Monchengladback Grundstucks GmbH	Germany	Investing in real estate properties	94	94
Pahlia Limited	Cyprus	Holding of investments	100	100
Carmiside Investments Limited	Cyprus	Holding of investments	100	100
Berardi Investments Limited	Cyprus	Holding of investments	100	100
Holzmindener Strabe Tempelhofer Weg Grundstcks GmbH	Germany	Investing in real estate properties	0	100
Nimessa Investments Limited	Cyprus	Holding of investments	100	100
Aistair Investments Limited	Cyprus	Holding of investments	100	100
Brexton Holdings Limited	Cyprus	Holding of investments	100	100
Melonrock Investments Limited	Cyprus	Holding of investments	100	100
Townleyhall Investments Limited	Cyprus	Holding of investments	100	100
Quinnell Investments Limited	Cyprus	Holding of investments	100	100
Adva Investments Limited	Cyprus	Holding of investments	100	100
Neroway Holdings Limited	Cyprus	Holding of investments	100	100
Melbonaco Investments Limited	Cyprus	Holding of investments	100	100
Awdess 1. Grundstucks GmbH	Germany	Investing in real estate properties	94	50
Jade 660. GmbH	Germany	Investing in real estate properties	94	50
AGG Auguste-Victoria-Allee Grundstucks GmbH	Germany	Investing in real estate properties	0	100
Residential Braunschweig I Grundstucks GmbH	Germany	Investing in real estate properties	100	100
Residential Braunschweig II Grundstucks GmbH	Germany	Investing in real estate properties	100	100

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**11. INVESTMENTS IN SUBSIDIARIES** *(continued)*

Residential Braunschweig III Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Bielefeld I Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Bielefeld II Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Dortmund I Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Erkrath I Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Erkrath II Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Hurth Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Koln Grundstücks GmbH	Germany	Investing in real estate properties	100	
SGG Scharnweberstrabe Grundstücks GmbH	Germany	Investing in real estate properties	0	100
Jade 992 GmbH	Germany	Investing in real estate properties	100	100
Residential Dortmund II Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Solingen I Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Residential Solingen II Grundstücks GmbH	Germany	Investing in real estate properties	100	100
RGG Rohrdamm Grundstücks GmbH	Germany	Investing in real estate properties	100	100
Mindoza Investments Limited	Cyprus	Holding of Investments	100	=
Mansanu Investments Limited	Cyprus	Holding of Investments	100	=
Sedoy Investments Limited	Cyprus	Holding of Investments	100	=
Romeliaco Investments Limited	Cyprus	Holding of Investments	100	=
Brencere Invetsments Limited	Cyprus	Holding of Investments	100	=
Residential Bremerhaven Grundstücks GmbH	Germany	Investing in real estate properties	100	=
Residential Hagen Grundstücks GmbH	Germany	Investing in real estate properties	100	-
Residential Wuppertal Grundstücks GmbH	Germany	Investing in real estate properties	100	-
Residential Dortmund III Grundstücks GmbH	Germany	Investing in real estate properties	100	=
Terra – Heimbau Zwei Ltd & Co KG	Germany	Investing in real estate properties	50	=

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**11. INVESTMENTS IN SUBSIDIARIES** *(continued)*

Terra – Heimbau 407 Ltd & Co KG	Germany	Investing in real estate properties	50	*
Residential Velbert Grundstucks GmbH	Germany	Investing in real estate properties	100	*
Residential Lunen Grundstucks GmbH	Germany	Investing in real estate properties	100	*
Residential Essen I Grundstucks GmbH	Germany	Investing in real estate properties	100	*
Residential Essen II Grundstucks GmbH	Germany	Investing in real estate properties	100	-
Residential Duisburg Grundstucks GmbH	Germany	Investing in real estate properties	100	*
Residential Project Munchen-gladbach II Grundstucks GmbH	Germany	Investing in real estate properties	100	*
Residential Dortmund IV Grundstucks GmbH	Germany	Investing in real estate properties	100	*

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

2011	2010
€'000	€'000

Balance at 1 January	-
Additions	2,397
Balance at 31 December	2,397

The details of the investments are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>2011 Holding %</u>	<u>2010 Holding %</u>
Terra Heimbau Zwei Ltd & Co KG	Germany	Investing in real estate properties	50	0
Terra Heimbau 407 Ltd & Co KG	Germany	Investing in real estate properties	50	0

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**13. AVAILABLE-FOR-SALE INVESTMENT PROPERTY**

	2011 €'000	2010 €'000
Balance at 1 January	-	-
Transfer from investment property	<u>5.400</u>	<u>-</u>
Balance at 31 December	<u>5.400</u>	<u>-</u>

Available-for-sale investment properties are classified as current assets, since they are expected to be realised within twelve months from the reporting date .

14. DERIVATIVE FINANCIAL LIABILITIES

	2011 €'000	2010 €'000
Interest rate swaps		
<u>Liabilities</u>		
Non-current portion	<u>8.823</u>	<u>391</u>
	<u>8.823</u>	<u>391</u>

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings (as required by the lending banks) by swapping a proportion of the borrowing from floating rates to fixed rates.

The calculation of the fair value of swaps is based on discounted cash flows of future anticipated interest payments on the swap agreements in place compared with the discounted cash flows of anticipated interest payments at market swap interest rates at the reporting date. The interest rate swap is designated and effective as cash flow hedge and the fair value thereof has been deferred in equity.

15. INVENTORIES

	2011 €'000	2010 €'000
Fuel	<u>-</u>	<u>115</u>
	<u>-</u>	<u>115</u>

Work in progress represents the amount of recoverable cost that was not charged yet to the tenants.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

16. TRADE AND OTHER RECEIVABLES

	2011 €'000	2010 €'000
Operating costs receivables	8,875	5,929
Receivables from related companies	374	116
Rent and other receivables	2,423	500
Tenancy deposits	1,449	(* 819)
Prepayments	<u>131</u>	<u>118</u>
	<u>13,252</u>	<u>(* 7,482)</u>
Current portion	<u>13,252</u>	<u>7,482</u>
	<u>13,252</u>	<u>7,482</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 25 of the consolidated financial statements.

17. DERIVATIVE FINANCIAL ASSETS

	2011 €'000	2010 €'000
Balance at 1 January	269	249
Additions	-	20
Disposals	<u>(269)</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>269</u>

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the cash flow statement, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the consolidated statement of comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The exposure of the Group to market risk in relation to financial assets is reported in note 25 of the consolidated financial statements.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2011**18. CASH AND CASH EQUIVALENTS**

Cash balances are analysed as follows:

	2011 €'000	2010 €'000
Cash at bank and in hand	<u>7.658</u>	<u>8.887</u>
	<u>7.658</u>	<u>(* 8.887)</u>

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 25 of the consolidated financial statements.

19. SHARE CAPITAL

	2011 Number of shares	2011 €'000	2010 Number of shares	2010 €'000
Authorised				
Ordinary shares of €1,71 each	<u>1.000</u>	<u>2</u>	<u>1.000</u>	<u>2</u>
Issued and fully paid				
Balance at 1 January	<u>1.000</u>	<u>2</u>	<u>1.000</u>	<u>2</u>
Balance at 31 December	<u>1.000</u>	<u>2</u>	<u>1.000</u>	<u>2</u>

20. LOANS AND BORROWINGS

	2011 €'000	2010 €'000
Long term liabilities		
Bank loans	<u>138.149</u>	<u>110.129</u>
Short term liabilities		
Bank loans	<u>2.599</u>	<u>1.034</u>

The exposure of the Group to interest rate risk in relation to financial instruments is reported in note 25 of the consolidated financial statements.

ADMINOND TRADING & INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

21. DEFERRED TAX

Deferred tax liability

	2011 €'000	2010 €'000
Balance at 1 January	3.189	1.835
Revaluation of land and buildings	(57)	278
Debit in profit or loss	<u>10.486</u>	<u>1.076</u>
Balance at 31 December	<u><u>13.618</u></u>	<u><u>3.189</u></u>

Deferred tax assets

Deferred taxation asset arises as follows:

	2011 €'000	2010 €'000
Temporary tax differences	<u>725</u>	<u>527</u>
	<u><u>725</u></u>	<u><u>527</u></u>

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 6).

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

22. PROVISIONS

	Provisions €'000
Balance at 1 January 2010	41
Utilised during the	<u>296</u>
Balance at 31 December 2010	<u><u>337</u></u>
Balance at 1 January 2011	337
Utilised during the year	<u>1.577</u>
Balance at 31 December 2011	<u><u>1.914</u></u>

ADMINOND TRADING & INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

23. TRADE AND OTHER PAYABLES

	2011 €'000	2010 €'000
Trade payables and other payables	2.772	4.978
Prepayments received for operating costs	9.996	5.068
Tenancy deposits	1.600	923
Deferred income	473	87
Payables to related companies	372	105
	15.213	11.161

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to liquidity risk in relation to financial instruments is reported in note 25 of the consolidated financial statements.

24. RELATED PARTY TRANSACTIONS

The transactions and balances with related parties are as follows:

(i) Receivables from related companies (Note 16)

		2011 €'000	2010 €'000
<u>Name</u>	<u>Nature of transactions</u>		
Other related companies	Trade	374	116
		374	116

(ii) Loans to associated undertakings

	2011 €'000	2010 €'000
Other related companies	479	369
	479	369

(iii) Payables to related companies (Note 23)

		2011 €'000	2010 €'000
<u>Name</u>	<u>Nature of transactions</u>		
Other related companies	Trade	372	105
		372	105

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

24. RELATED PARTY TRANSACTIONS (continued)**(iv) Loans from associate undertakings**

	2011 €'000	2010 €'000
Other related companies	<u>309</u>	<u>1.075</u>
	<u>309</u>	<u>1.075</u>

(v) Loan from shareholders

	2011 €'000	2010 €'000
Loans from shareholders	<u>18.793</u>	<u>28.801</u>
	<u>18.793</u>	<u>28.801</u>

The loans from shareholders were provided with an interest rate of 5,65% - 8% and they are repayable within the years 2012 to 2015.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENTFinancial risk factors

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Other risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of credit exposure to any financial institution.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**(i) Credit risk (continued)***Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

(iv) Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

(v) Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Group's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Group.

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the strive to improve the debt equity ratio. The Group's overall strategy remains unchanged from last year.

ADMINOND TRADING & INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2011

26. FAIR VALUES

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

27. CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2011.

28. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period except as described here below:

On January 2012, the Group sold 124 residential units from the Residential Solingen I Grundstücks GmbH portfolio. The agreed purchasing price amounted to € 5.4 M. The company paid back the respective bank loan of € 3.37 M.

On January 2012, the Group acquired a residential portfolio in Bonn. The agreed purchasing cost amounted to € 4.5 M. The property consists of 135 units and the acquisition was not financed by a bank loan.

On January 2012, the Group acquired a residential portfolio in Velbert. The agreed purchasing cost amounted to € 23 M. The property consists of 762 units and the acquisition was partly financed by a bank loan of € 20 M.

On April 2012, the Group acquired 50% of a residential portfolio in Essen and Monchengladbach. The agreed purchasing cost amounted to € 4 M (50%). The property consists of 208 units (100%) and the acquisition was partly financed by a bank loan of € 2.9 M (50%).

On April 2012, the Group acquired 50% of a residential portfolio in Duisburg. The agreed purchasing cost amounted to € 13 M (50%). The property consists of 821 units (100%) and the acquisition was partly financed by a bank loan of € 10.25 M (50%).

On 16 May 2012 the Board of Directors of Adminond Trading & Investments Limited authorised these financial statements for issue.

Independent Auditors' Report on the Consolidated Financial Statements

5

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Adminond Trading & Investments Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Adminond Trading & Investments Limited (the "Company") and its subsidiaries (the Group) on pages 7 to 41, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113. , and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF****Adminond Trading & Investments Limited***Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Adminond Trading & Investments Limited and its subsidiaries as at 31 December 2011, and of its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us, and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 4 is consistent with the consolidated financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Antoniades Panicos
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Chartered Accountants and Registered Auditors

Larnaca, 16 May 2012

Audited Individual Financial Statements of Grandcity Property Ltd. (previous name: Adminond Trading & Investments Limited) for the financial year ended December 31, 2012

Statement of Comprehensive Income

	Note	2012 €	2011 €
Revenue	4	11,247,141	10,067,040
Other income	5	5,906	7,025,602
Administrative expenses		(734,247)	(157,265)
Other expenses	6	(18,403)	-
Operating profit		<u>10,500,397</u>	<u>16,935,377</u>
Finance income		307	-
Finance expenses		(2,764,225)	(1,331,184)
Net finance expenses	9	<u>(2,763,918)</u>	<u>(1,331,184)</u>
Profit before tax		7,736,479	15,604,193
Tax	10	<u>(118,632)</u>	<u>(152,537)</u>
Profit for the year		<u>7,617,847</u>	<u>15,451,656</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>7,617,847</u>	<u>15,451,656</u>

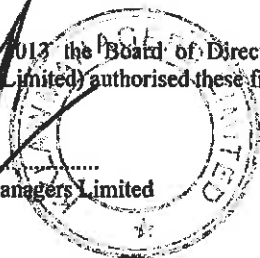
The notes on pages 10 to 26 are an integral part of these financial statements.

Statement of Financial Position

	Note	2012 €	2011 €
Assets			
Non-current assets			
Property, plant and equipment	12	1,704	-
Investments in subsidiaries	13	45,800	44,500
Non-current loans receivable	14	<u>147,917,834</u>	<u>37,678,253</u>
Total non-current assets		<u>147,965,338</u>	<u>37,722,753</u>
Current assets			
Trade and other receivables	15	497,085	1,257,569
Cash and cash equivalents		<u>1,230,121</u>	<u>653,897</u>
Total current assets		<u>1,727,206</u>	<u>1,911,466</u>
Total assets		<u>149,692,544</u>	<u>39,634,219</u>
Equity			
Share capital	16	1,710	1,710
Reserves	17	<u>28,028,206</u>	<u>20,410,359</u>
Total equity		<u>28,029,916</u>	<u>20,412,069</u>
Non-current liabilities			
Loans and borrowings	18	<u>119,217,956</u>	<u>18,791,796</u>
Total non-current liabilities		<u>119,217,956</u>	<u>18,791,796</u>
Current liabilities			
Short term portion of long-term loans	18	1,756,391	-
Trade and other payables	19	435,606	123,531
Tax liability	20	<u>252,675</u>	<u>306,823</u>
Total current liabilities		<u>2,444,672</u>	<u>430,354</u>
Total liabilities		<u>121,662,628</u>	<u>19,222,150</u>
Total equity and liabilities		<u>149,692,544</u>	<u>39,634,219</u>

On 6 June 2013 the Board of Directors of Grandcity Property Limited (ex Adminond Trading & Investments Limited) authorised these financial statements for issue.

.....
 KKLAW Managers Limited
 Director



The notes on pages 10 to 27 are an integral part of these financial statements.

Statement of Changes in Equity

	Note	Share capital €	Capital reserve €	Retained earnings €	Total €
Balance at 1 January 2011		1.710	15.000.000	1.090.018	16.091.728
Profit for the year		-	-	15.451.656	15.451.656
Dividends	11	-	-	(11.131.315)	(11.131.315)
Balance at 31 December 2011		<u>1.710</u>	<u>15.000.000</u>	<u>5.410.359</u>	<u>20.412.069</u>
Balance at 1 January 2012		1.710	15.000.000	5.410.359	20.412.069
Profit for the year		-	-	7.617.847	7.617.847
Balance at 31 December 2012		<u>1.710</u>	<u>15.000.000</u>	<u>13.028.206</u>	<u>28.029.916</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the owners.

The notes on pages 10 to 26 are an integral part of these financial statements.

Statement of Cash Flows

	2012 €	2011 €
Cash flows from operating activities		
Profit for the year	7.617.847	15.451.656
Adjustments for:		
Depreciation of property, plant and equipment	426	-
Profit from the sale of investments in subsidiaries	-	(7.025.602)
Dividend income	(7.535.944)	(7.200.000)
Interest income	(3.515.087)	(2.170.806)
Interest expense	2.761.152	1.326.838
Income tax expense	<u>118.632</u>	<u>152.537</u>
Cash flows (used in)/from operations before working capital changes	(552.974)	534.623
Decrease/(increase) in trade and other receivables	760.484	(1.140.335)
Increase in trade and other payables	<u>312.075</u>	<u>44.078</u>
Cash flows from/(used in) operations	519.585	(561.634)
Interest received	(3.467)	-
Dividends received	7.535.944	7.200.000
Tax paid	<u>(172.780)</u>	<u>(520)</u>
Net cash flows from operating activities	<u>7.879.282</u>	<u>6.637.846</u>
Cash flows from investing activities		
Payment for acquisition of property, plant and equipment	(2.130)	-
Payment for acquisition of investments in subsidiaries	(1.300)	(5.000)
Loans granted	125.819.797	-
Loans repayments received	19.135.579	6.107.139
Proceeds from sale of investments in subsidiary undertakings	-	7.053.102
Interest received	<u>307</u>	<u>2.170.806</u>
Net cash flows (used in)/from investing activities	<u>106.687.341</u>	<u>15.326.047</u>
Cash flows from financing activities		
Repayment of borrowings	(20.688.469)	(10.009.382)
Proceeds from borrowings	120.866.056	-
Interest paid	(793.304)	(1.326.838)
Dividends paid	-	(11.131.315)
Net cash flows from/(used in) financing activities	<u>99.384.283</u>	<u>(22.467.535)</u>
Net increase/(decrease) in cash and cash equivalents	576.224	(503.642)
Cash and cash equivalents at the beginning of the year	<u>653.897</u>	<u>1.157.539</u>
Cash and cash equivalents at the end of the year	<u>1.230.121</u>	<u>653.897</u>

The notes on pages 10 to 26 are an integral part of these financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Grandcity Property Limited (ex Adminond Trading & Investments Limited) (the "Company") was incorporated in Cyprus on 10 May 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Farou 1, Spyros Thalassines Alkyonides, Pervolia, P.C. 7560, Larnaca, Cyprus.

The principal activities of the Company are the financing and refinancing and to serve as a holding company of Cypriot and German subsidiaries.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the holding company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in EU and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2012.

Since the 7th Directive of the European Union permits the preparation of consolidated financial statements in accordance with the Directive or in a manner equivalent to the Directive, and since the Cyprus Companies Law, Cap. 113, provides the aforementioned exemption, the provisions of International Accounting Standard 27 "Consolidated and separate financial statements" that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

(d) Use of estimates and judgments

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

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. BASIS OF PREPARATION (continued)

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- **Revenue recognition**

The Company applies the provisions of IAS18 for accounting for revenue from sale of developed property, under which income and cost of sales are recognized upon delivery and when substantially all risks have been transferred to the buyer.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

(e) Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of the Company.

Consolidated financial statements

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue comprises the invoiced amount for the sale of services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Rendering of services**
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- **Interest income**
Interest income is recognised on a time-proportion basis using the effective interest method.
- **Dividend income**
Dividend income is recognised when the right to receive payment is established.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition the Company operates a defined contribution scheme the assets of which are held in a separate trustee-administered fund. The scheme is funded by payments from employees and by the Company. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance expenses

Interest expense and other borrowing costs are recognised to profit or loss using the effective interest method.

Foreign currency translation

- (i) ***Functional and presentation currency***
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.
- (ii) ***Transactions and balances***
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on the straight-line method over the useful lives of each part of an item of property, plant and equipment. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Computer hardware	20

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(ii) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

(iii) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Share capital

Ordinary shares are classified as equity.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

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

4. REVENUE

	2012	2011
	€	€
Rendering of services	196.417	696.234
Dividend income	7.535.944	7.200.000
Loan interest income	<u>3.514.780</u>	<u>2.170.806</u>
	<u>11.247.141</u>	<u>10.067.040</u>

5. OTHER OPERATING INCOME

	2012	2011
	€	€
Profit from sale of investments in subsidiaries	-	7.025.602
Sundry operating income	<u>5.906</u>	<u>-</u>
	<u>5.906</u>	<u>7.025.602</u>

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. OTHER OPERATING EXPENSES

	2012 €	2011 €
Waiver of amounts receivable	<u>18,403</u>	<u>-</u>
	<u>18,403</u>	<u>-</u>

7. EXPENSES BY NATURE

	Note	2012 €	2011 €
Staff costs	8	111,608	49,295
Depreciation		426	-
Independent auditors' remuneration - current year		57,700	31,200
Independent auditors' remuneration - prior years		-	12,350
Other expenses		<u>582,916</u>	<u>64,420</u>
Total expenses		<u>752,650</u>	<u>157,265</u>

8. STAFF COSTS

	Note	2012 €	2011 €
Wages and salaries		99,555	43,613
Social insurance contributions		11,423	3,841
Social cohesion fund contributions		-	872
Provident fund contributions		<u>630</u>	<u>969</u>
Total staff costs	7	<u>111,608</u>	<u>49,295</u>
Average number of employees		<u>5</u>	<u>3</u>

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

9. NET FINANCE INCOME AND EXPENSES

	2012 €	2011 €
Interest income	<u>307</u>	<u>-</u>
Finance income	<u>307</u>	<u>-</u>
Net foreign exchange transaction losses	-	(16)
Interest expense	(2.761.152)	(1.326.838)
Sundry finance expenses	<u>(3.073)</u>	<u>(4.330)</u>
Finance expenses	<u>(2.764.225)</u>	<u>(1.331.184)</u>
Net finance expenses	<u>(2.763.918)</u>	<u>(1.331.184)</u>

Interest revenue is analysed as follows:

2012 €	2011 €
-----------	-----------

10. TAXATION

	2012 €	2011 €
Corporation tax	117.663	152.016
Special contribution to the defence fund for the year	<u>969</u>	<u>521</u>
Charge for the year	<u>118.632</u>	<u>152.537</u>

Reconciliation of tax based on the taxable income and tax based on accounting profits.

	2012 €	2011 €
Accounting profit before tax	<u>7.736.479</u>	<u>15.604.193</u>
Tax calculated at the applicable tax rates	773.648	1.560.419
Tax effect of expenses not deductible for tax purposes	86.986	-
Tax effect of allowances and income not subject to tax	(753.668)	(1.408.403)
10% additional charge	10.697	-
Special contribution to the defence fund current year	<u>969</u>	<u>521</u>
Tax as per statement of comprehensive income - charge	<u>118.632</u>	<u>152.537</u>

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. TAXATION (continued)

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

11. DIVIDENDS

	2012 €	2011 €
Final dividend paid	-	<u>11.131.315</u>
	<u>-</u>	<u>11.131.315</u>

Dividends are subject to a deduction of special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) for individual shareholders that are resident in Cyprus.

12. PROPERTY, PLANT AND EQUIPMENT

	Computer hardware - cost €
Cost	
Additions	<u>2.130</u>
Balance at 31 December 2012	<u>2.130</u>
Depreciation	
Depreciation for the year	<u>426</u>
Balance at 31 December 2012	<u>426</u>
Carrying amounts	
Balance at 31 December 2012	<u>1.704</u>
Balance at 31 December 2011	<u>-</u>

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. INVESTMENTS IN SUBSIDIARIES

	2012 €	2011 €
Balance at 1 January	44.500	67.000
Additions	1.300	5.000
Disposals	<u>-</u>	<u>(27.500)</u>
Balance at 31 December	<u><u>45.800</u></u>	<u><u>44.500</u></u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2012 Holding %	2011 Holding %	2012 €	2011 €
Adva Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Aistair Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Berardi Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Brassfield Holdings Limited	Cyprus	Holding	100	-	1.000	-
Brencere Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Brexton Holdings Limited	Cyprus	Holding	100	100	1.000	1.000
Carmiside Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Mansanu Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Mavelianco Limited	Cyprus	Holding	100	-	100	-
Melbonaco Holdings Limited	Cyprus	Holding	100	100	1.000	1.000
Melonrock Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Mindoza Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Residential Project Mouchen- gladbach Grundstucks GmbH	Germany	Real Estate	100	100	23.500	23.500
Neroway Holdings Limited	Cyprus	Holding	100	100	1.000	1.000
Nimessa Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Pahlia Limited	Cyprus	Holding	100	100	5.000	5.000
Perbel Trading Limited	Cyprus	Holding	100	-	100	-
Quinnell Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Romeliaco Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Sedoy Investments Limited	Cyprus	Holding	100	100	1.000	1.000
Seperole Limited	Cyprus	Holding	100	-	100	-
Townleyhall Investments Limited	Cyprus	Holding	100	100	<u>1.000</u>	<u>1.000</u>
					<u><u>45.800</u></u>	<u><u>44.500</u></u>

On 18 May 2012, Brassfield Holdings Limited has been incorporated from the Company being the sole shareholder of its share capital of 1.000 shares of €1 each.

On 18 January 2012, Mavelianco Limited has been incorporated from the Company being the sole shareholder of its share capital of 100 shares of €1 each.

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. INVESTMENTS IN SUBSIDIARIES (continued)

On 19 September 2012, Perbel Trading Limited has been incorporated from the Company being the sole shareholder of its share capital of 100 shares of €1 each.

On 25 September 2012, Seperole Limited has been incorporated from the Company being the sole shareholder of its share capital of 100 shares of €1 each.

14. NON-CURRENT LOANS RECEIVABLE

	2012 €	2011 €
Balance at 1 January	37.678.253	43.785.392
New loans granted	125.860.379	-
Repayments	(19.135.578)	(8.277.945)
Interest charged	<u>3.514.780</u>	<u>2.170.806</u>
Balance at 31 December	<u>147.917.834</u>	<u>37.678.253</u>
	2012 €	2011 €
Loans to group companies (Note 21)	35.559.551	33.683.404
Loans to own subsidiaries (Note 21)	<u>112.358.283</u>	<u>3.994.849</u>
	<u>147.917.834</u>	<u>37.678.253</u>

The fair values of non-current receivables approximate to their carrying amounts as presented above.

During the year 2012, several loan agreements have been signed between the Company (lender) and its subsidiaries and other group companies (borrowers) for an amount totaling €125.860.379. The loans were provided with no guarantees and bear interest at 6,00% per annum. The loans principal and accrued interest are repayable on 31 December 2017.

15. TRADE AND OTHER RECEIVABLES

	2012 €	2011 €
Receivables from group companies (Note 21)	329.440	107.327
Receivables from own subsidiaries (Note 21)	70.171	70.410
Other receivables	82.500	1.077.235
Refundable VAT	<u>14.974</u>	<u>2.597</u>
	<u>497.085</u>	<u>1.257.569</u>

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

15. TRADE AND OTHER RECEIVABLES (continued)

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

16. SHARE CAPITAL

	2012 Number of shares	2012 €	2011 Number of shares	2011 €
Authorised				
Ordinary shares of €1 each	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>
Issued and fully paid				
Balance at 1 January	1.000	1.710	-	1.710
Issue of shares	<u>-</u>	<u>-</u>	<u>1.000</u>	<u>-</u>
Balance at 31 December	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>

17. RESERVES

	Capital reserve €	Retained earnings €	Total €
Balance at 1 January 2011	15.000.000	1.090.017	16.090.017
Profit for the year	-	15.451.656	15.451.656
Dividends	<u>-</u>	<u>(11.131.315)</u>	<u>(11.131.315)</u>
Balance at 1 January 2012	15.000.000	5.410.359	20.410.359
Profit for the year	<u>-</u>	<u>7.617.847</u>	<u>7.617.847</u>
Balance at 31 December 2012	<u>15.000.000</u>	<u>13.028.206</u>	<u>28.028.206</u>

18. LOANS AND BORROWINGS

	2012 €	2011 €
Balance at 1 January	18.791.796	28.801.178
Additions	119.416.187	-
Repayments	(19.994.788)	(11.336.220)
Interest charged	<u>2.761.152</u>	<u>1.326.838</u>
Balance at 31 December	<u>120.974.347</u>	<u>18.791.796</u>

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

18. LOANS AND BORROWINGS *(continued)*

	2012 €	2011 €
Long term liabilities		
Loans from group companies (Note 21)	1.712.220	18.791.796
Loan from parent company (Note 21)	<u>117.505.736</u>	<u>-</u>
	<u>119.217.956</u>	<u>18.791.796</u>
Short term liabilities		
Loan from parent company (Note 21)	<u>1.756.391</u>	<u>-</u>
	<u>1.756.391</u>	<u>-</u>
Total	<u>120.974.347</u>	<u>18.791.796</u>

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 22 of the financial statements.

The terms and conditions of the loans payable are as follows:

Lender	Facility €	Rate (%)	Maturity
Parent company, Luxemburg	16.444.000	0%	During 2072
Parent company, Luxemburg	97.950.000	8,50%	15 October 2017
Parent company, Luxemburg	2.971.000	7,20%	31 December 2015
Group companies, Cyprus	1.486.985	8,00%	31 December 2020
Group companies, Germany	1.784.187	6,00%	21 September 2012

19. TRADE AND OTHER PAYABLES

	2012 €	2011 €
Shareholders' current accounts - credit balances (Note 21)	300	5.905
Accruals	17.784	64.374
Other creditors	-	29.751
Payables to related companies (Note 21)	<u>417.522</u>	<u>23.501</u>
	<u>435.606</u>	<u>123.531</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

20. TAX LIABILITY

	2012	2011
	€	€
Corporation tax	<u>252.675</u>	<u>306.823</u>
	<u><u>252.675</u></u>	<u><u>306.823</u></u>

21. RELATED PARTY TRANSACTIONS

The Company is controlled by Grand City Properties S.A., incorporated in Luxemburg, which owns 94,8% of the Company's shares.

The transactions and balances with related parties are as follows:

(i) Receivables from group companies (Note 15)

	2012	2011
	€	€
<u>Name</u>		
Cyprus companies	2.669	-
German companies	<u>326.771</u>	<u>107.327</u>
	<u><u>329.440</u></u>	<u><u>107.327</u></u>

(ii) Receivables from own subsidiaries (Note 15)

	2012	2011
	€	€
<u>Name</u>		
Cyprus companies	10.005	6.751
German company	<u>60.166</u>	<u>63.659</u>
	<u><u>70.171</u></u>	<u><u>70.410</u></u>

(iii) Loans to group companies (Note 14)

	2012	2011
	€	€
German companies	<u>35.559.551</u>	<u>33.683.404</u>
	<u><u>35.559.551</u></u>	<u><u>33.683.404</u></u>

The loans' terms and conditions have been described in note 14.

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. RELATED PARTY TRANSACTIONS (continued)

(iv) Loans to own subsidiaries (Note 14)

	2012 €	2011 €
Cyprus companies	108.700.506	1.750.593
German company	<u>3.657.777</u>	<u>2.244.256</u>
	<u>112.358.283</u>	<u>3.994.849</u>

The loans' terms and conditions have been described in note 14.

(v) Payables to related companies (Note 19)

<u>Name</u>	2012 €	2011 €
Cyprus companies	402.522	23.501
Luxemburg company	<u>15.000</u>	<u>-</u>
	<u>417.522</u>	<u>23.501</u>

(vi) Loans from group companies (Note 18)

	2012 €	2011 €
Cyprus companies	977	825.976
German companies	<u>1.711.243</u>	<u>17.965.820</u>
	<u>1.712.220</u>	<u>18.791.796</u>

The loans' terms and conditions have been described in note 18.

(vii) Loan from parent company (Note 18)

	2012 €	2011 €
Luxemburg company	<u>119.262.127</u>	<u>-</u>
	<u>119.262.127</u>	<u>-</u>

The loans' terms and conditions have been described in note 18.

GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. RELATED PARTY TRANSACTIONS (continued)

(viii) Shareholders' current accounts - credit balances (Note 19)

	2012 €	2011 €
Shareholder current account	300	5.905
	300	5.905

The shareholders' current accounts are interest free, and have no specified repayment date.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Other risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

**GRANDCITY PROPERTY LIMITED
(EX ADMINOND TRADING & INVESTMENTS LIMITED)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(iii) Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through the strive to improve the debt to equity ratio. The Company's overall strategy remains unchanged from last year.

23. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

24. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2012.

25. COMMITMENTS

The Company had no capital or other commitments as at 31 December 2012.

26. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period, which affect the financial statements as at 31 December 2012.

On 6 June 2013 the Board of Directors of Grandcity Property Limited (ex Adminond Trading & Investments Limited) authorised these financial statements for issue.

Independent Auditors' Report on the Consolidated Financial Statements



KPMG Limited
Chartered Accountants
 Millenium Lion House
 1 G Aradippioti St.
 6016 Larnaca, Cyprus
 P.O. Box 40075
 6300 Larnaca, Cyprus

Telephone +357 24 200000
 Telefax +357 24 200200
 Website www.kpmg.com.cy

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

Grandcity Property Limited (ex Adminond Trading & Investments Limited)

Report on the financial statements

We have audited the accompanying financial statements of parent company Grandcity Property Limited (ex Adminond Trading & Investments Limited) (the "Company") on pages 6 to 27 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members

NG. Syrins	C.V. Vaslou	IP. Ghalanos
AK. Christofides	PE. Antonadas	MG. Gregoriades
E.Z. Hadjichrynos	M.J. Halios	HA. Kekoulas
P.D. Lourou	I.P. Michael	GP. Savva
A.H. Gregoriades	P.A. Peliades	CA. Kyfas
A.A. Demetriou	G.V. Markides	C.H. Katsis
DS. Vitis	MA. Papanicolaou	MCh. Zavrrou
A.J. Apostolou	K.A. Papanicolaou	PS. Ela
SA. Loizides	AI. Sifianidou	MG. Lazarou
MA. Lymritas	GN. Tziortas	Z.E. Hadjichrynos
S.G. Sofochou	HS. Charalambous	
MM. Antonides	CHP. Anagnostos	

KPMG Limited a private company limited by shares, registered in Cyprus under registration number HE 132822 with its registered office at 14, Esperidon Street, 1087 Nicosia, Cyprus.

Nicosia
 P.O. Box 21121, 1602
 Telephone: +357 22208000
 Telefax: +357 22678200

Paphos
 P.O. Box 60288, 8101
 Telephone: +357 26843060
 Telefax: +357 26843062

Limassol
 P.O. Box 60181, 3801
 Telephone: +357 25865000
 Telefax: +357 25363842

Paralimni/Ayia Napa
 P.O. Box 33200, 5311
 Telephone: +357 23820080
 Telefax: +357 23820084

Polis Chrysothou
 P.O. Box 86014, 8830
 Telephone: +357 26327088
 Telefax: +357 26327222

**INDEPENDENT AUDITORS' REPORT****TO THE MEMBERS OF****Grandcity Property Limited (ex Adminond Trading & Investments Limited)***Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Grandcity Property Limited (ex Adminond Trading & Investments Limited) as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Panicos Antoniadis FCCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Chartered Accountants and Registered Auditors
P.O.Box 40075
6300 Larnaca
Cyprus

6 June 2013

Audited Individual Financial Statements of Grandcity Property Ltd. (previous name: Adminond Trading & Investments Limited) for the financial year ended December 31, 2011

Statement of Comprehensive Income

	Note	2011 €	2010 €
Revenue	4	10.067.040	1.598.974
Net profit from investing activities	5	7.025.602	3.099
Administrative and selling expenses		<u>(157.265)</u>	<u>(244.197)</u>
Operating profit	6	16.935.377	1.357.876
Net finance expenses	8	<u>(1.331.184)</u>	<u>(609.173)</u>
Profit before tax		15.604.193	748.703
Tax	9	<u>(152.537)</u>	<u>(100.099)</u>
Profit for the year		<u>15.451.656</u>	<u>648.604</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>15.451.656</u>	<u>648.604</u>

The notes on pages 10 to 27 are an integral part of these financial statements.

Statement of Financial Position

7

ADMINOND TRADING & INVESTMENTS LIMITED


STATEMENT OF FINANCIAL POSITION

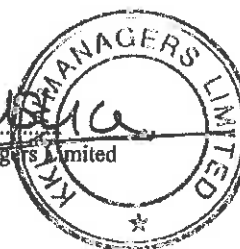
As at 31 December 2011

	Note	2011 €	2010 €
Assets			
Non-current assets			
Investments in subsidiaries	11	44,500	67,000
Loans receivable	12	<u>37,678,253</u>	<u>43,785,392</u>
Total non-current assets		<u>37,722,753</u>	<u>43,852,392</u>
Current assets			
Trade and other receivables	13	1,257,569	117,234
Cash at bank and in hand	14	<u>653,893</u>	<u>1,157,535</u>
Total current assets		<u>1,911,462</u>	<u>1,274,769</u>
Total assets		<u>39,634,215</u>	<u>45,127,161</u>
Equity			
Share capital	15	1,710	1,710
Reserves		<u>20,410,359</u>	<u>16,090,018</u>
Total equity		<u>20,412,069</u>	<u>16,091,728</u>
Liabilities			
Loans and borrowings	16	<u>18,791,796</u>	<u>28,801,178</u>
Total non-current liabilities		<u>18,791,796</u>	<u>28,801,178</u>
Current liabilities			
Trade and other payables	17	123,527	79,449
Tax liability	18	<u>306,823</u>	<u>154,806</u>
Total current liabilities		<u>430,350</u>	<u>234,255</u>
Total liabilities		<u>19,222,146</u>	<u>29,035,433</u>
Total equity and liabilities		<u>39,634,215</u>	<u>45,127,161</u>

On 16 May 2012 the Board of Directors of Adminond Trading & Investments Limited authorised these financial statements for issue.


 Nicolas Treppides
 Director


 KKLAW Managers Limited
 Director



The notes on pages 10 to 27 are an integral part of these financial statements.

Statement of Changes in Equity

8

ADMINOND TRADING & INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	Share capital €	Other reserve €	Retained earnings €	Total €
Balance at 1 January 2010		1.710	15.000.000	441.414	15.443.124
Profit for the year		-	-	648.604	648.604
Balance at 31 December 2010		<u>1.710</u>	<u>15.000.000</u>	<u>1.090.018</u>	<u>16.091.728</u>
Balance at 1 January 2011		1.710	15.000.000	1.090.018	16.091.728
Profit for the year		-	-	15.451.656	15.451.656
Dividends	10	-	-	(11.131.315)	(11.131.315)
Balance at 31 December 2011		<u>1.710</u>	<u>15.000.000</u>	<u>5.410.359</u>	<u>20.412.069</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The notes on pages 10 to 27 are an integral part of these financial statements.

Statement of Cash Flows

9

ADMINOND TRADING & INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 €	2010 €
Cash flows from operating activities		
Profit for the year	15,451,656	648,604
Adjustments for:		
Profit from the sale of available-for-sale	-	(3,099)
Profit from the sale of investments in subsidiaries	(7,025,602)	-
Dividend income	(7,200,000)	-
Interest income	(2,170,806)	(1,524,984)
Interest expense	1,326,838	607,193
Income tax expense	152,537	100,099
Cash flows from/(used in) operations before working capital changes	<u>534,623</u>	<u>(172,187)</u>
Increase in trade and other receivables	(1,140,335)	(85,322)
Increase in trade and other payables	44,078	7,406
Cash flows used in operations	<u>(561,634)</u>	<u>(250,103)</u>
Interest received	2,170,806	1,524,984
Dividends received	7,200,000	-
Tax paid	(520)	-
Net cash flows from operating activities	<u>8,808,652</u>	<u>1,274,881</u>
Cash flows from investing activities		
Payment for purchase of investments in subsidiaries	(5,000)	(9,001)
Loans granted	-	(22,406,546)
Loans repayments received	6,107,139	-
Proceeds from sale of available-for-sale	-	3,100
Proceeds from sale of investments in subsidiary undertakings	7,053,102	-
Net cash flows from/(used in) investing activities	<u>13,155,241</u>	<u>(22,412,447)</u>
Cash flows from financing activities		
Repayment of borrowings	(10,009,382)	-
Proceeds from borrowings	-	22,798,693
Interest paid	(1,326,838)	(607,193)
Dividends paid	(11,131,315)	-
Net cash flows (used in)/from financing activities	<u>(22,467,535)</u>	<u>22,191,500</u>
Net (decrease)/increase in cash and cash equivalents	<u>(503,642)</u>	<u>1,053,934</u>
Cash and cash equivalents at the beginning of the year	<u>1,157,535</u>	<u>103,601</u>
Cash and cash equivalents at the end of the year	<u>653,893</u>	<u>1,157,535</u>

The notes on pages 10 to 27 are an integral part of these financial statements.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Adminond Trading & Investments Limited (the "Company") was incorporated in Cyprus on 10 May 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at Kafkasou 9, 6 th floor, 2112 Nicosia, Cyprus.

The principal activities of the Company are the financing and refinancing and to serve as a holding company of Cypriot and German subsidiaries.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from Kafkasou 9, 6th floor, 2112 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2011 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised International Financial Reporting Standards and Interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Company

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company

(d) Use of estimates and judgements

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

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2. BASIS OF PREPARATION *(continued)*

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- Income taxes
Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- Impairment of investments in subsidiaries
The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

(e) Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements and in stating the financial position of the Company.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenue comprises the invoiced amount for the sale of services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- Rendering of services
Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

ADMINOND TRADING & INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2011****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Revenue recognition (continued)****• Income from investments in securities**

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2011 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

• Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

• Dividend income

Dividend income is recognised when the right to receive payment is established.

Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance expenses

Interest expense and other borrowing costs are recognised to profit or loss using the effective interest method.

Foreign currency translation**(i) *Functional and presentation currency***

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)Foreign currency translation (continued)(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Deferred income

Deferred income represents income receipts which relate to future periods.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

(i) Trade receivables

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(ii) Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

ADMINOND TRADING & INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2011****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial instruments (continued)****(iii) Investments**

The Company classifies its investments in equity and debt securities in the following categories: at fair value through profit or loss, held-to-maturity investments and available for-sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of at fair value through profit or loss are included in profit or loss in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the profit or loss.

For measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

(iv) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

(v) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(vi) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*Share capital

Ordinary shares are classified as equity.

Comparatives

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

4. REVENUE

	2011 €	2010 €
Rendering of services	696.234	73.990
Dividend income	7.200.000	-
Loan interest income	<u>2.170.806</u>	<u>1.524.984</u>
	<u>10.067.040</u>	<u>1.598.974</u>

On 31 September 2011 the Board of Directors of Carmiside Investments Limited considered the cash position and acting in accordance with the provisions of the Articles of association of the company resolved to pay an interim dividend for the profits of the year 2011 to the beneficial owner, Adminond Trading & Investments Limited the amount of €7.200.000.

5. NET PROFIT FROM INVESTING ACTIVITIES

	2011 €	2010 €
Profit from sale of available-for-sale	-	3.099
Profit from sale of investments in subsidiaries	<u>7.025.602</u>	<u>-</u>
	<u>7.025.602</u>	<u>3.099</u>

6. OPERATING PROFIT

	2011 €	2010 €
Operating profit is stated after (crediting)/charging the following items:		
Profit from sale of available-for-sale	-	(3.099)
Staff costs	7 49.295	33.937
Independent auditors' remuneration - current year	31.200	3.000
Independent auditors' remuneration - prior years	<u>12.350</u>	<u>-</u>

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011**7. STAFF COSTS**

	Note	2011 €	2010 €
Wages and salaries		43,613	29,900
Social insurance contributions		3,841	2,542
Social cohesion fund contributions		872	598
Provident fund contributions		<u>969</u>	<u>897</u>
Total staff costs	6	<u>49,295</u>	<u>33,937</u>

The average number of employees employed by the Company during the year 2011 and 2010 were 3 and 1 respectively.

8. NET FINANCE EXPENSES

	2011 €	2010 €
Net foreign exchange transaction losses	16	-
Interest expense	1,326,838	607,193
Other finance expenses	<u>4,330</u>	<u>1,980</u>
	<u>1,331,184</u>	<u>609,173</u>

9. TAXATION

	2011 €	2010 €
Corporation tax	152,016	100,099
Special contribution to the defence fund for the year	<u>521</u>	<u>-</u>
Charge for the year	<u>152,537</u>	<u>100,099</u>

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011

9. TAXATION (continued)

Reconciliation of tax based on the taxable income and tax based on accounting profits:

	2011 €	2010 €
Accounting profit before tax	<u>15,604,193</u>	<u>748,703</u>
Tax calculated at the applicable tax rates	1,560,419	74,870
Tax effect of expenses not deductible for tax purposes	339	16,438
Tax effect of allowances and income not subject to tax	(1,422,552)	(308)
10% additional charge	13,810	9,099
Special contribution to the defence fund current year	<u>521</u>	<u>-</u>
Tax as per statement of comprehensive income - charge	<u>152,537</u>	<u>100,099</u>

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to special contribution to the defence fund at the rate of 15%.

10. DIVIDENDS

	2011 €	2010 €
Final dividend paid	<u>11,131,315</u>	<u>-</u>
	<u>11,131,315</u>	<u>-</u>

On 31 October 2011 the Company in General Meeting declared the payment of a final dividend of €11,131,315 (2010: €NIL).

Dividends are subject to a deduction of special contribution to the defence fund at the rate of 15% for individual shareholders that are resident in Cyprus.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011

11. INVESTMENTS IN SUBSIDIARIES

	2011 €	2010 €
Balance at 1 January	67.000	58.000
Additions	5.000	9.000
Disposals	<u>(27.500)</u>	<u>-</u>
Balance at 31 December	<u>44.500</u>	<u>67.000</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2011 Holding %	2010 Holding %	2011 €	2010 €
Residential Project Monchengladback Grundstucks GmbH	Germany	Investing in real estate properties	94	94	23.500	23.500
Pahlia Limited	Cyprus	Holding of investments	100	100	5.000	5.000
Carnside Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Berardi Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Holzmindener Strabe Tempelhofer WegGrundstcks GmbH	Germany	Investing in real estate properties	-	100	-	27.500
Nimessa Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Aistair Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Brexton Holdings Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Melonrock Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Townleyhall Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Quinnell Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Adva Investments Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Neroway Holdings Limited	Cyprus	Holding of investments	100	100	1.000	1.000
Melbonaco Holdings Limited	Cyprus	Holding of investments	100	100	1.000	1.000

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011**11. INVESTMENTS IN SUBSIDIARIES** *(continued)*

Sedoy Investments Limited	Cyprus	Holding of investments	100	-	1.000	-
Mindoza Investments Limited	Cyprus	Holding of investments	100	-	1.000	-
Romeliaco Investments Limited	Cyprus	Holding of investments	100	-	1.000	-
Mansanu Investments Limited	Cyprus	Holding of investments	100	-	1.000	-
Brencere Investments Limited	Cyprus	Holding of investments	100	-	<u>1.000</u>	<u>-</u>
					<u>44.500</u>	<u>67.000</u>

On 15 November 2011 the Company acquired 100% of the share capital of Sedoy Investments Limited, incorporated in Cyprus, for the amount of €1,000.

On 28 April 2011 the Company acquired 100% of the share capital of Mindoza Investments Limited, incorporated in Cyprus, for the amount of €1,000.

On 19 August 2011 the Company acquired 100% of the share capital of Romeliaco Investments Limited, incorporated in Cyprus, for the amount of €1,000.

On 15 November 2011 the Company acquired 100% of the share capital of Mansanu Investments Limited, incorporated in Cyprus, for the amount of €1,000.

On 17 August 2011 the Company acquired 100% of the share capital of Brencere Investments Limited, incorporated in Cyprus, for the amount of €1,000.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011**12. LOANS RECEIVABLE**

	2011 €	2010 €
Loans to fellow subsidiaries (Note 19)	33.683.404	39.034.279
Loans to own subsidiaries (Note 19)	<u>3.994.849</u>	<u>4.751.113</u>
	<u>37.678.253</u>	<u>43.785.392</u>
The loans are repayable as follows:		
Between one and five years	<u>37.678.253</u>	<u>43.785.392</u>
	<u>37.678.253</u>	<u>43.785.392</u>

The fair values of non-current receivables approximate to their carrying amounts as presented above.

During 2011, the Company granted several loans in total amount of €15.512.813. The loans carry interest at the rate of 6% per annum. The loan principal and accrued interest are repayable between December 2013 to December 2015.

13. TRADE AND OTHER RECEIVABLES

	2011 €	2010 €
Receivables from fellow subsidiaries (Note 19)	107.327	-
Receivables from own subsidiaries (Note 19)	70.410	14.370
Deposits and prepayments	-	500
Other receivables	1.077.235	102.364
Refundable VAT	<u>2.597</u>	<u>-</u>
	<u>1.257.569</u>	<u>117.234</u>
Current portion	<u>1.257.569</u>	<u>117.234</u>
	<u>1.257.569</u>	<u>117.234</u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 20 of the financial statements.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011**14. CASH AT BANK AND IN HAND**

Cash balances are analysed as follows:

	2011 €	2010 €
Cash at bank and in hand	<u>653.893</u>	<u>1.157.535</u>
	<u>653.893</u>	<u>1.157.535</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 20 of the financial statements.

15. SHARE CAPITAL

	2011 Number of shares	2011 €	2010 Number of shares	2010 €
Authorised				
Ordinary shares of €1.71 each	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>
Issued and fully paid				
Balance at 1 January	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>
Balance at 31 December	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>

16. LOANS AND BORROWINGS

	2011 €	2010 €
Long term liabilities		
Loans from shareholders (Note 19)	<u>18.791.796</u>	<u>28.801.178</u>
	<u>18.791.796</u>	<u>28.801.178</u>

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 20 of the financial statements.

During 2011, the Company received several loans in total amount of €6.572.598. The loans carry interest at the rate of 5,65% - 6,00% per annum. The loan principal and accrued interest are repayable between December 2014 to December 2015.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011**17. TRADE AND OTHER PAYABLES**

	2011 €	2010 €
Shareholders' current accounts - credit balances (Note 19)	5.905	5.905
Other payable	29.751	31.535
Accruals	64.370	11.508
Payables to own subsidiaries (Note 19)	-	7.000
Payables to related companies (Note 19)	<u>23.501</u>	<u>23.501</u>
	<u>123.527</u>	<u>79.449</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 20 of the financial statements.

18. TAX LIABILITY

	2011 €	2010 €
Corporation tax	<u>306.823</u>	<u>154.806</u>
	<u>306.823</u>	<u>154.806</u>

19. RELATED PARTY TRANSACTIONS

The Company is controlled by Edolaxia Ltd and Interactive Worldwide Limited, incorporated in Cyprus and in British Virgin Islands respectively, which owns 50% each of the Company's shares.

The transactions and balances with related parties are as follows:

(i) Receivables from own subsidiaries (Note 13)

	2011 €	2010 €
<u>Name</u>		
Cyprus subsidiaries	6.751	8.870
German subsidiaries	<u>63.659</u>	<u>5.500</u>
	<u>70.410</u>	<u>14.370</u>

The receivables from the subsidiary companies are interest free, and have no specified repayment date.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011

19. RELATED PARTY TRANSACTIONS (continued)

(ii) Receivables from fellow subsidiaries

	2011 €	2010 €
<u>Name</u>		
German fellow subsidiaries	<u>107.327</u>	<u>-</u>
	<u>107.327</u>	<u>-</u>

The receivables from the fellow subsidiary companies are interest free, and have no specified repayment date.

(iii) Loans to own subsidiaries (Note 12)

	2011 €	2010 €
German subsidiaries	2.244.253	4.280.397
Cyprus subsidiaries	<u>1.750.596</u>	<u>470.716</u>
	<u>3.994.849</u>	<u>4.751.113</u>

The loans to own subsidiaries were provided under the terms described in note 12.

(iv) Loans to fellow subsidiaries (Note 12)

	2011 €	2010 €
German fellow subsidiaries	<u>33.683.404</u>	<u>39.034.279</u>
	<u>33.683.404</u>	<u>39.034.279</u>

The loans to fellow subsidiaries were provided under the terms described in note 12.

(v) Payables to subsidiary companies (Note 17)

	2011 €	2010 €
<u>Name</u>		
Cyprus subsidiaries	<u>-</u>	<u>7.000</u>
	<u>-</u>	<u>7.000</u>

The payables to the subsidiary companies are interest free, and have no specified repayment date.

ADMINOND TRADING & INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. RELATED PARTY TRANSACTIONS (continued)

(vi) Payables to related companies (Note 17)

	2011 €	2010 €
<u>Name</u>		
Cyprus related parties	<u>23.501</u>	<u>23.501</u>
	<u>23.501</u>	<u>23.501</u>

The payables to the related companies are interest free, and have no specified repayment date.

(vii) Loan from shareholders (Note 16)

	2011 €	2010 €
BVI company	17.965.820	27.798.314
Cyprus company	<u>825.976</u>	<u>1.002.864</u>
	<u>18.791.796</u>	<u>28.801.178</u>

The loan from mother company was provided under the terms described in note 16.

(viii) Shareholders' current accounts - credit balances (Note 17)

	2011 €	2010 €
Shareholder current account	<u>5.905</u>	<u>5.905</u>
	<u>5.905</u>	<u>5.905</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Other risks

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

ADMINOND TRADING & INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2011

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

(ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(iii) Other risks

The general economic environment prevailing in Cyprus and internationally may affect the Company's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Company.

Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through the strive to improve the debt equity ratio. The Company's overall strategy remains unchanged from last year.

21. FAIR VALUES

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

ADMINOND TRADING & INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2011****22. CONTINGENT LIABILITIES**

The Company had no contingent liabilities as at 31 December 2011.

23. EVENTS AFTER THE REPORTING PERIOD

There were no material events after the reporting period except as described here below:

During 2012, the Company acquires 1.926 units in total amount of €44,5m and disposed 124 residential units for €5,4m.

On 16 May 2012 the Board of Directors of Adminond Trading & Investments Limited authorised these financial statements for issue.

Independent Auditors' Report on the Financial Statements



KPMG Limited
Chartered Accountants
Millenium Lion House
1 G. Aradipioti St.
8016 Lamaca, Cyprus
P.O. Box 40075
6300 Lamaca, Cyprus

Telephone +357 24 200000
Telefax +357 24 200200
Website www.kpmg.com.cy

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

Adminond Trading & Investments Limited

Report on the financial statements

We have audited the accompanying financial statements of the parent company Adminond Trading & Investments Limited (the "Company") on pages 6 to 27, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board Members

NG Symia	C.V. Vasiliou	IP. Ghaliou
AK. Christofides	P.E. Antoniadou	MG Gregoriades
EZ. Hadjicharalambous	MJ. Hatzis	HA. Kakoulis
PS. Loizou	MP. Michael	GP. Savva
AM. Gregoriades	PA. Peleides	CA. Kafas
AA. Demetriou	GM. Markides	CN. Kats
DS. Vafas	MA. Papatocostas	MC. Zambou
AA. Apotifou	KA. Papanicolaou	PS. Ba
SA. Lozides	AJ. Sotiropoulos	MG. Lazarou
MA. Lozides	GN. Tzoritis	ZE. Hadjicharalambous
SG. Sofocleous	HS. Chourambous	
MM. Antonoulas	GHP. Anagnostou	

Nicosia
P.O. Box 21121, 1602
Telephone: +357 22209000
Telefax: +357 22678200

Paphos
P.O. Box 60288, 8101
Telephone: +357 26943050
Telefax: +357 26943062

Limasol
P.O. Box 60161, 3601
Telephone: +357 25869000
Telefax: +357 25863842

Paralimni/Ayia Napa
P.O. Box 33200, 8311
Telephone: +357 23820080
Telefax: +357 23820084

Polis Chrysochou
P.O. Box 68014, 8830
Telephone: +357 26322098
Telefax: +357 26322722

KPMG Limited, a private
company limited by shares,
registered in Cyprus
with registration number
HE 132822 with its registered
office at 14, Esplanade Street,
1087 Nicosia, Cyprus

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
Adminond Trading & Investments Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Adminond Trading & Investments Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal and regulatory requirements

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of the information available to us, and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Antoniades Panicos
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Chartered Accountants and Registered Auditors

Larnaca, 16 May 2012

GLOSSARY

€, EUR or Euro	Single European currency adopted by certain participating member states, including Luxembourg, Germany and Austria.
CEST	Central European Summer Time
CPI	Consumer price index. A CPI measures changes in the price level of consumer goods and services purchased by households.
CRM	Customer relationship management system.
CSSF	The Luxembourg financial supervisory authority, <i>Commission de Surveillance du Secteur Financier</i> .
DDT	Dichlorodiphenyltrichloroethane is an organochlorine insecticide frequently used in agriculture. Common sources of exposures to DDT are foods, including meat, fish and dairy products. DDT can be absorbed by eating, breathing, or touching products contaminated with the substance.
EBITDA	Earnings before interest, tax, depreciation and amortization. EBITDA is defined as the result from continuing operations for a given period before income taxes, interest and similar expenses, other financial result, interest and similar income, gains/losses from entities accounted for at equity, as well as depreciation, amortization and impairment, net of write-ups and write-downs on property, plant and equipment and on other intangible assets.
EPRA NAV	Net asset value as recommended by the European Public Real Estate Association. EPRA NAV is used to represent the Group's long-term equity and is calculated based on the net asset value (NAV) excluding the fair value of financial instruments (net) and deferred taxes. EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value

	as part of the NAV in the IFRS accounts.
EU Savings Tax Directive	EU Council Directive 2003/48/EC dated June 3, 2003.
GDP	Gross domestic product, GDP refers to the market value of all final goods and services produced within a country (or region, city etc.) in a given period.
GDR	German Democratic Republic.
IFRS	International Financial Reporting Standards as adopted by the European Union.
Investment Properties	Properties of the Group's real estate portfolio held through fully consolidated subsidiaries of the Company consisting of properties shown in the consolidated financial statements of the Company as "investment properties" and "assets held for sale".
Joint Venture Properties	Properties of the Group's real estate portfolio held by entities in which subsidiaries of the Company hold 50% of the voting rights and which are shown in the consolidated financial statements of the Company as "investments in equity-accounted investees".
Lead Manager	quirin bank AG, Kurfürstendamm 119, 10711 Berlin, Germany.
LTV Ratio	Loan-to-value ratio, ratio of financial liabilities (excluding EK02 tax liabilities), less cash and cash equivalents, to investment property and assets held for sale.
Luxembourg Company Law	Luxembourg law of August 10, 1915 on commercial companies, as amended.
Luxembourg Prospectus Law	Luxembourg law of July 10, 2005 on prospectuses for securities, as amended.
MESZ	Mitteuropäische Sommerzeit
Mannheim Report	Property appraisal report refers to the external valuation report by Jones Lang LaSalle GmbH regarding a real estate portfolio of the GCP Group in Mannheim as of

March 31, 2013.

Mémorial	Official gazette of the Grand Duchy of Luxembourg, <i>Mémorial C, Recueil des Sociétés et Associations</i> .
NAV	Net asset value. NAV refers to the definition of net asset value as recommended by the European Public Real Estate Association. It is used as a measure of the Group's long-term equity and is calculated on the net asset value excluding the fair value of financial instruments (net) and deferred tax.
NRW	North Rhine-Westphalia, Germany's most populated federal state.
PCB	Polychlorinated Biphenyl was used in hundreds of industrial and commercial applications including electrical, heat transfer, and hydraulic equipment and in paints. PCBs have been demonstrated to cause cancer, and have adverse effects on the immune system, reproductive system, nervous system, and endocrine system.
PCP	Pentachlorophenol is an organochlorine compound used as a pesticide, wood preservative, and as a disinfectant. It is extremely toxic to humans from acute (short-term) ingestion and inhalation exposure, and can result in neurological, blood, and liver effects, and eye irritation. Chronic (long-term) exposure by inhalation has resulted in effects on the respiratory tract, blood, kidney, liver, immune system, eyes, nose, and skin.
RCSL	Luxembourg Register of Trade and Companies (<i>Registre de Commerce et des Sociétés Luxembourg</i>)
PPI	Purchasing power index refers to the amount of goods or services that can be purchased with a unit of currency.
Property Appraisal Report	Property appraisal report refers to the external valuation report by Jones Lang LaSalle GmbH regarding the property portfolio of the GCP Group as of December 31, 2012.

Securities Act	The U. S. Securities Act of 1933, as amended.
Subscription Functionality	Subscription Functionality refers to a subscription system provided by the Frankfurt Stock Exchange, the so called XETRA subscription functionality.
Trading Participant	Trading Participant refers to an institution that is admitted as a trading participant at the Frankfurt Stock Exchange, is connected to XETRA and is entitled to use the Subscription Functionality based on the terms of business for the use of the Subscription Functionality.
Trustee	Prudential Trustee Company Limited, Laurence Pountney Hill, London EC4R 0HH, United Kingdom.

NAMES AND ADDRESSES

Issuer

Grand City Properties S.A.

6, boulevard Pierre Dupong, L-1430 Luxemburg, Grand Duchy of Luxembourg

Trustee

Prudential Trustee Company Ltd

Governors House, Laurence Pountney Hill, London, EC4R 0HH, United Kingdom

Paying Agent

The Bank of New York Mellon

One Canada Square, London E14 5AL, United Kingdom

Legal Advisors to the Issuer

TaylorWessing Partnerschaftsgesellschaft

Ebertstraße 15, 10117 Berlin, Germany

as to German law

TaylorWessing LLP

5 New Street Square, London EC4A 3TW, United Kingdom

as to English law

Bonn & Schmitt

22-24. rives de Clausen, L-2165 Luxembourg, Grand Duchy of Luxembourg

as to Luxembourg law

Auditors (to the Issuer)

KPMG Luxembourg S.à.r.l.

9, allée Scheffer, L-2520 Luxembourg, Grand Duchy of Luxembourg