CONSOLIDATED ANNUAL REPORT

For the year ended 31 December

2020

GCP

Leipzig

Contents

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01 Board of Directors' Report

Key Financials

BALANCE SHEET HIGHLIGHTS

in €'000 unless otherwise indicated	Dec 2022	Change	Dec 2021
Total Assets	11,131,328	-4%	11,561,992
Investment Property	9,529,608	2%	9,339,489
Total Equity	5,914,155	2%	5,802,586
Loan-to-Value	36%	0%	36%
Equity Ratio	53%	3%	50%

OPERATIONAL HIGHLIGHTS

in €'000 unless otherwise indicated	FY 2022	Change	FY 2021
Net Rental Income	396,041	6%	374,550
Adjusted EBITDA	308,100	3%	298,589
FFO I	192,219	3%	186,326
FFO I per share (in €)	1.14	3%	1.11
EBITDA	423,290	-57%	994,223
Profit for the year	179,103	-71%	617,089
EPS (basic) (in €)	0.77	-75%	3.12
EPS (diluted) (in €)	0.76	-74%	2.90

EPRA PERFORMANCE MEASURES

In €'000 unless otherwise indicated	2022	2021
EPRA NRV	5,322,769	5,228,882
EPRA NRV per share (in €)	30.8	31.7
EPRA NTA	5,115,704	5,020,190
EPRA NTA per share (in €)	29.6	30.4
EPRA NDV	4,642,313	3,853,263
EPRA NDV per share (in €)	26.9	23.3
EPRA Earnings	182,702	173,884
EPRA Earnings per share (in €)	1.09	1.04
EPRA LTV	46%	46%
EPRA Net initial yield (NIY)	3.2%	3.2%
EPRA "topped-up" NIY	3.2%	3.2%
EPRA Vacancy	4.2%	5.1%
EPRA Cost Ratio (incl. direct vacancy costs)	22.9%	21.4%
EPRA Cost Ratio (excl. direct vacancy costs)	20.9%	19.5%


Hannover

Operational Performance Highlights

Solid Like-For-Like Rental Growth

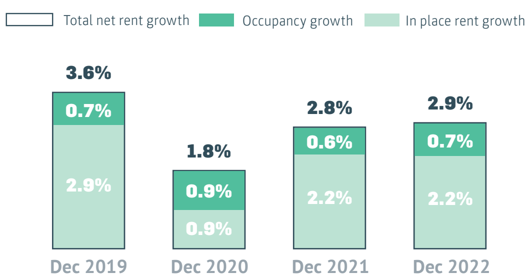
+2.2%
L-F-L
In-place rent growth
Dec 2022

+2.9%
L-F-L
Total net rent growth
Dec 2022

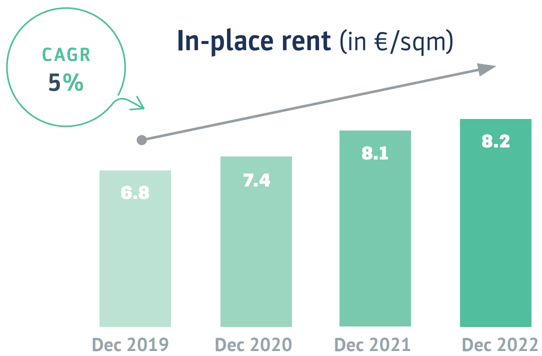
+0.7%
L-F-L
Occupancy growth
Dec 2022

Robust Portfolio Fundamentals

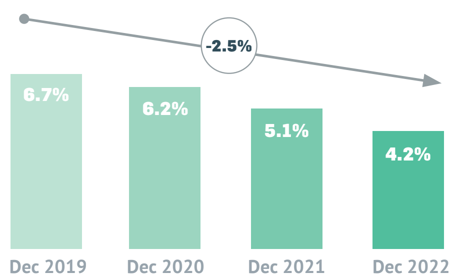
Like-For-Like development



In-place rent (in €/sqm)

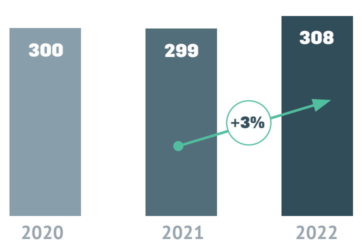


Vacancy

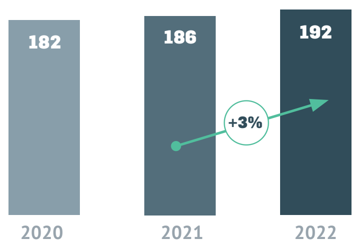


Strong Recurring Operational Profitability

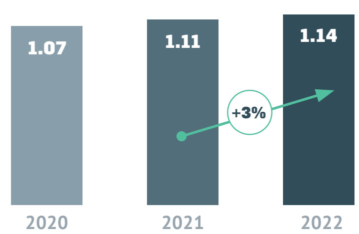
Adjusted EBITDA



FFO I (in € millions)



FFO I per share (in €)



Financial Profile Optimisation Highlights

Well Positioned In Current Environment With High Headroom To Bond Covenants

LONG AVERAGE DEBT MATURITY

5.9 years
DEC 2022

No debt maturities until Q2 2024, 95% of debt is fixed or interest hedged – hedging ratio expected to decrease to 91% by YE 2023 as some fixed rate hedging mature

PROACTIVE DEBT MANAGEMENT

€615m
2022 REPAYMENTS

€135m
2022
NEW BANK FINANCING

Redemption and repayment of near-term maturing debt, while drawing on new bank financing resulting in a clean maturity schedule

STRONG LIQUIDITY POSITION

€429m
CASH AND LIQUID ASSETS
+
€300m
UNDRAWN RCF
DEC 2022

Cash and liquid assets cover debt maturities until Q2 2025 and amounts to 11% of total debt, additionally supported by undrawn RCF

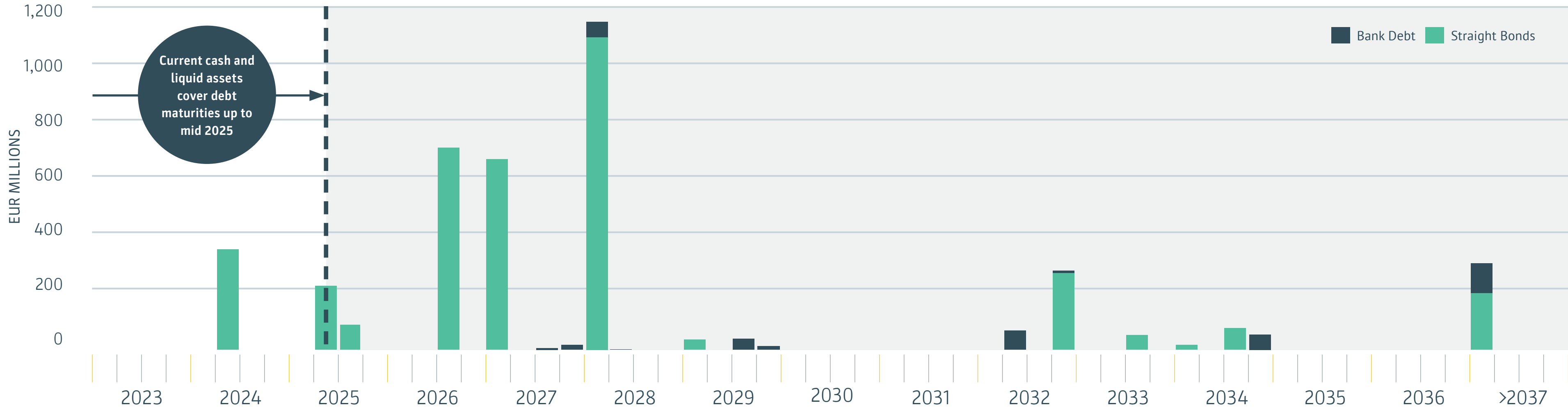
UNENCUMBERED ASSETS

€8.7bn

88%
of value
DEC 2022

Large pool of unencumbered assets provides access to relatively attractive bank financing

Debt Maturity Schedule



Strong Financial Profile Maintained

LOW COST OF DEBT

1.3%
DEC 2022

ICR

6.6x
2022

LOW LTV (LOAN-TO-VALUE)

36%
(EPRA LTV: 46%*)
DEC 2022

CREDIT RATING

BBB+
STABLE
by S&P
REAFFIRMED IN DEC 2022

*considering 100% of perpetual notes as debt, see page 70-71 of this report for detailed calculation

Letter Of The Management Board

Dear Stakeholders,

The year 2022 brought about a new set of challenges, coupled with new opportunities. The inflationary environment and increasing interest rates have weighed on macro-economic conditions and created uncertainty across the economy. We entered 2022 in a solid financial position and continue to strengthen our operations despite the negative macroeconomic conditions. We have seen our operations and letting performance keep its positive momentum resulting in a record low vacancy of 4.2% as of the end of 2022.

The population of Germany increased significantly in 2022 driven by an influx of Ukrainian refugees which drove further demand for housing. Increased inflation, particularly in energy prices as well as material shortages such as steel used in construction, put pressure on construction costs and increased replacement costs to high levels. Furthermore, the current market environment is discouraging new developments and the creation of new supply, exacerbating the supply-demand imbalance. The completion of new housing supply remains well below what is targeted and required, while new supply is also forecasted to reduce further as high cost and uncertainty deter the commencement of new projects.

In 2022, we continued to emphasize corporate social responsibility as a core pillar of our business practices. The Company offers a wide array of activities and services that are aimed at improving tenant satisfaction. This includes both online and in person tenant activities, tenant benefits, accessibility renovations for elderly tenants. Some of the tenant activities that were organized this year include autumn festivals which among others, included bouncy castles, photo booths, and more across numerous locations. GCP also reintroduced its digital advent calendar event where small gifts that include GCP loyalty points and hotel stay prizes were given out each day. Furthermore, GCP has continued to support local initiatives and organizations in portfolio locations, both directly as well as through the GCP foundation. Some examples include supporting a wide variety of youth sports teams, art and culture initiatives, providing resources to youth educational initiatives, and more. Furthermore, in cooperation with our affiliates and business partners, we have been able to provide our tenants with a unique benefit, providing up to 30% discount on hotel accommodation with special discounts on food and drinks. We also value the next generation of workers and as a result have in 2022 given opportunities to 47 apprentices and student workers in order to give them relevant skills and work experience. Throughout 2022, we have also continued to make targeted investments that leverage our real estate expertise to deliver projects that improved asset quality and directly impacted tenant satisfaction. The Company renovated facades and playgrounds, installed energy efficient windows and insulation, upgraded elevators and provided space and supported a bookcase installation that offers free reading material to the community, among other projects. We have also continued to prioritize and improve our tenant service experience through the 24/7 service centre and GCP tenant App. Our service centre employs customer care agents that offer individualized support such as corresponding in several languages to ensure that tenant needs are being met in an appropriate and timely manner. The team's hard work has been recognized as our service centre was once again awarded "fairest customer service" by focus money and TÜV has recertified it for ISO 9001 in February 2022 and for Service Quality in March 2022. Finally, we continue to make strides in digitalizing our customer service contact points which have shortened wait times and increased convenience. Our GCP tenant App allows existing and prospective tenants to sign leases, upload documentation, and initiate and track service requests. As a result of these efforts, more tenant service requests continue to move online as is demonstrated by the rate of tenants contacting us via GCP App, Chat or E-Mail having increased to 29% in 2022 from 21% in 2021. We will continue to leverage digitalization as a method of improving company efficiency and tenant service quality which will in turn increase tenant satisfaction and will aid us in further increasing occupancy.

We have continued on our path to meet our target to reduce CO_2 emissions by 40% by 2030. Throughout 2022, we have worked on further integrating business processes such as climate reporting, environmental data collection, and building energy audits to develop a more comprehensive carbon reduction pathway, incorporating the energy department's expertise into the capex planning to determine where targeted investment in energy efficiency and on-site renewable measures generate the greatest emissions reductions. As result of these improved capacities, the Company has been able to optimize the execution of targeted modernization projects that include installing green heating systems, adding energy efficient windows, better insulating facades and roofs, and more. As an example, the Company is currently fully refurbishing an 80-unit residential asset in Cologne to drastically improve its emission profile. The building is being installed with new thermal pumps to support heat and warm water production, a new PV system on the roof, energy efficient windows, and new insulation along the roof, cellar ceiling, and walls. This investment will reduce the CO_2 emissions of the property by 65% per annum and raise the EPC energy rating label from "E" to "A". Investments into reducing CO_2 emissions is supported by government grants. The Company sees the government as an important counterparty in the process of reducing emissions, with the speed of future progress in reducing emissions also being dependent on government involvement and funding. The Company has also continued working on switching energy contracts to renewable or climate-neutral energy sources, prioritizing Power Purchase Agreements (PPAs) which guarantee additional renewable capacity in local energy grids, while encouraging tenants to lower their own consumption of energy and switch to more renewable sources of energy. As a result of this hard work, the Company has received a low risk ESG rating by Sustainalytics and is ranked in the top 7th percentile of the global universe of companies and in the top 23rd percentile of real estate peers.

The year 2022 brought about new challenges for the real estate sector, mostly relating to inflation and increasing interest rates as central banks around the world tightened monetary policy in response to higher prices. As a result of this monetary policy tightening, the cost of issuing new debt has increased substantially and volatility in financial market conditions have made issuances less attractive. We took proactive debt optimization measures in 2022, using our strong cash balance at the beginning of the period for the repayment of over €615 million in debt which included redeeming the €450 million Series F convertible bonds and prepaying over €165 million in shorter maturity secured financing. As a result, we have ensured that the debt maturity profile remains clean until Q2 2024 shielding the Company from the near-term impact of higher interest rates. Furthermore, our liquidity position which consists of approximately €429 million in cash and liquid assets covers our debt maturities until mid-2025. In 2022, we were also able to leverage our high ratio of unencumbered assets of 88%, representing €8.7 billion in assets, to raise approximately €135 million in new bank debt at relatively attractive terms. The strong operational performance of the business also substantially covers interest payments as is exemplified by our strong ICR of 6.6x. Towards the end of 2022, we announced our decision not to call the €200 million perpetual notes series which had their first call date in January 2023. The Company continues to see the perpetual notes as an integral part of its capital structure, and would wish to call the notes, as it has done in the past. As the cost of a potential replacement with a new issuance was significantly higher than the coupon reset price of the notes, the Company has decided to not call these notes at that point of time. The Company will continue to assess all the options for the perpetual notes and can call the notes at every interest payment date.

The inflationary impacts have also had an impact on the operational costs side of the business. Cost inflation has been a factor in increasing personnel expenses, IT costs, external services, and overhead expenses. We have mitigated some of the impact of these increases by continuing to improve the efficiency of business processes as can be seen by our extensive digitalization of tenant leasing and maintenance processes. Total construction costs have also increased substantially, and we have responded by reducing the level of capex undertaken throughout the portfolio and only selecting to move forward with capex projects that present the highest returns. Finally, strong inflation in energy costs have also been impacting our tenants with regard to affordability. We have taken a proactive approach to responding to this challenge by communicating with tenants and providing resources though a widespread information campaign. The campaign consisted of informational videos, flyers, posters, social media outreach, information on GCP's service center, and more. We also increased pre-payments where possible and sent out letters to tenants for voluntary early increases in service charges that have been widely accepted in order to smoothen the impacts of these higher energy prices and mitigate potential high service charge arrears. We note that our monthly median net rent level remains affordable. We don't believe there will be a material negative impact on collection rates but have conservatively made a provision for a potential weaker scenario.

Despite macro-economic headwinds, we are proud to present a strong operational performance with solid rental growth and continued decreasing vacancy reaching a record low vacancy of 4.2% as of December 2022 compared to 5.1% as of December 2021 and 6.7% as of December 2019. This has been the result of the combined effort of all of GCP's departments and highlights the strong progress the Company has made in recent years. Furthermore, strong rental performance has resulted in like-for-like rental growth of 2.9% as of December 2022. We achieved net rental income of €396 million at the end of 2022, increasing by 6% as compared to €375 million at the end of 2021. FFO I was €192 million, increasing 3% year over year as a result of the strong like-for-like rental growth and net acquisitions in past periods as well as from the impact of acquisitions in 2022, with only limited impact from disposals which were mostly executed towards the end of Q4. FFO I per share increased by 3% to €1.14 as of end of December 2022 compared to €1.11 as of end of December 2021. In 2022 we recorded a slight revaluation gain, which is mostly the result of higher gains in the first half of the year which mostly reverted in the fourth quarter. For the coming year we expect that negative pressures will outweigh the positive developments of the portfolio to a certain extent, which we expect will result in limited devaluation. As of the end of December 2022, the Company's EPRA NTA amounted to €5.1 billion or €29.6 per share.

As of January 2023, Idan Hadad was named GCP`s Chief Financial Officer (CFO) of the Company. Mr. Hadad brings a decade of experience in the field of financial management, including accounting and taxes, compliance and risk management, cash and budget management, payments control and collection. Mr. Hadad joined the group in 2015 as the corporate controller and has led the group's accounting and financial reporting department and will continue to bring his expertise and commitment in this new role.

We want to thank all our stakeholders for their continued trust in GCP. The management board recognizes the hard work and dedication that employees have demonstrated over 2022, which helped once again, raise the bar for the speed and quality of services provided to tenants. We look forward to achieving our new 2023 goals and targets and to create value for all our stakeholders.

Luxembourg, March 16, 2023

Christian Windfuhr
Chairman and member
of the Board of Directors

Simone Runge-Brandner
Member of the
Board of Directors

Daniel Malkin
Member of the
Board of Directors

Refael Zamir
CEO

Idan Hadad
CFO

The Company

Grand City Properties S.A. and its investees (the "Company", "GCP" or the "Group") Board of Directors (the "Board") hereby submits the annual report as of December 31, 2022.

The figures presented in this Board of Director's Report are based on the consolidated financial statements as of December 31, 2022, unless stated otherwise.

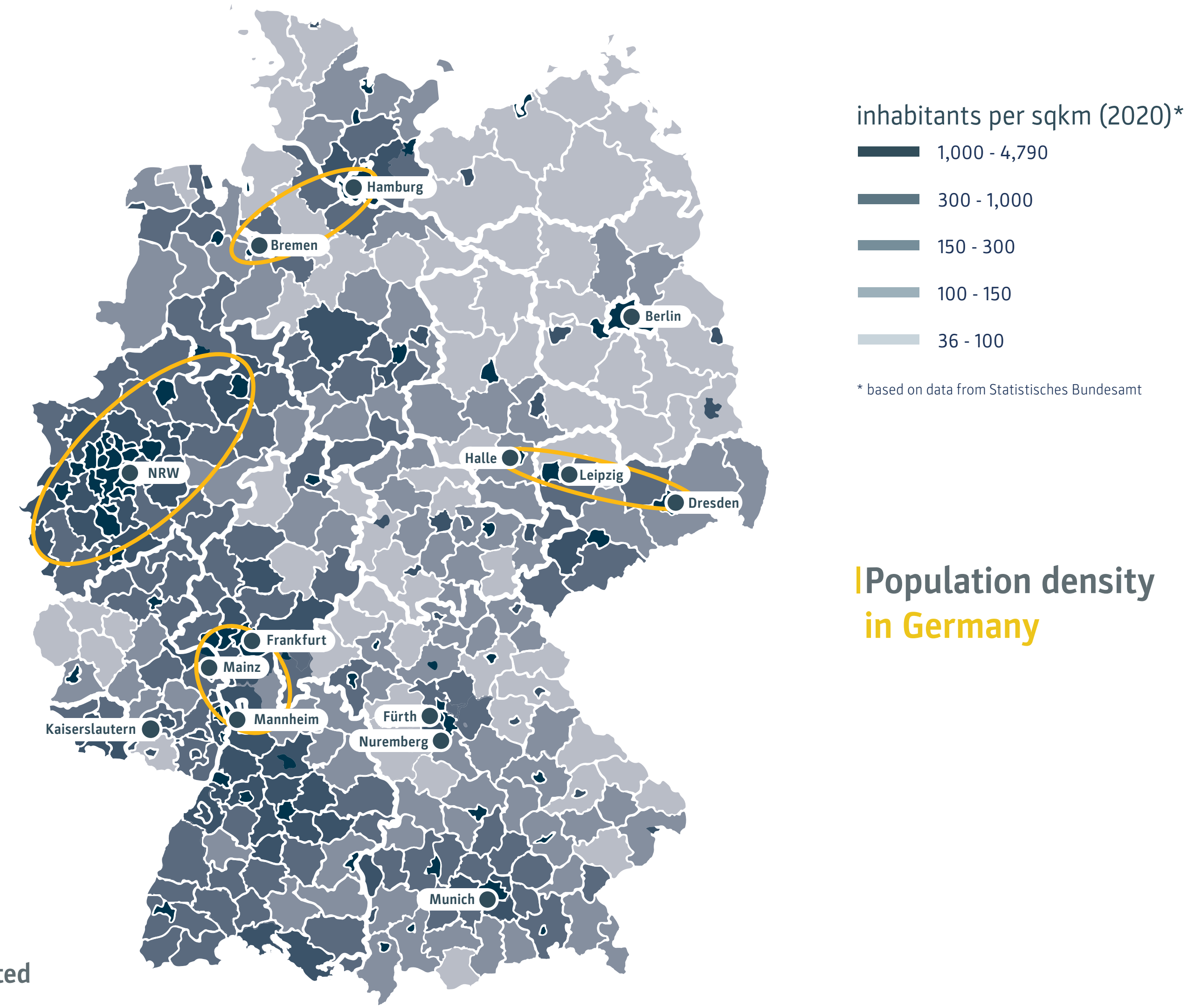
GCP is a specialist in residential real estate, investing in value-add opportunities in densely populated areas predominantly in Germany as well as London. The Group's portfolio, excluding assets held for sale and properties under development, as of December 2022 consists of 64k units (hereinafter "GCP portfolio" or "the Portfolio") located in densely populated areas with a focus on Berlin, Germany's capital, North Rhine-Westphalia, Germany's most populous federal state, the metropolitan regions of Dresden, Leipzig and Halle and other densely populated areas as well as London.

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

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

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


London



Population density in Germany

Portfolio

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

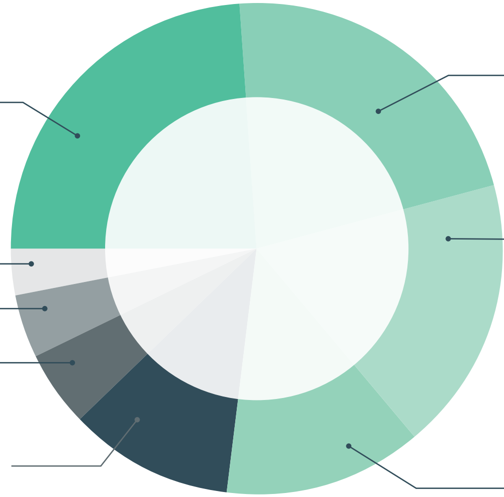
GCP's well-balanced and diversified portfolio is composed of properties in attractive micro-locations with identified value creation potential primarily located in major German cities and urban centers as well as in London.

The Group's well-allocated portfolio provides for strong geographic and tenant diversification and benefits from economies of scale, supporting the risk-averse portfolio approach. GCP's focus on densely populated areas is mirrored by 24% of the Portfolio being located in Berlin, 22% in NRW, 13% in the metropolitan region of Dresden, Leipzig and Halle, and 18% in London, four clusters with their own distinct economic drivers. The portfolio also includes additional holdings in other major urban centres with strong fundamentals such as, Nuremberg, Munich, Mannheim, Frankfurt, Hamburg and Bremen.

Diversified Portfolio With Distinct Economic Drivers

Portfolio overview

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

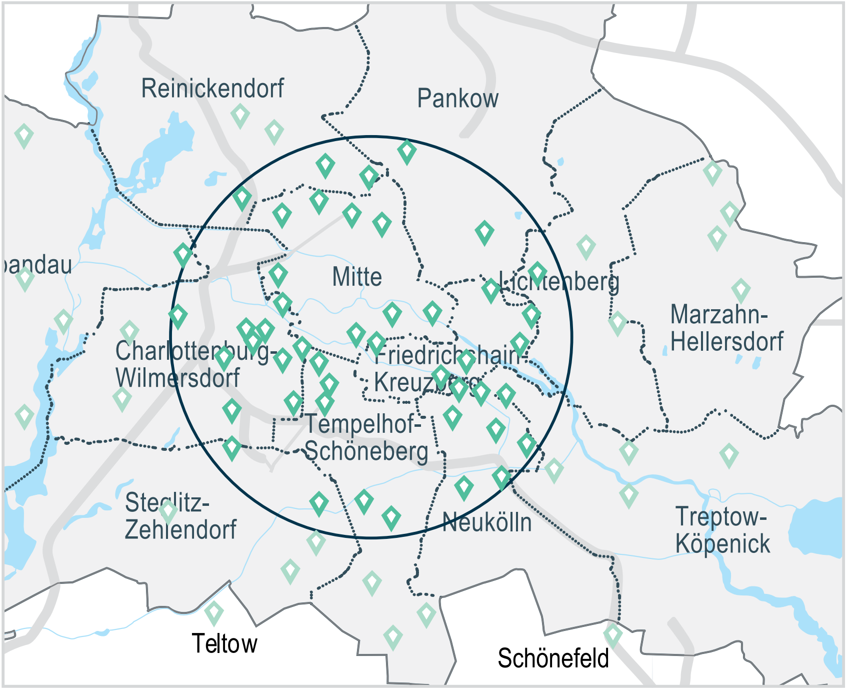


December 2022	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
NRW	2,031	1,226	4.2%	93	6.3	17,917	1,657	4.6%
Berlin	2,177	618	4.1%	66	9.0	8,442	3,520	3.1%
Dresden/Leipzig/Halle	1,252	815	3.5%	54	5.7	13,997	1,535	4.3%
Mannheim/KL/Frankfurt/Mainz	439	176	3.3%	19	8.7	3,013	2,500	4.2%
Nuremberg/Fürth/Munich	303	80	6.1%	9	10.2	1,430	3,796	3.1%
Hamburg/Bremen	430	263	5.7%	21	6.8	3,996	1,631	4.8%
London	1,673	203	3.8%	78	33.3	3,840	8,262	4.7%
Others	981	688	4.9%	53	6.8	11,646	1,426	5.4%
Development rights and new buildings *	244							
Total	**9,530**	**4,069**	**4.2%**	**393**	**8.2**	**64,281**	**2,282**	**4.2%**
Total December 2021	**9,339**	**4,096**	**5.1%**	**383**	**8.1**	**64,937**	**2,205**	**4.2%**

*of which pre marketed buildings in London amount to €30m

Berlin - GCP's Largest Location

Quality locations in top tier Berlin neighborhoods



70%

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

30%

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

KEY DRIVERS

Largest city by population in Germany.

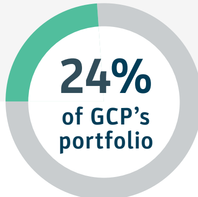
German capital and centre of national political decision making.

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

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

Chronic supply demand imbalance with estimated 100,000 apartment shortfall.[1]

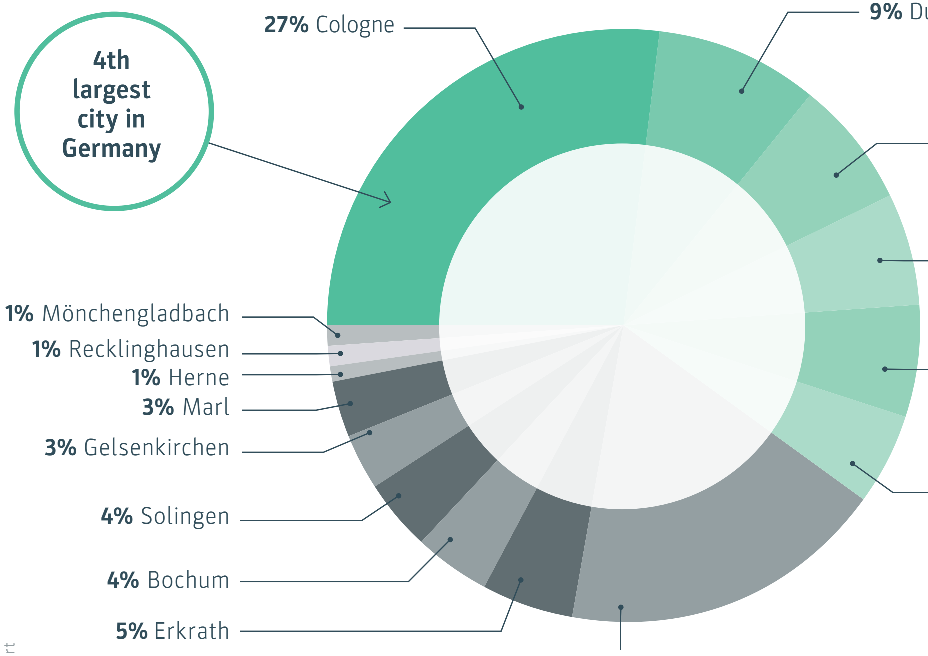
[1]Colliers, Residential Investment Germany 2022/2023



December 2022	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Berlin	2,177	618	4.1%	66	9.0	8,442	3,520	3.1%

North Rhine-Westphalia (NRW)

Well positioned in the largest metropolitan area in Germany



The portfolio distribution in NRW is focused on cities with strong fundamentals within the region. 27% of the NRW portfolio is located in Cologne, the largest city in NRW, 9% in Duisburg, 7% in Dortmund, 6% in Essen, 6% in Wuppertal, and 5% in Bonn.

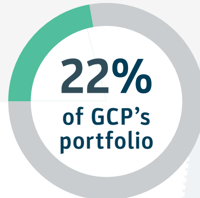
KEY DRIVERS

Both the most populous and densely populated state in Germany.

Home to many of Germany's leading companies, of Germany's top 50 grossing corporations, 17 are based in North Rhine-Westphalia.

Number 1 in the environmental economy across Germany.

Industrial center of Germany contributing 21% to the national GDP and receiving 23% of Germany's FDI.



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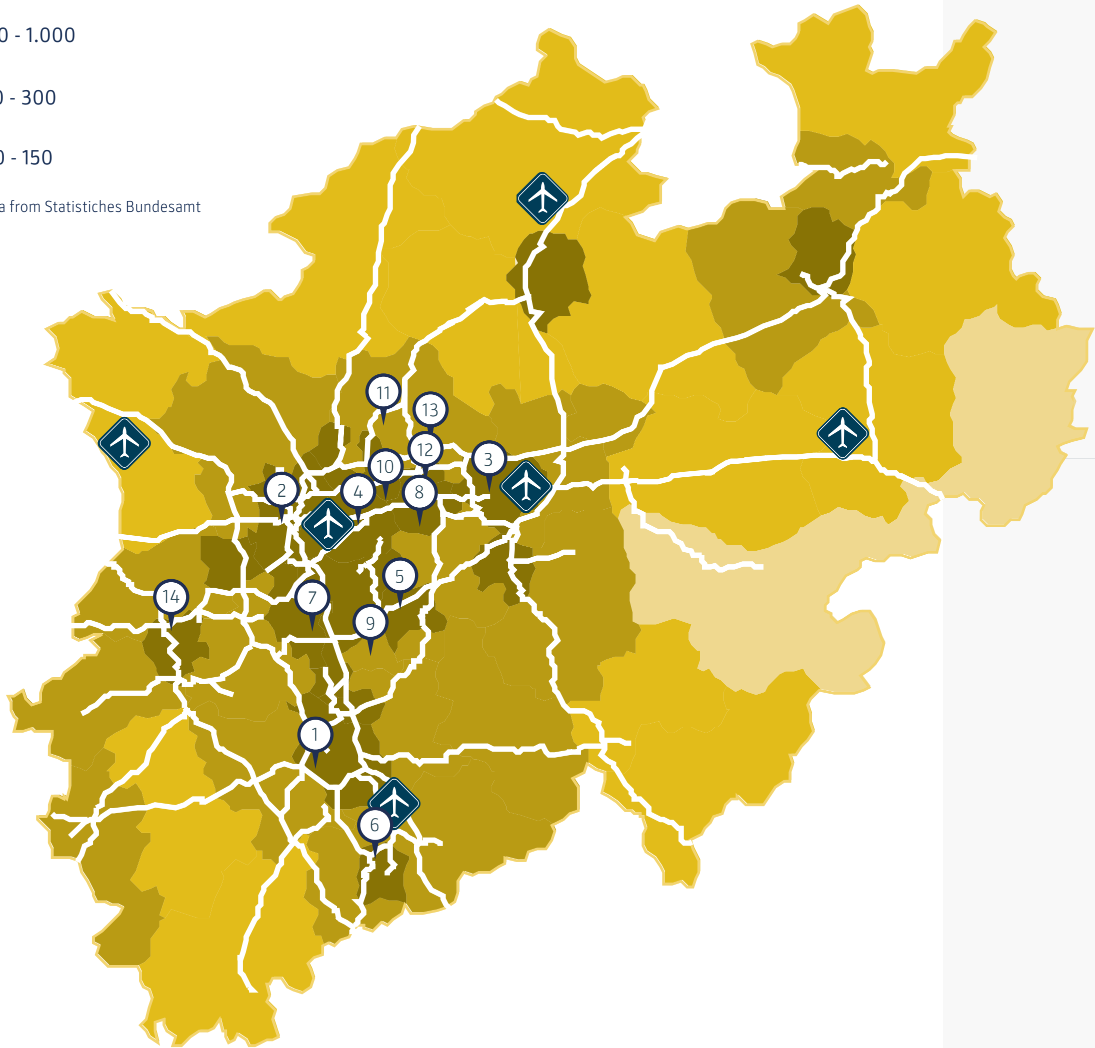
NRW	2,031	1,226	4.2%	93	6.3	17,917	1,657	4.6%

Population Density In NRW

inhabitants per sqkm (2020)*

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

* Based on data from Statistiches Bundesamt



DENSE AND DIVERSIFIED TRANSPORT AND LOGISTICS NETWORK:

- Densest rail network in Germany with about 6,000 kilometers of tracks.
- Well connected to global maritime trade through 120 ports which include the world's largest inland port in Duisburg.
- Well connected to global air travel with two major international airports (Düsseldorf Airport and Cologne Bonn Airport) and three other airports (Dortmund, Münster/Osnabrück, Paderborn/Lippstadt and Weeze/Niederrhein) which connect the region to all major domestic destinations as well as many international cities.
- More than 2,200 km of highways and 17,600 km of federal and provincial roads that seamlessly link into the wider European highway network.

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

London Portfolio

Located in strong middle class neighborhoods

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

asset location
underground station
overground/train station
airport

The total London portfolio, including high quality assets, social housing as well as pre-marketed units, amounts to approx. 3,900 units and approx. € 1.7 billion in value.

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

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

KEY DRIVERS DRIVING INCREASED LETTING DEMAND

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

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

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

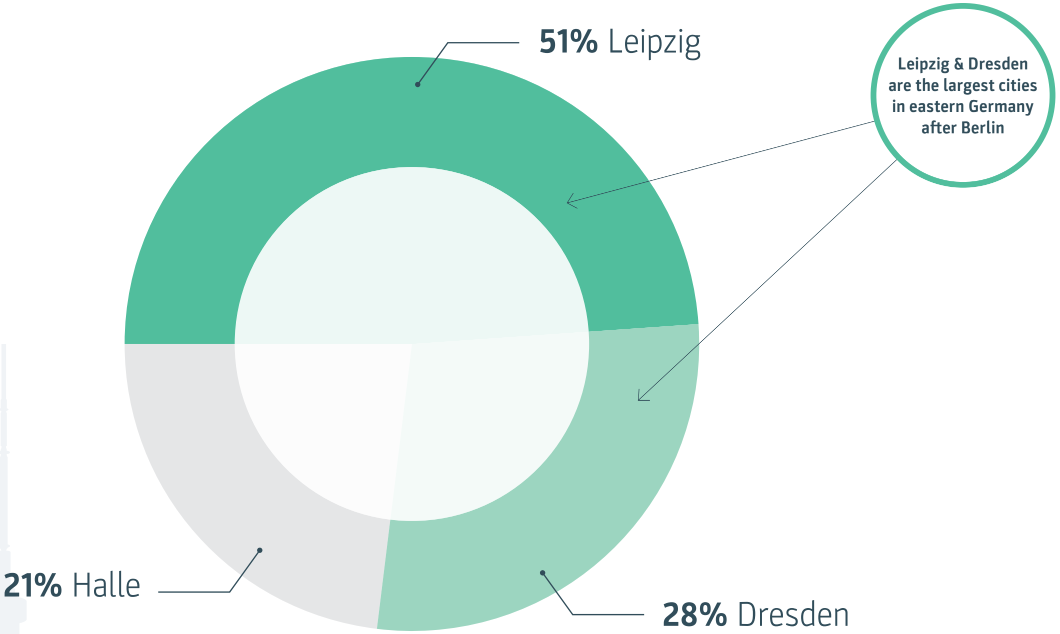
Leaner regulatory environment provides faster repositioning turnaround times and ability to achieve market rent potential.

December 2022	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
London*	1,673	203	3.8%	78	33.3	3,840	8,262	4.7%

*excluding pre marketed buildings in the amount of €30m

Quality East Portfolio

Located in the growing and dynamic cities of Dresden, Leipzig and Halle



KEY DRIVERS

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

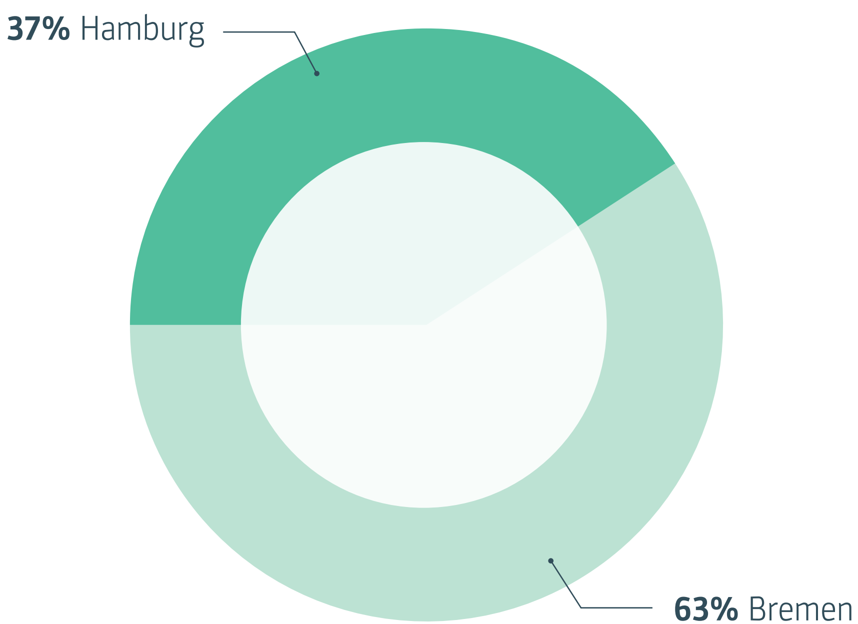
University cities with a wide appeal attracting students from around the world. Leipzig's university, founded in 1409, is one of Europe's oldest.

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

December 2022	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Dresden/ Leipzig/ Halle	1,252	815	3.5%	54	5.7	13,997	1,535	4.3%

Quality North Portfolio

The North portfolio is focused on the major urban centers of Hamburg and Bremen – the largest cities in the north of Germany.



KEY DRIVERS

Hamburg port is a leading driver of the regional economy.

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

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

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

December 2022	Value (in €M)	Area (in k sqm)	EPRA vacancy	Annualised net rent (in €M)	In-place rent per sqm (in €)	Number of units	Value per sqm (in €)	Rental yield
Hamburg/ Bremen	430	263	5.7%	21	6.8	3,996	1,631	4.8%

Strong Financial Position

CONSERVATIVE FINANCIAL POLICY

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

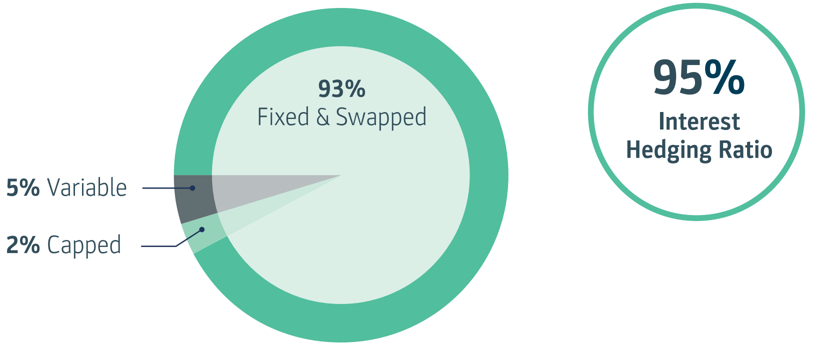
- LTV limit at 45%
- Debt to debt plus equity ratio at 45% (or lower) on a sustainable basis
- Maintaining conservative financial ratios with a strong ICR
- Unencumbered assets above 50% of total assets
- Long debt maturity profile
- Good mix of long-term unsecured bonds and non-recourse bank loans
-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

The Company has a conservative financial approach, maintaining a strong liquidity position providing for valuable financial flexibility. The strong liquidity position is reflected by €429 billion in cash and liquid assets at year-end 2022.

* due to the current market environment, the decision will be taken subject to market condition

INTEREST HEDGING STRUCTURE

December 2022



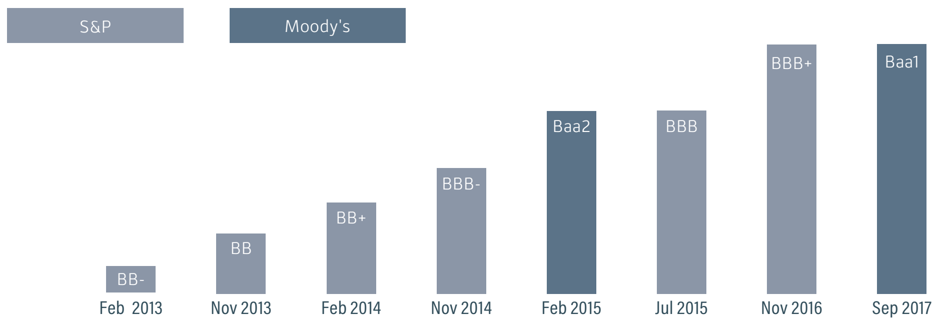
GCP's bank loans are spread across many loans from many different financial institutions that are non-recourse and have no cross-collateral or cross-default provisions.

In accordance with the Company's conservative capital structure, as of December 2022 95% of its interest is hedged. Over the course of 2023 several fixed rate hedging mature, which is expected to result in a hedging ratio of 91% assuming the Company will not re-hedge the instruments.

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

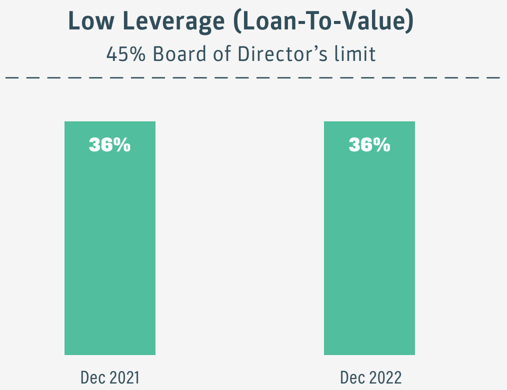
CREDIT RATING

GCP holds an investment-grade credit ratings from both Standard & Poor's (S&P) and Moody's Investors Service (Moody's), with current long-term issuer ratings of BBB+ and Baa1, respectively. Additionally, S&P assigned GCP a short-term rating of A-2. In 2021, GCP terminated its contract with Moody's as part of cost savings measures. However, Moody's maintains its public rating on GCP on an unsolicited basis.



LOAN-TO-VALUE

GCP strategically maintains its strong financial profile characterised by long debt maturities, high proportion of hedged interest rates, excellent financial coverage ratios, and a low LTV. The LTV as of December 31, 2022 is at 36%, well below the management limit of 45%.



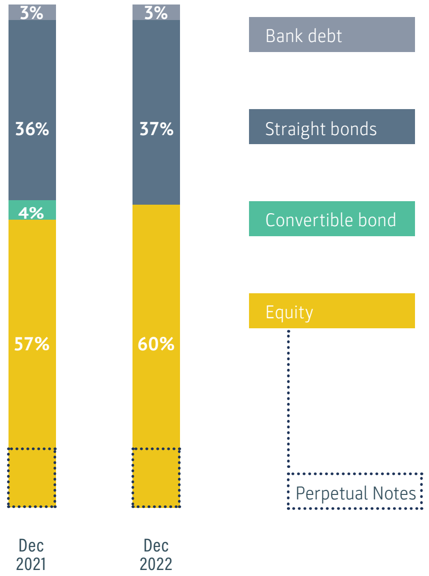
INTEREST COVER RATIO

GCP's financial flexibility remains strong over time due to its high profitability, which is reflected in a high interest cover ratio. For the year of 2022, the Interest Cover Ratio was 6.6x

FINANCING SOURCES MIX

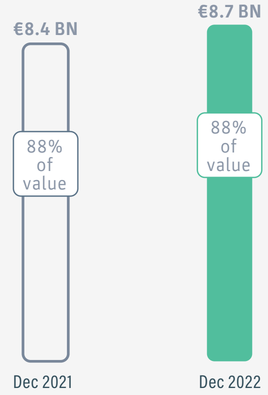
An important component of GCP's financial structure is a strong diversification of funding sources, reducing the reliance on any single source and resulting in a diversified financing mix. This is enabled by the Company's wide reach and proven track record in issuing instruments across various capital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

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



UNENCUMBERED ASSETS

The Company maintains as part of its conservative financial policy a high proportion of unencumbered assets to provide additional financial flexibility and contribute to a strong credit profile, with €8.7 billion in unencumbered assets as of December 2022, representing 88% of the total portfolio value.



Company Strategy And Business Model

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

GCP's investment focus is on the German and London residential markets that it perceives to benefit from favorable fundamentals that will support stable profit and growth opportunities for the foreseeable future. The Group's current portfolio is predominantly focused on Berlin, North Rhine-Westphalia, the metropolitan regions of Leipzig, Dresden and Halle and London, as well as other major cities and urban centers in Germany. The Company follows a selective acquisition criteria and benefits from internal growth potential from the acquisitions of high cash flow generating and under-rented properties with vacancy reduction potential.

CASH FLOW IMPROVEMENTS THROUGH FOCUS ON RENTAL INCOME AND COST DISCIPLINE

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

MAXIMISE TENANT SATISFACTION

Tenant satisfaction is a key pillar of the GCP strategy and helps explain the Company's success since its foundation. GCP primarily meets customer service requests in two different ways. Firstly, through the GCP service center, our customer care agents individualise solutions for each tenant and provide 24/7 support in several different languages. Tenants are ensured prompt responses to queries and can expect to hear back within a maximum timeframe of 24 hours. Furthermore, urgent requests are taken care of within a time frame of under an hour. As a result of this quick and personalised customer support system, the service center has been validated independently and well rated. Focus Money rated the GCP service center's customer service as "fairest customer service" once again and TÜV Nord recognised the GCP service center by recertifying it for 'service quality' in February 2022. TÜV Hessen also recertified the GCP service center for ISO 9001:2015, its quality management system, in March 2022. The second major point of contact is through the Company developed GCP tenant App which further digitalises, quickens, and improves processes, thereby positively impacting tenant satisfaction. Through the GCP App, prospective and existing tenants can access tools such as apartment search as well as service and maintenance requests. The App allows tenants to view the status and receive updates on these requests, thus increasing the transparency of the process. These efforts have been well received by tenants as more requests happen digitally with the rate of tenants contacting the Company via GCP App, Chat or E-Mail increasing to 29% in 2022 from 21% in 2021. The Company has also established a tenant loyalty program which allows tenants to gather points by paying rent on time, renting duration, and through participation in activities and programs. The Company places strong emphasis on enhancing the living quality and environment of its tenants through various measures. GCP strives to develop a holistic sense of community amongst its tenants by installing playgrounds, improving accessibility at the properties, organising family-friendly events, supporting local associations as well as through various other initiatives. Some of the Company's regularly organised tenant events include Santa Claus celebrations for Christmas, Easter egg-searching events as well as other events such as the dozens of "GCP Autumn Parties" that were organised in 2022. The Company has also worked towards providing children with study areas, supporting local organisations that promote creativity, organising youth programs, mother-baby groups, and senior citizen meeting points, among many others, to establish a pleasant environment within the community. GCP also identifies opportunities to work with local authorities to improve the existing infrastructure in the community, contributing to a better living environment and making neighbourhoods more desirable.

OPERATIONS SUPPORTED BY CENTRALISED IT/SOFTWARE

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

Capital Markets

INVESTOR RELATIONS ACTIVITIES SUPPORTING THE STRONG CAPITAL MARKETS POSITION

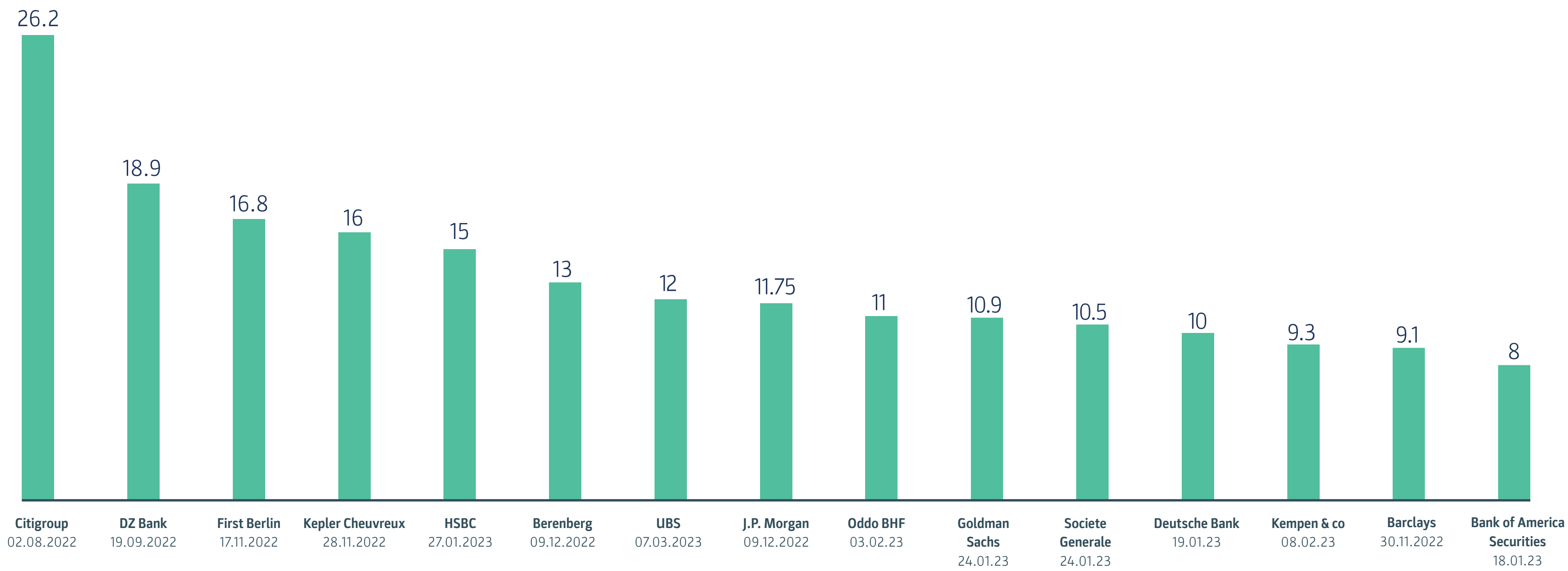
The Company continues to proactively present its business strategy and thus enhance perception, as well as awareness, of the Company among capital market investors. GCP seizes opportunities to present a platform for open dialogue, meeting hundreds of investors in dozens of conferences around the globe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

Placement	Frankfurt Stock Exchange	
Market segment	Prime Standard	
First listing	Q2 2012	
Number of shares (as of 31 December 2022)	176,187,899	ordinary shares with a par value of EUR 0.10 per share
Number of shares, excluding suspended voting rights, base for KPI calculations (as of 31 December 2022)	172,325,810	ordinary shares with a par value of EUR 0.10 per share
Shareholder structure (as of December 2022)	Freefloat	39%
	Aroundtown SA (through Edolaxia Group)	59%
	Treasury Shares	2%
Nominal share capital (as of 31 December 2022)	17,618,789.90 EUR	
ISIN	LU0775917882	
WKN	A1JXCV	
Symbol	GYC	
Key index memberships	SDAX FTSE EPRA/NAREIT Index Series MSCI Index Series GPR 250 DIMAX	
Market capitalisation (as of 15 March 2023)	1.5 bn EUR	

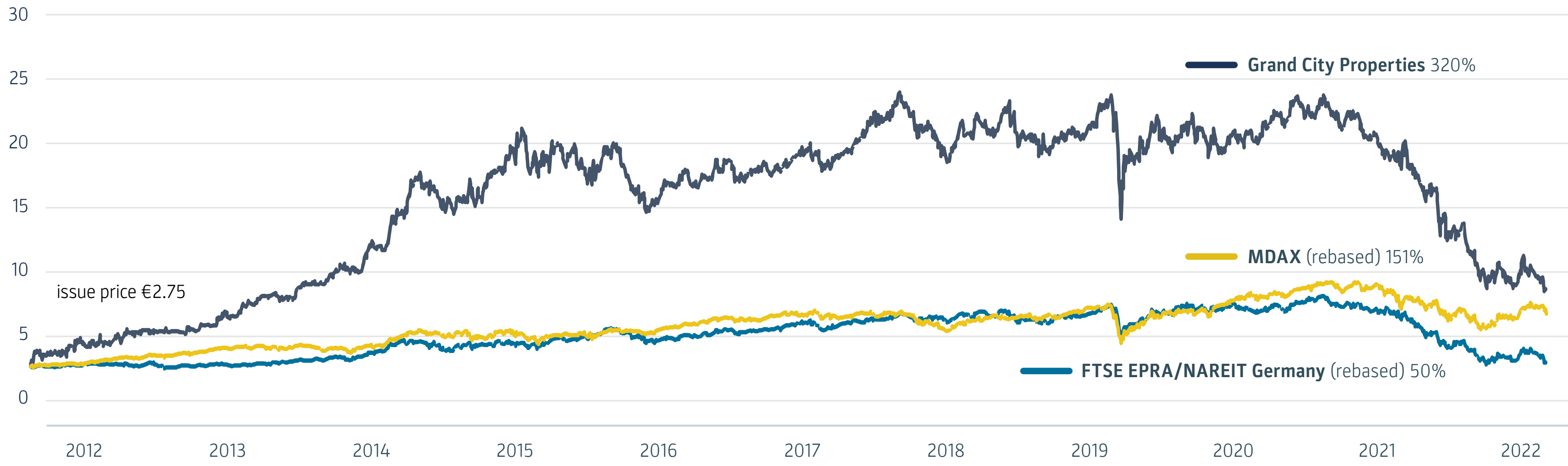
VAST AND PROVEN TRACK RECORD IN CAPITAL MARKETS

The Company has established over the years an impressive track record in capital markets, continuously accessing various markets through its strong relationships with leading investment banks in the market. Supported by two investment-grade credit ratings (BBB+ from S&P and Baa1 from Moody's), GCP is able to quickly and efficiently source funds at attractive interest rates, significantly contributing to its low average cost of debt (of currently 1.3%). Since 2012, GCP has issued approx. €9 billion through dozens of issuances of straight bonds, convertible bonds, equity and perpetual notes. The Company launched an EMTN programme, providing significant convenience and flexibility by enabling the issuance in a short of time of financial instruments of various kinds, sizes, currencies and maturities. Through its strong access to capital markets, GCP is able to proactively and effectively manage its debt structure, contributing to current cash and liquid assets covering debt maturities until mid-2025 and a long average debt maturity of 5.9 years.

ANALYST RECOMMENDATIONS



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



Mönchengladbach

ESG

Environment, Social and Governance

GCP's goals and targets are intertwined with the health and viability of local communities, its employees, and the avoidance of the worst impacts of climate change. As a result, the Company prioritises improving the sustainable nature of its operations and properties and maintains a high standard of responsibility towards all of its stakeholders, including tenants, employees, shareholders, creditors, suppliers, the environment as well as the broader communities in which the Company operates. One of GCP's core principles is to create affordable communities where people wish to live and stay. By acting on core ESG principles to improve social, institutional, and environmental conditions in its portfolio locations, GCP can make positive impacts while also supporting the Company's long-term business interests.

GCP considers ESG to be pivotal to the overall success of the organisation and as a result has created and integrated wide reaching ESG policies into the different functions of the Company. The various efforts and initiatives undertaken in 2022, as well as the Company's future targets are extensively displayed in sustainability reporting that consists of an externally assured non-financial report as well as topic-specific sustainability documents that cover all material issues. These will be available for download later in 2023 under the sustainability section of the Company's website. GCP's maintains its reporting processes in line with the EPRA sBPR (Sustainability Best Practice Recommendations) guidelines and has the published non-financial data also externally assured under the ISAE 3000 standard.

GCP's commitment to sustainability measures was recognised in February 2022 by Sustainalytics, a leading sustainability rating agency, which ranked GCP in the top 7th percentile of the global universe of companies and in the 23rd percentile of real estate peers. GCP ranked by S&P Global's corporate sustainability assessment (CSA) in the top 7th percentile on real estate companies globally and was rated industry-best in the sub-category "Customer Relationship Management", reflecting the strong focus on tenant satisfaction.

Furthermore, for the sixth year in a row, in September 2022, GCP was awarded the EPRA BPR Gold Award as well as the EPRA Sustainability Best Practices Recommendations (sBPR) Gold Award for its EPRA sBPR reporting, underlining the Company's commitment to the highest standards of transparency and reporting.

Hallescher Fußballclub e.V.

yarruta

URBANSCREEN

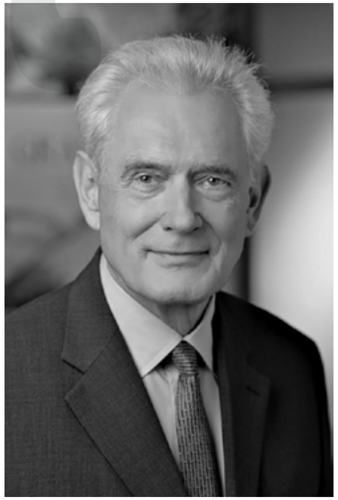
Environmental Responsibility

GCP takes its environmental responsibility seriously and recognises its role in contributing to national and global efforts to limit the worst impacts of climate change and promote sustainable development that is in the best interests of all stakeholders. As a result, the Company has set a target to achieve a 40% reduction in CO_2 emissions by 2030 against a 2019 baseline. A Group-wide energy performance policy has established a management framework to achieve this target. This framework covers all assets and corporate offices and encompasses monitoring and review, benchmarking, energy optimisation, auditing and target setting-processes for energy, use of fossil fuels, and CO_2 emissions.

GCP has worked to further integrate climate reporting, environmental data collection, and building energy audits into existing business practices to enable a data driven approach when making business decisions. Technical due diligence studies use this improved sustainability data to identify actions that could be pursued based on an economic business case, higher tenant satisfaction, and environmental benefits. The Company carefully considers the environmental aspects of the entire repositioning process and consistently improves upon different environmental measures in this respect. The Company sees the implementation of environmentally friendly measures as both an important environmental issue as well as an integral part of the optimisation of its cost structure and maximising tenant satisfaction.

GCP assigns considerable resources to ensure the proper oversight of various initiatives in connection with the safeguarding of the environment. Management reviews of the environmental policies are coupled with the ongoing monitoring of the environmental performance such as the use of energy, waste and water along with the reduction of carbon emissions and waste management. Through the year 2022, the Company continued to switch electricity obtained by the company to renewables or climate-neutral energy sources, thereby reducing GCP's carbon-footprint, supporting the goal to reduce CO_2 emissions by 40% until 2030. GCP has further continued its efforts towards moving to climate-neutral gas systems to reduce its environmental footprint and is also working towards furthering electromobility by expanding its charging station infrastructure and transitioning its fleet towards electric vehicles.

Looking ahead, GCP will continue to analyse its properties for the potential implementation of on-site renewable energy systems like solar PV and heat pumps or CHP (Combined Heat and Power) systems that use energy more efficiently. The Company has targets to achieve 100% electricity supply from renewables and climate-neutral gas supply for all assets where it has operational influence, for example through switching all procured electricity to Power Purchase Agreements (PPA) sourcing renewable electricity generated from wind, hydroelectric and solar PV sources by 2027.



Grand City Properties' Sustainable Business Strategy demonstrates that sustainability is being integrated across all the operations of the business to help tackle global challenges such as climate change and biodiversity loss and make a positive difference for our tenants and their local communities.

Christian Windfuhr,
Chairman of the Board of Directors

Although GCP does not control its tenants' energy consumption, the Company strives to provide its tenants with consistent and relevant information about their energy consumption through the progressive installation of sub-metering systems. This provides tenants with a greater awareness and incentive to reduce energy use which has been especially valuable in the face of historically high energy and heating costs in 2022. The Company has also responded to this challenge by launching a widespread information campaign which consisted of informational videos, flyers, posters, social media outreach, information on GCP's service center, and more. The information campaign shows practical habits and ways that tenants can save energy and establishes a clear link between resource efficiency, costs savings, and environmental benefits. For example, the Company has provided a guide to heating on its website which demonstrates how to maximise the heating potential of a space while minimising energy usage. Other online resources include guides on how to optimise electricity usage, how to separate waste properly, and a tips and tricks page that shows how to approach leaky faucets, drains, toilet bowls, and more. GCP has stayed in constant communication with its tenants through this time and has worked to answer questions and has offered the option of early increases in service charges to mitigate potential high service charge arrears. Going forward, GCP will continue to maintain an open dialogue with its tenants and continue to provide informational resources to help increase efficiency.

GCP is also committed to maintaining and enhancing the biodiversity across the portfolio. The Company portfolio is composed of many properties that have substantial amounts of green space that will remain undeveloped and can play an important role in protecting urban biodiversity as well as contributing positively to tenants' well-being and satisfaction. Furthermore, the Company's business model means it undertakes little amount of construction projects, and specifically green field developments where untouched land is developed, and therefore has a relatively small impact on biodiversity loss. GCP has a policy outlining its commitment to biodiversity and has started implementing measures to foster biodiversity across the portfolio, like biodiversity-enhancing plantations, sourcing certified and/or recycled wood products, refraining from using pesticides and herbicides across the portfolio that could harm natural life, and setting up insect hotels and bird houses. Where possible the Company aims to involve local stakeholders in these activities, such as cooperation with kindergartens and day care centers when installing bird houses and insect hotels, which further contributes to environmental awareness through education.

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

Lebenshilfe Harzkreis Quedlinburg e. V.

Social responsibility

TENANTS & THE SOCIETY

As an asset owner and a property manager, GCP acknowledges its impact and role in maintaining the quality of life of the communities in which it is involved. The Company strives to maintain positive relationships with local communities and works to support a vibrant and friendly environment. GCP has worked to achieve this by renovating or adding community spaces like playgrounds, BBQ areas, and fitness trails, organising community events, supporting charitable projects, and by getting GCP employees involved in communities.

The Company focuses its efforts with charitable projects involving children, education, sports and the elderly through the GCP Foundation which is run by a committee of GCP managers and overseen by an independent Board of Trustees. The GCP Foundation focuses its support on several local non-profit organisations that provide educational assistance and general care for children living in the local community, local creative centers, and community-orientated grocery stores in the Company's portfolio locations. In 2022, the GCP foundation continued to provide direct financial support. Some examples of the charitable contributions made by the GCP foundation include providing financial support for "füreinander eV" to fund child learning workshops and their 2022 Christmas party, "Kiek in – Soziale Diensten gGmbH" to help with the purchase of new sports and play equipment for kids, "beroma eG" which is a cooperative that runs a local grocery store so that they could buy an e-car to help with food deliveries, and many more.

GCP also maintains a policy of providing suitable vacant units rent-free for social and charitable purposes. Currently, 14 units are being provided for this purpose. The Company also helps charitable organisations using these spaces by providing furniture, equipment, and funds for operations. GCP employees also got themselves positively involved in local communities by participating in GCP's 2022 Social Days.

GCP believes in the positive impact that team sports can have on the development of young people and the local community and therefore acts to directly support them. As part of this strategy, GCP sponsors several local sports clubs such as the football teams FC Azadi Bochum, VfB Frohnhausen Essen, FSV Werdohl and SSV Buer Gelsenkirchen as well as the volleyball team TV Hörde Dortmund, among others.

GCP places a high value on direct interaction and dialogue with its tenants and to that end

84. Oberschule

Strassenkinder e.V.

Kita Mohrhennsfeld

EMPLOYEES & DIVERSITY

GCP greatly values its employees and offers them various opportunities for personal development and internal advancement. The Company continues to encourage employees to take advantage of GCP's in-house training academy which include courses to improve technical skills, language courses, productivity courses, and more. GCP's Leadership Excellence Program and employee support are further examples of such opportunities and have been effective in building leadership qualities. Through the 12-month GCP Leadership Excellence Program, talented employees across seniority levels get to build up their competencies within a managerial position by learning how to approach and tackle complex problems. As a commitment to high employee satisfaction and retention, GCP is pursuing a goal to decrease the employee turnover rate to below 10% and be among the top ten most attractive employers in the German residential real estate sector by 2030.

GCP celebrates its cultural diversity and views it as essential to its success. The Company values and respects perspectives of its employees from different nationalities, ages, genders, ethnicities, races, cultures, religions, ideologies, sexual identities, and physical abilities. Discrimination based on any of these aspects is strictly prohibited within the Company. All employees are provided with a diversity training upon joining the organisation. The Company's commitment to diversity is overseen by a Diversity Committee, made up of representation across different levels of the organisation.

ESG Steering Committee

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

Corporate governance

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

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

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

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

The Company is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. In particular, the Company is currently not required to adhere to the "Ten Principles of Corporate Governance" of the Luxembourg Stock Exchange or to the German Corporate Governance Code, the latter which are only applicable to listed companies incorporated in Germany, apart from for recommendations C.10 (with sole reference to its applicability to the Chair of the Audit Committee), D.3, D.9 and D.11 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex). GCP has therefore issued a declaration that it does not deviate from the aforementioned recommendations of the German Corporate Governance Code. In general, the Company already complies with most of the principles and continues to take steps to implement environmental, social and corporate governance best practices throughout its business.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") of the shareholders of Grand City Properties S.A. for 2023 is intended to take place on June 28, 2023 in Luxembourg.

COMPLIANCE, CODE OF CONDUCT AND DATA PROTECTION

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

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

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

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

BOARD OF DIRECTORS

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS

Members of the Board of Directors

Name	Position
Mr. Christian Windfuhr	Director, Chairman
Ms. Simone Runge-Brandner	Independent Director
Mr. Daniel Malkin	Independent Director

CEO

The Board of Directors resolved to delegate the daily management of the Company to Mr. Refael Zamir, as Daily Manager (administrateur-délégué) of the Company since October 2020, under the endorsed denomination (Zusatzbezeichnung) Chief Executive Officer (CEO) for an undetermined period.

CFO

The Board of Directors resolved to delegate the daily management of the Company to Mr Idan Hadad, as Daily Manager (administrateur-délégué) of the Company since January 2023, under the endorsed denomination (Zusatzbezeichnung) Chief Financial Officer (CFO).

ADVISORY BOARD

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

AUDIT COMMITTEE

The Board of Directors established an Audit Committee and decides on the composition, tasks and term of the Audit Committee as well as the appointment and dismissal of its members. The Audit Committee shall be composed by at least two members who shall be independent non-executive directors. The responsibilities of the Audit Committee relate to the integrity of the consolidated financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes, and monitoring the accounting processes.

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

RISK COMMITTEE AND RISK OFFICER

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ESG COMMITTEE

The Board of Directors established an ESG Committee to supervise the company´s ESG processes. In addition, the Committee reviews and assesses the company's contribution to sustainable development. The ESG Committee shall be composed by at least two members of the Board of Directors. The chairman of the Committee shall be independent.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

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

INTERNAL RISK MITIGATION

Internal controls are constructed from five main elements:

- **Risk assessment** – set by the Risk Committee, supported by the Risk Officer, and guided by an ongoing analysis of the organisational structure and by identifying potential weaknesses.
- **Control discipline** – based on the organisational structure and supported by employee and management commitments. The discipline is founded on the foundations of integrity and ethical values.
- **Control features** – the Company sets physical controls, compliance checks, and verifications such as cross departmental checks. Grand City Properties S.A. puts strong emphasis on separation of duties, as approval and payments are done by at least two separate parties. Payment verification is cross checked and confirmed with the budget and the contract. Any payment exceeding a certain set threshold amount requires additional approval by the head of the department as a condition for payment.
- **Monitoring procedures** – the Company monitors and tests unusual entries, mainly through a detailed monthly actual vs. budget analysis and check. Strong and sustainable control and organisational systems reduce the probability of errors and mistakes significantly. The management places significant value in constantly improving all measures, adjusting to market changes and organisational dynamics.
- **ESG risk-related expenditures** – the Group has included identification of potential financial liabilities and future expenditures linked to ESG risks in the organisational risk assessment. Future expenditures on ESG matters and opportunities are included in the financial budget.

EXTERNAL RISK MITIGATION

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

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

For information regarding the external risks please see pages 148, 149 and 150 (Note 26.3.5)

SHAREHOLDERS' RIGHTS

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

The shareholders of Grand City Properties S.A. exercise their voting rights at each General Meeting of the shareholders, whereby each share is granted one vote. The AGM of the shareholders takes place within 6 months after the end of the financial year at the registered office of the Company, or at such other place as may be specified in the notice of the meeting. At the AGM of the shareholders the Board of Directors presents, among others, the management report as well as the statutory and consolidated financial statements to the shareholders.

The AGM resolves, among others, on the statutory and consolidated financial statements of Grand City Properties S.A., the allocation of the statutory financial results, the appointment of the approved independent auditor, and the discharge to the (re-)election of the members of the Board of Directors. The convening notice for the AGM of the shareholders contains the agenda and is publicly announced in the Recueil électronique des sociétés et associations in Luxembourg (RESA), in a Luxembourg newspaper and on the Company's website at least thirty days before the AGM and in accordance with applicable Luxembourg law.

COMPLIANCE TO THE TRANSPARENCY LAW

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

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

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

a. With regard to article 11 (1) (a) and (c) of the Takeover Law (capital structure), the relevant information is available on pages 27, 40, and note 18 on pages 132, 133, 134 of this annual report. In addition, the Company's shareholding structure showing each shareholder owning 5% or more of the Company's share capital is available on page 27 of this annual report and on the Company's website, where the shareholding structure is updated on a regular basis.

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

c. In accordance with the requirements of Article 11 (1) c of the Takeover Law, the following significant shareholdings were reported to the Company, as of 31 December 2022:

Shareholder name	Amount of Shares	Percentage of voting rights [1]
Aroundtown SA (through Edolaxia Group Ltd) [2]	103,576,492	59%

1) Total number of Grand City Properties S.A. shares as of 31 December 2022: 176,187,899
2) Edolaxia Group Ltd is a wholly owned subsidiary of Aroundtown SA

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

e. With regard to article 11 (1) (e) of the Takeover Law, control rights related to the issue of shares are directly exercised by the relevant employees. The key terms and conditions in relation to the Company's incentive share plan are described on pages 134, 135, note 19 of this annual report.

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

g. With regard to article 11 (1) (g) of the Takeover Law, as of December 31, 2022, the Company was not aware of any agreements between shareholders that would lead to a restriction on the transfer of shares or voting rights.

h. With regard to article 11 (1) (h) of the Takeover Law, according to article 9 of the Articles of Association, the members of the board of directors of the Company (the **"Board"**) shall be elected by the shareholders at their AGM by a simple majority vote of the shares present or represented. The term of the office of the members of the Board shall not exceed six years, but they are eligible for re-election after such term. Any member of the Board may be removed from office with or without specifying a reason at any time. In the event of a vacancy in the office of a member of the Board because of death, retirement or otherwise, this vacancy may be filled out on a temporary basis until the next meeting of shareholders, by observing the applicable legal prescriptions. Further details on the rules governing the appointment and replacement of a member of the Board are set out in page 37 of this annual report.

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

i. With regard to article 11 (1) (i) of the Takeover Law, the Board of Directors is endowed with wide-ranging powers to exercise all administrative tasks in the interest of the Company including the establishment of an Advisory Board, an Audit Committee, a Risk Committee, a Remuneration Committee Nomination Committee and an ESG Committee. Further details on the powers of the Board are described on page 37, 38 of this annual report.

   According to article 5.1 of the Articles of Association, the Company may redeem its own shares to the extent and under the terms permitted by law. The shareholders' meeting held on 24 June 2020 authorised the Board, with the option to delegate, to buy-back, either directly or through a subsidiary of the Company, shares of the Company for a period of five (5) years not exceeding 20% of the aggregate nominal amount of the Company's issued share capital. Further details on the Company's share buy-back program are described on pages 132 of this annual report.

j. With regard to article 11 (1) (j) of the Takeover Law, the Company's (listed on pages 134 to 139 and notes 18.8 and 20.2) convertible bonds, hybrid bonds and security issuances under the EMTN programme contain change of control provisions that provide noteholders with the right to require the Company to repurchase their notes upon a change of control of the issuer. The Company's ISDA master agreement securing derivate transactions with regard to its listed debts contains a termination right if the Company is financially weaker after a takeover.

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

Notes on business performance

Consolidated income statement data

	For the year ended 31 December	
	2022	2021
	€'000	
Revenue	**582,505**	**524,629**
Net rental income	396,041	374,550
Operating and other income	186,464	150,079
Property revaluations and capital gains	117,761	694,844
Share in profit from investments in equity-accounted investees	-	3,952
Property operating expenses	(266,287)	(218,064)
Administrative and other expenses	(10,689)	(11,138)
Depreciation and amortisation	(10,488)	(8,235)
Operating profit	412,802	985,988
Adjusted EBITDA	**308,100**	**298,589**
Finance expenses	(46,914)	(46,450)
Other financial results	(137,133)	(148,640)
Current tax expenses	(39,120)	(39,227)
Deferred tax expenses	(10,532)	(134,582)
Profit for the year	**179,103**	**617,089**
FFO I	**192,219**	**186,326**
FFO II	**200,822**	**287,549**

REVENUE

	For the year ended 31 December	
	2022	2021
	€'000	
Net rental income	**396,041**	**374,550**
Operating and other income	186,464	150,079
Revenue	**582,505**	**524,629**

For the year 2022, GCP recorded revenues amounting to €583 million, increasing by 11% as compared to €525 million in 2021. Total revenue is made up of net rental income and operating and other income.

Net rental income amounted to €396 million for the year 2022, increasing by 6% as compared to the €375 million recorded in 2021. The growth in net rental income was primarily the result of the full impact of acquisitions and disposals made in 2021 and the partial impact of acquisitions made in 2022 as well as the strong operational performance reflected by the like-for-like rental growth of 2.9%.

The increase in net rental income was positively impacted by the expansion of the portfolio through strategic acquisitions executed primarily in H1 2022 and 2021. In 2022, GCP made approx. €250 million in accretive acquisitions signed at the beginning of the year and that were closed at the end of the second quarter and consisted of approx. 1,000 units located in Berlin and London. These acquisitions only had a partial impact on net rental income in the current period but will have a full impact in future periods, helping to further drive growth. During the period, there were immaterial disposals in the amount of approx. €18 million. Net rental income also grew as a result of the full impact of the €700 million in acquisitions executed in 2021 but offset by €360 million in disposals across the same period. As of December 2022, the annualised net rental income amounted to €393 million.

The strong increase in the net rental income in 2022 was also the result of the strong operational performance of the portfolio. In 2022, GCP recorded like-for-like rental growth of 2.9%, which comprised of 2.2% from in-place rent growth and 0.7% from occupancy increases. The strong letting performance resulted in portfolio vacancy reaching a historic low of 4.2% as of December 2022 decreasing substantially from 5.1% as of December 2021 and 6.7% as of December 2019. The consistent reduction of the portfolio's vacancy is the result of the Company's portfolio being located in fundamentally strong metropolitan areas which are characterised by a large supply and demand gap as well as the Company's strong in-house operational and letting team, which enabled GCP to utilize this imbalance and drive the operational performance of its portfolio. The portfolio's average in-place rent increased to €8.2/sqm as of December 2022 from €8.1/sqm as of December 2021, driven by rent increase and re-letting at higher rent across the portfolio's locations.

The operating and other income line item is primarily composed of income related to recoverable operating expenses from tenants. In 2022, operating and other income amounted to €186 million as compared to €150 million in 2021. The increase in operating and other income was primarily the result of cost inflation on recoverable expenses such as for utilities, the larger portfolio as compared to 2021, and a reduction in vacancy. This increase was partially offset through efforts to increase the efficiency of the portfolio by disposing of higher cost-structure assets, acquiring leaner cost-structure assets, and targeted capex investments that increase the efficiency of existing assets.

PROPERTY REVALUATIONS AND CAPITAL GAINS

	For the year ended 31 December	
	2022	2021
	€'000	
Property revaluations	115,039	631,152
Capital gains	2,722	63,692
Property revaluations and capital gains	**117,761**	**694,844**

In 2022, GCP recorded property revaluations and capital gains in the amount of €118 million, lower as compared to the €695 million recorded in 2021. The property revaluations and capital gains line item are primarily composed of property revaluations which amounted to €115 million in 2022, lower as compared to €631 million in 2021. On a like-for-like basis, excluding capex, the portfolio value increased by 1% for the full year 2022.

In the fourth quarter of 2022, property revaluations turned slightly negative and partially offset the gains that had been recorded earlier in 2022. Revaluation gains were negatively impacted by increasing interest rates which have resulted in higher discount and cap rates, thereby resulting in yield expansion. These negative factors were offset by a strong operational improvement driven by like-for-like rental growth and a reduction in vacancy across the portfolio. The portfolio is well diversified in fundamentally strong metropolitan areas with unique economic drivers were demand for residential space remains strong. In Q4 2022, excluding capex, the portfolio value decreased by 1%. As of December 2022, the portfolio had an average value of €2,282/sqm representing a rental yield of 4.2%, as compared to €2,315/sqm and 4.2% as at September 2022 and €2,205/sqm and 4.2% as at December 2021. The Company's portfolio valuations remain on average significantly below replacements costs.

GCP's portfolio value is externally appraised by independent, professional, and certified valuators at least once a year. As part of the annual audit for the year 2022, the portfolio has been reviewed completely.

Capitals gains make up the remainder of the property revaluation and capital gains line item and amounted to €3 million in 2022 as compared to €64 million in 2021. In 2022, the Company sold €18 million of properties reflecting a premium of 17% over book value as compared to approx. €360 million in 2021. The 2022 disposals consisted primarily of non-core and development assets as well as a small number of condominiums, mostly in Berlin. The realised disposal gains over costs totalled €9 million and reflected a 87% profit margin, including transaction costs and capex spent.

DISPOSAL ANALYSIS

	For the year ended 31 December	
	2022	2021
	€'000	
Acquisition cost including capex of disposed properties	9,881	256,691
Total revaluation gains on disposed properties since acquisition	5,881	37,531
Book Value (IFRS)	15,762	294,222
Disposal value net of transaction costs	18,484	357,914
Capital gain	**2,722**	**63,692**
Premium over net book value	**17%**	**22%**
Disposal value net of transaction costs	18,484	357,914
Acquisition cost including capex of disposed properties	(9,881)	(256,691)
Realised profit from disposal	**8,603**	**101,223**
Disposal profit margin on investment property	**87%**	**39%**

Through GCP's wide deal sourcing network, the Company regularly receives offers to sell its assets. The Company continuously reviews such offers as well as other potential disposal opportunities within the portfolio and prioritises the sale of non-core and mature properties whose upside potential has been mostly realised. The Company takes an opportunistic approach to such offers and looks to crystallise gains for these properties while sharpening the portfolio's focus on properties in core locations with value-add potential. Proceeds from gains are channelled into further value creation measures, or in the current environment, bolster the Company's liquidity position. The reduction in disposals volume reflects the tough environment in the transaction market as a result of uncertainties in the market which started in the first half of 2022. In addition, during the fourth quarter of 2022, the Company signed additional disposals in the amount of over €170 million mostly in Berlin and London and comprising of assets reclassified on the balance sheet as held for sale.

PROPERTY OPERATING EXPENSES

	For the year ended 31 December	
	2022	2021
	€'000	
Purchased services	(187,631)	(144,727)(*)
Maintenance and refurbishment	(21,723)	(22,449)
Personnel expenses	(24,458)	(22,059)
Other operating costs	(32,475)	(28,829)(*)
Property operating expenses	**(266,287)**	**(218,064)**

(*) Reclassifed

In 2022, GCP recorded property operating expenses in the amount of €266 million, higher as compared to the €218 million recorded in 2021.

Property operating expenses are mostly composed of purchased services that are related to various ancillary services, most of which are recoverable from tenants. Some examples of these purchased services include utility and service costs such as heating, water, waste management, property cleaning services, and more. In 2022, the cost of purchased services increased by 30% year over year. This increase is primarily as a result of cost inflation that increased prices across the board but had the greatest impact on heating and energy prices. The Company has been proactive in this matter by launching an information campaign across all channels on how to effectively save energy and reduce costs, increasing pre-payments where possible, and sending out letters to tenants for early voluntary increases of the services charges to avoid large one-time payments. Furthermore, GCP recorded appropriate provisions to address the potential impact on collections. Some of the increase in purchased services can also be attributed to the increase in the average size of the portfolio and lower vacancy, while increases were partially offset by optimization efforts that have resulted in the portfolio having an overall leaner cost structure.

The Company has continued to deliver on its responsibility of maintaining high levels of tenant satisfaction by providing timely and high-quality services, all while extracting efficiencies. GCP offers 24/7 support through its service center where tenant care agents offer individualised support in several languages to ensure that tenant needs are being met quickly and effectively. The Company has also developed the GCP tenant App which digitalises recurring requests such as property searching, signing leases, uploading documentation, and initiating and tracking service requests. In 2022, GCP has continued to digitalise its operational support services to create greater efficiencies for both tenants and the Company, thereby reducing costs and increasing tenant satisfaction.

In 2022, GCP recorded Personnel expenses in the amount of €24 million, higher as compared to €22 million in 2021. These expenses increased primarily as a result of cost inflation, driven by the continued tight labour market. Other operating costs are mostly composed of expenses incurred in the letting process and include promotional and marketing activities, transportation, and communication expenses. In 2022, Other operating costs amounted to €32 million, higher in comparison to 2021 and helped drive strong letting momentum which further decreased the vacancy rate.

MAINTENANCE AND CAPEX

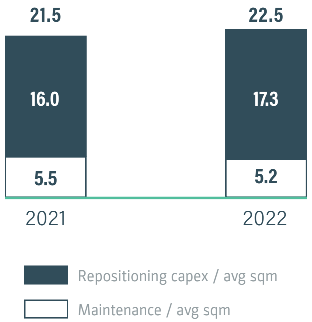
GCP regularly assesses the quality of its assets and carries out a wide variety of targeted maintenance and refurbishment projects to sustain the quality and the value proposition of the portfolio. The Company also makes specific investments to improve the quality of the portfolio which enhances the offering. These projects improve the quality of life for tenants and thereby increase tenant satisfaction, reducing turnover, lowering vacancy, and increasing rents.

In 2022, GCP recorded maintenance and refurbishment expenses in the amount of €22 million or €5.2 per average sqm, as compared to €22 million or €5.5 per average sqm in 2021. Maintenance and refurbishment expenses are made up of costs incurred on projects that maintain asset quality and are generally associated with regular and recurring property upkeep. Maintenance and refurbishment costs remained stable as cost savings through scale and increased efficiency offset higher personnel and material costs due to cost inflation. The Company offers digitalised service requests through the tenant App which allows tenants to place service requests, monitor the status of their maintenance and service requests, and provide supporting documentation, making the process more efficient. Tenants also have the ability to speak to GCP's tenant care agents about service requests through the GCP service center. The Company's improved tenant service capabilities have increased tenant satisfaction and reduced turnover, thereby helping to reduce vacancy to an all-time low of 4.2%.

GCP recorded repositioning capex in the amount of €71 million or €17.3 per average sqm in 2022, as compared to €63 million or €16 per average sqm in 2021. Repositioning capex is composed of targeted capital expenditures that focus on increasing the quality and offerings of assets in the portfolio. Examples of these targeted improvements include apartment renovations, improvements to corridors and staircases, façade refits, and more. Repositioning capex also targets improvements to community areas surrounding the property which serves to increase the value proposition of assets located near them. Examples of these kind of repositioning capex projects investments include the additions or renovation of playgrounds, barbeque pits, study rooms and other common meeting areas. Repositioning capex serves to improve the value proposition of GCP's assets which increases the rent potential while facilitating the reletting process and reducing vacancy.

In 2022, GCP recorded approximately €10 million in modernisation investments, as compared to €3 million in 2021. Due to the relatively small investment in 2021 the figure had been included within the repositioning capex in 2021. The 2022 modernisation figure is not included in the 2022 repositioning capex. Modernisation projects are carried on a targeted basis and include measures such as adding of balconies and installing elevators as well as energetic modernisation measures such as installing green energy and heating systems and increasing energy efficiency through better insulation and windows. These modernisation measures are in addition to repositioning capex and are aimed at further improving the quality of the portfolio and increasing rents.

MAINTENANCE & CAPEX DEVELOPMENT (€/SQM)



As part of the Company's plan to reduce CO_2 emissions by 40% by 2030, GCP expects to allocate greater resources to undertake more projects targeted at reducing emissions in upcoming periods, which is expected to have an impact on both the modernisation investments and repositioning capex. These projects will also have the added benefits of reducing the cost structure of assets in the portfolio, thereby reducing future operating costs.

The Company invested approximately €59 million in pre-letting modifications in 2022, as compared to €42 million in 2021. Pre-letting modifications are made up of activities that are outside the scope of repositioning capex and include the completion of properties acquired that are in the final stages of development, large refurbishment projects, and the creation of significant new lettable areas. This line item is mostly composed of assets in London and Berlin that were acquired at attractive prices while being in the final stages of development. Previous delays attributable to shortages of construction personnel and material have been largely resolved and completed units are being let out further supporting rental growth in upcoming periods.

As a result of these completions, less re-letting modification expenses are expected for future periods.

ADMINISTRATIVE AND OTHER EXPENSES

	For the year ended 31 December	
	2022	2021
	€'000	
Personnel expenses	(4,509)	(4,587)
Audit and accounting costs	(2,856)	(2,693)
Legal and professional consultancy fees	(2,437)	(1,913)
Marketing and other expenses	(887)	(1,945)
Administrative and other expenses	**(10,689)**	**(11,138)**

In 2022, GCP recorded administrative and other expenses in the amount of €10.7 million, slightly lower as compared to €11.1 million in 2021. Administrative and other expenses are mostly made up of expenses related to administrative personnel, legal and professional consultancy fees, audit and accounting costs, marketing fees, and other expenses. These expenses were impacted by cost inflation that has particularly increased legal and professional consultancy fees but was offset by lower marketing and other expenses spending and increased efficiencies.

FINANCE EXPENSES

	For the year ended 31 December	
	2022	2021
	€'000	
Finance expenses	**(46,914)**	**(46,450)**

In 2022, GCP recorded finance expenses in the amount of €47 million, 1% higher as compared to €46 million in 2021. The Company's cost of debt is 1.3% with an average debt maturity of 5.9 years as of December 2022, as compared to 1% cost of debt and an average debt maturity of 6 years as of December 2021. The increase in the cost of debt is primarily the result of debt refinancing measures undertaken in 2022 and higher interest rates that increased variable debt financing costs. Higher finance expenses were offset by a lower debt balance in 2022. In 2022, the Company redeemed €450 million of its Series F convertible bonds with a low coupon of 0.25% and repaid €165 million in near-term maturity bank loans. Furthermore, GCP also raised €135 million in new secured debt financing at financing rates that are higher than GCP's current cost of debt. The Company's debt profile remains conservative with 95% of debt being fixed or interest hedged as of December 2022, which is expected to decrease slightly in the coming year to 91%. Operational profitability substantially covers debt servicing needs as exemplified by an ICR of 6.6x as of December 2022. The Company's high ratio of unencumbered assets of 88% provides further opportunities to raise secured financing and investment-grade credit ratings from S&P (BBB+/Stable) and Moody's (Baa1/Stable, unsolicited) allows GCP to tap capital markets on an opportunistic basis if the market conditions improve.

OTHER FINANCIAL RESULTS

	For the year ended 31 December	
	2022	2021
	€'000	
Change in fair value of financial assets and liabilities, net	(115,925)	(122,553)
Finance-related costs	(21,208)	(26,087)
Other financial results	**(137,133)**	**(148,640)**

GCP recorded negative other financial results in the amount of €137 million in 2022, as compared to a negative of €149 million in 2021. Other financial results are mainly composed of the net change in the fair value of financial assets and liabilities, traded securities and derivative instruments, and also include costs connected to pre-payments, bank financing, hedging fees and other costs related to maintaining and optimising GCP's debt profile. The changes in other financial results consisted among others of one-off payments, as well as the result of fair value adjustments due to volatility in financial markets as well as fluctuations in rates. Finance-related costs incurred reduced by €5m in comparison to the costs in 2021. Those costs have allowed GCP to proactively manage its financial platform as to not have any maturities until Q2 2024. Finance-related costs were also incurred in raising €135 million in new secured debt financing and purchasing hedging instruments that have resulted in a 95% hedge ratio.

TAXATION

	For the year ended 31 December	
	2022	2021
	€'000	
Current tax expenses	(39,120)	(39,227)
Deferred tax expenses	(10,532)	(134,582)
Total tax expenses	**(49,652)**	**(173,809)**

The total tax expenses item is composed of current tax expenses and deferred tax expenses. In 2022, GCP recorded total tax expenses of €50 million as compared to €174 million in 2021.

The Company recorded current tax expenses of €39 million in 2022, as compared to €39 million in 2021. The current tax expenses item is mostly made up of corporate and property taxes that trend in-line with GCP's underlying business.

GCP recorded deferred tax expenses of €11 million in 2022, as compared to €135 million in 2021. Deferred tax expenses are primarily composed of non-cash tax expenses related to the theoretical tax amount due on revaluation gains in the event of a sale. The lower expense in 2022 is primarily the result of lower revaluation gains recorded in 2022 as compared to 2021 as well as the impact of the revaluation of derivatives and loss carried forward, offsetting some of the negative other financial result.

PROFIT FOR THE YEAR

	For the year ended 31 December	
	2022	2021
	€'000	
Profit for the year	**179,103**	**617,089**
Profit attributable to the owners of the Company	129,214	523,522
Profit attributable to the perpetual notes investors	24,750	25,042
Profit attributable to non-controlling interests	25,139	68,525

For the year ended December 31, 2022, GCP recorded a profit of €179 million, lower as compared to €617 million for the year ended December 31, 2022. The lower profit is primarily the result of lower revaluation gains recorded in 2022 as compared to 2021, offset by the higher operational profitability which grew as a result of net acquisitions and the strong like-for-like rental growth of 2.9%. This was further offset by lower expenses for other financial results and deferred taxes.

EARNINGS PER SHARE

	For the year ended 31 December	
	2022	2021
Basic earnings per share (in €)	0.77	3.12
Diluted earnings per share (in €)	0.76	2.90
Weighted average number of ordinary shares (basic) in thousands	168,170	167,551
Weighted average number of ordinary shares (diluted) in thousands	171,591	181,588

In 2022, GCP recorded basic earnings per share in the amount of €0.77 and diluted earnings per share in the amount of €0.76, lower as compared to €3.12 and €2.90 respectively for the year 2021. The decrease for both metrics was primarily the result of the lower profit attributable to the owners of the Company for the year primarily as a result of lower revaluation gains and the slightly higher average share count as compared to the previous period. The small increase in the average share count was primarily as a result of the high acceptance ratio of the scrip dividend, which allowed the company to retain cash.

The diluted earnings per share reflects the various dilutive effects. The primary reason for the substantial decrease in the average number of diluted shares in 2022 as compared to 2021 is the full redemption of the Series F convertible bonds in cash in March 2022. From 2023, and as long as the Company does not have diluted instruments, the basic and diluted earnings per share will not be materially different.

TOTAL COMPREHENSIVE INCOME

	For the year ended 31 December	
	2022	2021
	€'000	
Profit for the year	**179,103**	**617,089**
Total other comprehensive income (loss) for the year, net of tax	(12,883)	29,644
Total comprehensive income for the year	**166,220**	**646,733**

In 2022, total comprehensive income amounted to €166 million as compared to €647 million in 2021. This decrease is primarily the result of the lower profit for the year and the other comprehensive loss of €13 million in 2022 as compared to the other comprehensive gain of €30 million in 2021. The other comprehensive loss in 2022 is mainly the result of foreign currency translation effects of foreign operations, offset by hedging activities and the positive revaluation of owner-occupied property.

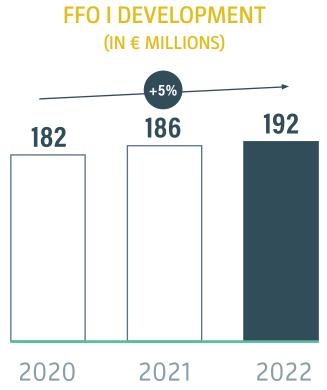
ADJUSTED EBITDA AND FUNDS FROM OPERATIONS (FFO I, FFO II)

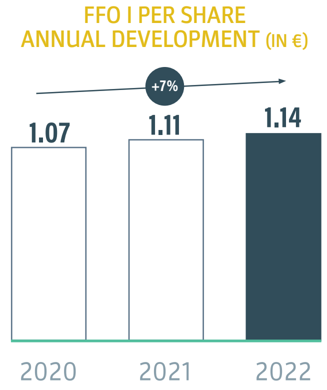
	For the year ended 31 December	
	2022	2021
	€'000	
Operating profit	412,802	985,988
Depreciation and amortisation	10,488	8,235
EBITDA	**423,290**	**994,223**
Property revaluations and capital gains	(117,761)	(694,844)
Share of profit from investments inquity-accounted investees	-	(3,952)
Equity settled share-based payments and other adjustments	2,571	3,162
Adjusted EBITDA	**308,100**	**298,589**
Finance expenses	(46,914)	(46,450)
Current tax expenses	(39,120)	(39,227)
Contribution from / (to) joint ventures and minorities, net	(5,097)	(1,544)
Adjustment for perpetual notes attribution	(24,750)	(25,042)
FFO I	**192,219**	**186,326**
Weighted average number of ordinary shares (basic) in thousands, including impact from share-based payments	168,396	167,704
FFO I per share (in €)	**1.14**	**1.11**
Result from disposal of properties	8,603	101,223
FFO II	**200,822**	**287,549**

The adjusted EBITDA is an industry standard figure displaying the Company's recurring operational profits before interest, tax expenses, depreciation, and amortisation, excluding the effects of property revaluations, capital gains, and other non-operational income statement items such as share of non-recurring profits from investment in equity-accounted investees, equity settled share-based payments and other adjustments. GCP recorded adjusted EBITDA in the amount of €308 million in 2022, increasing 3% as compared to the €299 million recorded in 2021.

Funds From Operations I (FFO I) is an industry-wide standard measure of the recurring operational cash flow of a real estate company, often utilised as a key bottom line industry performance indicator. FFO I is calculated by deducting from the adjusted EBITDA, finance expenses, current tax expenses, the contribution to minorities, and the share of profit attributable to the Company's perpetual notes investors, while adding to the FFO I the operational contributions from joint ventures. GCP generated FFO I in the amount of €192 million in 2022, increasing by 3% as compared to the €186 million generated in 2021.

The increase in adjusted EBITDA and FFO I was primarily a result of the impact of acquisitions made in 2021 and 2022 and the solid operational result driven by strong like-for-like rental growth, offset by disposals and higher operating expenses from cost inflation. GCP made accretive acquisitions in the amount approx. €250 million in 2022 and €700 million in 2021, offset by disposals of non-core assets in the amount of approx. €18 million in 2022 and €360 million in 2021, which helped drive the current recorded growth. GCP's recorded solid like-for-like rental growth of 2.9% with in-place rent increases contributing 2.2% and occupancy increases contributing 0.7%. The strong letting performance in 2022 has reduced GCP's vacancy rate to 4.2%, an all-time low. Increased efficiencies driven by GCP's scale and digitalisation efforts that improved the Company's operating platform helped offset some of the cost inflation on operational expenses.





FFO I PER SHARE

For the year 2022, The Company recorded an FFO I per share in the amount of €1.14, increasing 3% as compared to €1.11 per share recorded for the year 2021, in line with the increase in FFO I. The per share metrics were also impacted by the slightly higher average share count as compared to the previous period as a result of the high participation rate in the scrip dividends.

FFO II

FFO II is a supplementary performance measure that includes the disposal effects on top of FFO I. The result from disposal of properties refers to the excess amount of the sale price to the cost price plus capex of disposed properties. Throughout 2022, GCP recorded an FFO II in the amount of €201 million, lower as compared to the €288 million generated in 2021. The decrease in FFO II is primarily due to the significantly lower disposal volume in 2022 as compared to 2021, offset by the increase in FFO I across the same period. GCP crystallised gains by disposing non-core and mature assets, mostly development rights and condominiums in Berlin, in the amount of €18 million. Disposals were executed at a profit over total costs (including capex) of 87%, securing gains of €9 million.

ADJUSTED FUNDS FROM OPERATIONS (AFFO)

	For the year ended 31 December	
	2022	2021
	€'000	
FFO I	**192,219**	**186,326**
Repositioning capex	(70,535)	(63,084)
AFFO	**121,684**	**123,242**

Adjusted Funds from Operations (AFFO) is another indicator for the Company's recurring operational cash flow and is derived by subtracting the repositioning capex from the Company's FFO I. GCP includes in the AFFO calculation repositioning capex which is targeted at value creation and improving the asset quality of the portfolio, which GCP deems as being relevant for its AFFO calculation. In 2022, the Company recorded AFFO in the amount of €122 million, as compared to €123 million in 2021. The slightly lower AFFO is mostly attributable to the increase in repositioning capex, which offset the higher FFO I contribution between the two periods.

Dortmund

CASH FLOW

	For the year ended 31 December	
	2022	2021
	€'000	
Net cash provided by operating activities	216,115	217,060
Net cash used in investing activities	(167,689)	(198,455)
Net cash used in financing activities	(616,755)	(537,187)
Net decrease in cash and cash equivalents	**(568,329)**	**(518,582)**
Changes in cash and cash equivalents held-for-sale and effects of foreign exchange rate	(2,222)	1,869
Cash and cash equivalents as on 1 January	895,486	1,412,199
Cash and cash equivalents as on 31 December	**324,935**	**895,486**

In 2022, GCP generated net cash provided by operating activities in the amount of €216 million, as compared to €217 million in 2021. The change in operating cash flow was positively impacted by the solid operational result driven by the net acquisitions executed in 2021 and 2022 and like-for-like rental growth. On the other hand, the change in operating cash flow was negatively impacted by cost inflation which significantly increased operational costs, specifically regarding energy and heating costs which are mostly recoverable from tenants. GCP has proactively approached these higher cost of living and service charges for tenants by reaching out to them with information campaigns and staggered pre-payment plans and conservatively making a provision in the event of lower collections. Finally, also as a result of continued elevated energy prices, the timing difference between the actual consumption cost of the heating expenses recovered from tenants and the settlement of the payments by tenants has continued to lead to a higher working capital, further offsetting growth in operating cash flow.

The Company recorded net cash used in investing activities in the amount of €168 million in 2022, as compared to €198 million in 2021. The net cash used in investing activities was mostly spent on accretive acquisitions and capex projects that will increase future rental income and positively impact operational cash generation in upcoming periods. GCP leveraged its wide deal sourcing network to acquire a loan-to-own project which made up a large proportion of the acquisition value in the period while only having a limited impact on cashflow. A smaller amount of disposals in the amount of €18 million, combined with the net repayment of loans-to-own assets offset the net cash used in investing activities. As a result of the increasing cost of capital, GCP has become more selective in pursuing acquisitions and capex projects and only undertakes those that offer the greatest value creation opportunities and returns.

In 2022, GCP recorded net cash used in financing activities in the amount of €617 million, as compared to €537 million in 2021. The increase in net cash used in financing activities was primarily a result of the repayment of €165 million in secured financing and redemption of the €450 million Series F convertible bonds in Q1 2022 which helped to extend the debt maturity schedule. Net cash used in financing activities also increased as a result of slightly higher cash dividends that were paid out in July 2022. The net cash used in financing activities was offset by €135 million in several new secured financing raised at rates of 1%-1.5% margin over Euribor which is significantly below that of capital markets and which also helps further extend the debt maturity profile. As of December 2022, GCP's cost of debt remains low at 1.3% and the average debt maturity remains long at 5.9 years. The Company also has no maturities until Q2 2024 and cash and liquid assets cover debt maturities until mid-2025.

In 2022, GCP recorded a net decrease in cash and cash equivalents in the amount of €568 million, as compared to a net decrease of €519 million in 2021. The change in 2022 was mostly the result of the net cash used in financing activities. The Company's ability to deliver stable and increasing operational cashflows demonstrates its ability to service its debt as is further exemplified by its strong ICR of 6.6x as of December 2022.

ASSETS

	Dec 2022	Dec 2021
	€'000	
Non-current assets	**9,997,258**	**9,882,834**
Investment property	9,529,608	9,339,489
Current assets	**1,134,070**	**1,679,158**
Cash and liquid assets (including those recorded under held for sale)	429,127	1,108,004
Total Assets	**11,131,328**	**11,561,992**

GCP's total assets amounted to €11.1 billion as of December 2022, 4% lower as compared to total assets of €11.6 billion as of December 2021. The decrease was primarily as a result of lower cash and liquid assets which was mainly used for repayment of debts offset by the slightly higher investment property balance.

As of December 2022, the Company recorded non-current assets totalling €10 billion, 1% higher as compared to €9.9 billion as of December 2021. Non-current assets are mostly composed of the investment property line item which amounted to €9.5 billion as of December 2022, as compared to €9.3 billion as of December 2021. The increase in the investment property balance was primarily due to approx. €250 million in accretive acquisitions which consisted of approx. 1,000 units in Berlin and London executed in 2022. In 2022, GCP disposed €18 million of mostly non-core and development assets, as well as condominiums in Berlin. Furthermore, in addition to the closed disposals, the Company classified approx. €230 million of investment properties as assets held for sale in 2022, further offsetting the increase in the Investment property item.

The non-current asset balance is also made up of tenant deposits which had a balance of €44 million and are used as a security for rent payments. The balance further includes long-term financial investments which are made up of co-investments in attractive deals which had a balance of approximately €50 million and are held with the expectation for long term yield. Also included are investments where the Company holds a minority position in real estate portfolios which had a balance of approximately €30 million.

The loans-to-own balance was approximately €90 million (including short term) as of December 2022, lower as compared to December 2021 as a result of net repayments and a conversion into investment property of an asset which the Company was able to acquire at a discount. Loans-to-own assets are asset-backed interest bearing loans, which under specific circumstances, have the embedded option to acquire the underlying asset at a discount. These assets further add to the Company's wide deal sourcing network and provide opportunities to make attractive investments that create shareholder value.

As of December 2022, GCP recorded current assets in the amount of €1.1 billion, lower as compared to €1.7 billion as of year-end 2021. The reduction in the cash and liquid assets balance was used to make debt repayments of approximately €615 million with additional cash used to make accretive acquisitions as well as the dividend cash payment of €56 million. This was offset by positive operational cashflow generation, €135 million in new secured financing raised, and the result from disposals. The Company maintains a strong liquidity position of €429 million in cash and liquid assets which represent 11% of total debt and cover debt maturities until Q2 2025.

Current assets are also comprised of trade and other receivables and assets held for sale. As of the end of December 2022, trade and other receivables had a balance amounting to €353 million, of which over €250 million is comprised of operational receivables such as rent, operating costs and other receivables. The operating cost receivables are composed of services such heating, cleaning services, insurance, waste, and sewage and are settled once per year against the advances received from tenants which are captured in the short-term liabilities. GCP has seen a significant increase in these operating cost receivables as result of cost inflation, which has had the largest impact on heating and energy prices. The Company has responded by launching information campaigns on how to save energy, offering voluntarily increases to ancillary prepayments as to avoid a large payment at the settlement date. Assets held for sale represent properties intended for disposal within the next 12 months and amounted to €344 million as of the end of December 2022. In the fourth quarter of 2022, GCP signed the disposal of over €170 million of properties marked as held for sale primarily in London and Berlin, which it expects to close in the coming periods.

MAIN VALUATION PARAMETERS

Main Average Valuation Parameters	2022	2021
Rent multiple	23.6	23.6
Value per sqm	€ 2,282	€ 2,205
Market rental growth p.a.	1.8%	1.7%
Management cost per unit p.a.	€ 291	€ 269
Ongoing maintenance cost per sqm	€ 10.2	€ 9.2
Average discount rate	4.8%	4.8%
Average cap rate	3.8%	3.9%

LIABILITIES

	Dec 2022	Dec 2021
	€'000	
Short and long term Loans and borrowings	323,280	358,249
Straight & Convertible Bonds	3,612,105	4,091,880
Deferred tax liabilities (including those under held for sale)	795,905	766,142
Other long-term liabilities and derivative financial instruments (1)	201,905	261,221
Current liabilities (2)	283,978	281,914
Total Liabilities	**5,217,173**	**5,759,406**

(1) including short-term derivative financial instruments
(2) excluding current liabilities included in the items above

Total liabilities at the end of December 2022 amounted to €5.2 billion, a decrease of 9% as compared to €5.8 billion at the end of December 2021. The decrease in total liabilities is primarily a result of debt repayments and regular amortisation, offset by new secured debt financing and higher deferred tax liabilities. Total liabilities are also made up of other long-term liabilities and derivative financial instruments as well as current liabilities.

Throughout 2022, GCP has continued to take proactive debt optimisation measures to maintain the Company's conservative debt profile. The Company repaid over €615 million in debt which included redeeming the €450 million Series F convertible bonds and repaying €165 million in bank loans. Furthermore, GCP raised a total of €135 million in new bank debt. The new secured financing was signed at rates that remain below current capital market rates, at an average margin range of 1%-1.5% and partially capped. GCP retains financial flexibility and can leverage its large pool of unencumbered assets representing a total value of €8.7 billion, or 88% of total investment properties, to secure additional secured financing and actively manage its financial platform. As of the end of December 2022, GCP's current of cost of debt remains low at 1.3% with an average debt maturity of 5.9 years. The increase in the cost of debt compared to December 2021 is a result of the repayment of Series F bond which carried a low coupon of 0.25%, new bank financing raised at a higher rate than the current low cost of debt, and higher interest rates having an impact on variable debt financing costs. The Company's debt profile remains predominantly fixed with 95% of debt being fixed or interest hedged. In 2023, some fixed rate hedging matures, which is expected to result in a hedging ratio of 91% assuming the Company does not re-hedge the instruments, pre-pays hedged debt early or raises variable debt. This will result in approx €4 million more interest expenses in 2023. The Company remains well positioned with no maturities until Q2 2024 and sufficient liquidity to cover maturities until mid-2025.

As of December 2022, GCP recorded deferred tax liabilities in the amount of €796 million, higher as compared to €766 million at December 2021. Deferred tax takes into account the theoretical disposal of investment properties in the form of asset deals with a tax rate applied based on the nominal tax rate in the jurisdiction of the property. The increase in deferred tax liabilities is in line with the revaluation gains recorded in the period. At year-end 2022, the deferred tax liabilities represented 15% of total liabilities.

EQUITY

	Dec 2022	Dec 2021
	€'000	
Total Equity	**5,914,155**	**5,802,586**
of which equity attributable to the owners of the Company	4,020,773	3,960,034
of which equity attributable to perpetual notes investors	1,227,743	1,227,743
of which non-controlling interests	665,639	614,809

As of December 2022, GCP recorded total equity in the amount of €5.9 billion, increasing 2% as compared to the €5.8 billion as of year-end 2021. The increase in equity was primarily the result of the profit generated by the Company which totalled €179 million in 2022. This increase was offset by the dividend which totalled €0.834 per share and which itself was offset by the high take-up ratio of approx. 70% of the scrip dividend. The Company's strong capital structure, exemplified by its equity ratio of 53% as of December 2022, higher as compared to 50% as of December 2021.

Equity attributable to perpetual notes investors totalled €1.2 billion as of year-end 2022, stable as compared to year-end 2021. At the end of 2022, GCP announced its decision not to call the €200 million perpetual notes series which had its first call date in January 2023. The Company made this decision mainly because the coupon reset price of the notes was significantly lower than the cost of a potential replacement with a new issuance and also because of the high uncertainty in the capital market which might result in deteriorating access to capital. The reset coupon amounted to 6.332% which will result in an annualised €7.2 million higher coupon for this series going forward. GCP views its perpetual notes as an integral part of its capital structure and has the ability to call the notes at every interest payment date. The voluntary decision on whether to call or not call the perpetual notes is at the sole discretion of the Company and is further supporting the classification of the perpetual notes as equity according to IFRS. Going forward, the Company will continue to assess all its options regarding its perpetual notes.

Non-controlling interests amounted to €666 million as of December 2022, compared to €615 million as of December 2021. The increase is primarily the result of the profit generated in the period attributed to non-controlling interests and as a result of acquisitions.

DEBT FINANCING KPIS

LOAN-TO-VALUE	Dec 2022	Dec 2021
	€'000	
Investment property [(1)]	9,492,946	9,305,042
Investment properties of assets held-for-sale [(1)]	327,586	99,329
Total value	**9,820,532**	**9,404,371**
Total debt	3,935,385	4,450,129
Cash and liquid assets (including those under held for sale)	429,127	1,108,004
Net debt	**3,506,258**	**3,342,125**
LTV	**36%**	**36%**

(1) including advanced payments and deposits and excluding right-of-use assets

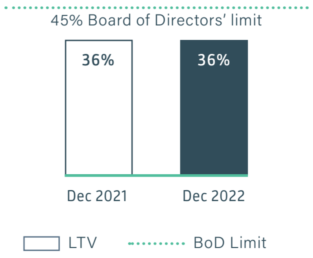
GCP maintains a conservative financial profile as an integral part of its business strategy which is exemplified by strong debt financing KPIs namely a low LTV, a high ratio of unencumbered assets, and solid coverage ratios.

As of the end of December 2022, GCP had an LTV ratio of 36%, stable as compared to 36% as of December 2021 and well below the internal board-mandated limit of 45% and the limits imposed by the Company's bond covenants. The Company also maintained strong coverage ratios as a result of the strong operational growth and profitability and the debt profile optimization efforts which kept interest expenses relatively stable. In 2022, GCP had a solid ICR of 6.6x and a DSCR of 6.1x as compared to 6.4x and 5.9x respectively in 2021. These metrics demonstrate the ability of the business to service its debts. The Company also maintains significant financial flexibility through its large portfolio of unencumbered assets reflecting €8.7 billion in value and representing 88% of total investment property value which give the option of raising cheaper secured financing rates as compared to public debt market rates.

The Company's strong debt financing KPI's and conservative financial platform continues to allow it to benefit from broad access to both public and private capital markets, further supported by its investment grade credit ratings from S&P (BBB+/Stable) and unsolicited rating by Moody's (Baa1/Stable).

The EPRA LTV calculation is addressed further in the EPRA Performance Measures section of the Board of Director's Report.

LOW LEVERAGE WITH ROBUST PROFITABILITY



UNENCUMBERED ASSETS

	Dec 2022	Dec 2021
	€'000	
Unencumbered Assets	8,664,533	8,352,924
Total Investment properties (including those under held for sale)	9,860,461	9,442,026
Unencumbered Assets Ratio	**88%**	**88%**

INTEREST COVERAGE RATIO (ICR)

	For the year ended 31 December	
	2022	2021
	€'000	
Adjusted EBITDA	308,100	298,589
Finance Expenses	46,914	46,450
Interest Coverage Ratio	**6.6x**	**6.4x**

DEBT SERVICE COVERAGE RATIO (DSCR)

	For the year ended 31 December	
	2022	2021
	€'000	
Adjusted EBITDA	308,100	298,589
Finance Expenses	46,914	46,450
Amortisation of loans from financial institutions	3,766	4,328
Debt Service Coverage Ratio	**6.1x**	**5.9x**

EPRA Performance Measures

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

	2022	2021
	In €'000 unless otherwise indicated	
EPRA NRV	5,322,769	5,228,882
EPRA NRV per share (in €)	30.8	31.7
EPRA NTA	5,115,704	5,020,190
EPRA NTA per share (in €)	29.6	30.4
EPRA NDV	4,642,313	3,853,263
EPRA NDV per share (in €)	26.9	23.3
EPRA Earnings	182,702	173,884
EPRA Earnings per share (in €)	1.09	1.04
EPRA LTV	46%	46%
EPRA Net initial yield (NIY)	3.2%	3.2%
EPRA "topped-up" NIY	3.2%	3.2%
EPRA Vacancy	4.2%	5.1%
EPRA Cost Ratio (incl. direct vacancy costs)	22.9%	21.4%
EPRA Cost Ratio (excl. direct vacancy costs)	20.9%	19.5%

Cologne

EPRA NET ASSET VALUE METRICS

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

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

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

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

in € '000 unless otherwise specified	EPRA NRV	EPRA NTA	EPRA NDV	EPRA NRV	EPRA NTA	EPRA NDV
	Dec 2022			Dec 2021		
Equity attributable to the owners of the Company	**4,020,773**	**4,020,773**	**4,020,773**	**3,960,034**	**3,960,034**	**3,960,034**
Deferred tax liabilities on investment property	778,490[1]	664,886[2]	-	754,069[1]	636,405[2]	-
Fair value measurements of derivative financial instruments[3]	(19,106)	(19,106)	-	(3,078)	(3,078)	-
Intangible assets and goodwill	-	(11,002)	-	-	(14,717)	-
Real estate transfer tax	542,612[1]	460,153[2]	-	517,857[1]	441,546[2]	-
Net fair value of debt	-	-	621,540	-	-	(106,771)
NAV	**5,322,769**	**5,115,704**	**4,642,313**	**5,228,882**	**5,020,190**	**3,853,263**
Basic number of shares including in-the-money dilution effects (in thousands)	172,607			165,133		
NAV per share (in €)	**30.8**	**29.6**	**26.9**	**31.7**	**30.4**	**23.3**

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

EPRA NRV

As of December 2022, the Company recorded an EPRA NRV in the amount of €5.3 billion or €30.8 per share, increasing 2% and decreasing 3% respectively, as compared to €5.2 billion and €31.7 as of year-end 2021. The NRV metric adds back the full amount of deferred tax and real estate transfer tax as it assumes that entities never sell assets and aims to represent the value required to rebuild the Company. The increase in the absolute NRV metric is the result of the increase in the equity attributable to the owners of the Company as a result of the positive operational result and revaluation gains and the slightly higher deferred tax and real estate transfer tax amount, offset by the payment of the cash dividend. The per share NRV decreased as a result of higher number of basic shares outstanding primarily from the issuance of the scrip dividend in 2022 which allowed GCP to retain cash.

EPRA NTA

GCP reported EPRA NTA in the amount of €5.1 billion or €29.6 per share as of December 2022, as compared to €5 billion and €30.4 per share as of December 2021. The increase is primarily the result of the positive operational result and revaluation gains which increased equity and higher deferred tax liabilities and real estate transfer tax that increased in line with revaluation gains. This increase was offset by the payment of the cash dividend. The per share NTA decreased as a result of higher number of basic shares outstanding.

The EPRA NTA portrays the normal business environment where company's buy and sell assets thereby incurring a certain amount of unavoidable deferred tax and triggering the real estate transfer tax which reduces the net disposal price of the properties sold. To represent this normal business environment, GCP has classified its portfolio into three categories of properties which it may not hold long-term, for which it conservatively excludes deferred tax liabilities and real estate transfer taxes. These three categories are outlined below:

- **Investment properties held for sale:** These properties are actively managed for sale and the Company expects to dispose them within 12 months.
- **Properties classified in its portfolio as "Other":** This portfolio may be disposed on an opportunistic basis and is composed of assets located in cities which do not lie in GCP's core portfolio locations and therefore are conservatively classified as properties which may be disposed. On the other hand, it is also likely that they could remain in the portfolio for the long term. The Company will continue to evaluate the probability of these properties being disposed or held long term in upcoming periods and make the necessary adjustments.
- **Development rights in Germany:** As part of GCP's value creation process, the company identifies development potential and works to obtain the relevant development rights. Once the development rights are granted, GCP decides whether to dispose the rights or to develop the projects. As GCP is expected to dispose a portion of the building rights on an opportunistic basis, the deferred tax and real estate transfer tax regarding the building rights are not added back in the NTA calculation.

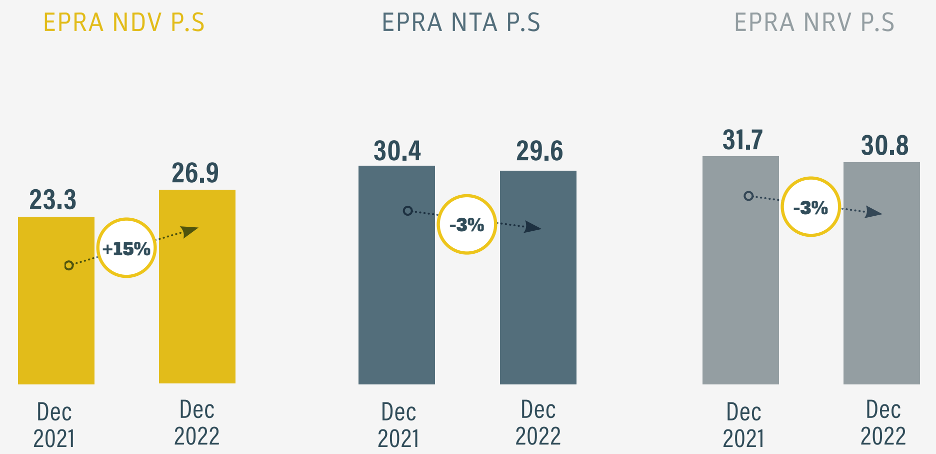
Particulars	Fair Value	as % of portfolio	% of deferred tax and real estate transfer tax added back
		€'000	
Portfolio to be held long term*	8,334,317	85%	100%
Investment properties held-for-sale	330,853	3%	0%
Portfolio cities classified as "Others"	981,186	10%	0%
Development rights in Germany	214,105	2%	0%
Total (including assets classified as held-for-sale)	**9,860,461**	**100%**	**100%**

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

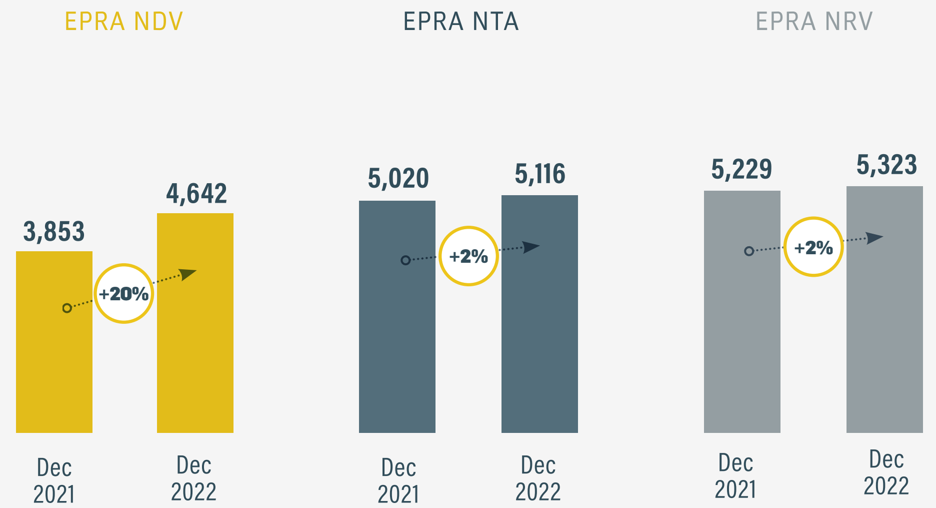
EPRA NDV

As of December 2022, EPRA NDV amounted to €4.6 billion or €26.9 per share, increasing 20% and 15% respectively, as compared to €3.9 billion and €23.3 per share at the end of December 2021. The EPRA NDV represents the Company's NAV under a theoretical scenario where all assets are disposed and all liabilities settled, and therefore does not add back any deferred tax liabilities or real estate transfer tax. The increase in the EPRA NDV is mostly the result of the lower net fair value of debt induced by significantly higher interest rates and the higher equity attributable to the owners of the Company. The net fair value of debt adjustment reflects the difference between the book value and fair value of the Company's outstanding debt. In the EPRA NDV scenario, the debt would be settled at fair market value, i.e. below book value, and the difference to book value is therefore added back. The relative softer growth in the per share NDV metric is the result of the higher basic share count as a result of the impact from the scrip dividend issuance in 2022.

EPRA NAV METRICS DEVELOPMENT (IN €)



EPRA NAV METRICS DEVELOPMENT (IN € MILLIONS)



EPRA EARNINGS

	For the year ended 31 December	
	2022	2021
	€'000	
Earnings per IFRS income statement	179,103	617,089
Property revaluations and capital gains	(117,761)	(694,844)
Change in fair value of financial assets and liabilities, net	115,925	122,553
Deferred tax expenses	10,532	134,582
Share of profit from investments in equity-accounted investees	-	(3,952)
Contribution from joint ventures	-	1,949
Contribution to minorities	(5,097)	(3,493)
EPRA Earnings	**182,702**	**173,884**
Weighted average number of ordinary shares (basic) in thousands	168,170	167,551
EPRA Earnings per share (in €)	**1.09**	**1.04**
Bridge to FFO I		
Add back: Depreciation	10,488	8,235
Add back: Finance-related costs	21,208	26,087
Add back: Equity settled share-based payments and other adjustments	2,571	3,162
Less: Adjustment for perpetual notes attribution	(24,750)	(25,042)
FFO I	**192,219**	**186,326**
Weighted average number of ordinary shares (basic) in thousands, including impact from share-based payments	168,396	167,704
FFO I per share (in €)	**1.14**	**1.11**

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

In 2022, GCP recorded EPRA Earnings in the amount of €183 million or €1.09 per share, both increasing 5% as compared to €174 million or €1.04 per share for the year 2021. The increase was primarily driven by acquisitions made in past periods and the strong internal operational result driven by the strong like-for-like rental growth of 2.9%, offset by disposals and higher operating expenses as a result of cost inflation.

The bridge to FFO I adjusts for one-off expenses as well as non-cash charges while taking out the adjustment for perpetual notes attribution. FFO I also presents a strong operational result and increased by 3% as compared to 2021.

EPRA LOAN TO VALUE (EPRA LTV)

	Dec 2022					Dec 2021				
	Consolidated (as reported)	Share of Joint Ventures	Share of material associates	Material non-controlling interests	Proportionate consolidation	Consolidated (as reported)	Share of Joint Ventures	Share of material associates	Material non-controlling interests	Proportionate consolidation
	€'000					€'000				
Total debt	3,935,385	-	-	-	3,935,385	4,450,129	-	-	-	4,450,129
Equity attributable to perpetual notes investors	1,227,743	-	-	-	1,227,743	1,227,743	-	-	-	1,227,743
Net foreign currency derivatives on debt	(44,276)	-	-	-	(44,276)	(27,973)	-	-	-	(27,973)
Net payables	-	-	-	-	-	-	-	-	-	-
EPRA Gross Debt	**5,118,852**	**-**	**-**	**-**	**5,118,852**	**5,649,899**	**-**	**-**	**-**	**5,649,899**
Less:										
Cash and liquid assets (including those under held for sale)	(429,127)	-	-	-	(429,127)	(1,108,004)	-	-	-	(1,108,004)
EPRA Net Debt	**4,689,725**	**-**	**-**	**-**	**4,689,725**	**4,541,895**	**-**	**-**	**-**	**4,541,895**
Owner occupied property	54,720	-	-	-	54,720	42,973	-	-	-	42,973
Investment property (1)	9,492,946	-	-	-	9,492,946	9,305,042	-	-	-	9,305,042
Investment properties of assets held-for-sale (1)	327,586	-	-	-	327,586	99,329	-	-	-	99,329
Intangible assets	11,002	-	-	-	11,002	14,717	-	-	-	14,717
Financial assets	91,191	-	-	-	91,191	298,179	-	-	-	298,179
Net receivables	209,658	-	-	-	209,658	201,459	-	-	-	201,459
EPRA Net Assets	**10,187,103**	**-**	**-**	**-**	**10,187,103**	**9,961,699**	**-**	**-**	**-**	**9,961,699**
EPRA LTV	**46%**				**46%**	**46%**				**46%**

(1) including advanced payments and deposits and excluding right-of-use assets

EPRA LOAN TO VALUE (EPRA LTV)

The EPRA Loan-To-Value (LTV) is a metric which aims to assess the leverage of the shareholder equity within a real estate company. The greatest difference between the EPRA LTV and the Company calculated LTV metric is the wider categorization of liabilities in EPRA gross debt and assets in EPRA net assets with the greatest impact coming from the inclusion of the perpetual notes as debt. Under IFRS the Company's perpetual notes are accounted for as equity as a result of having no maturity date, being deeply subordinated to all debt types, and not carrying covenants. EPRA LTV also adds net foreign currency derivatives on debt and working capital adjustments, such as net payables, if applicable to EPRA Gross Debt and the fair value of intangible assets, financial assets, and net receivables if applicable to EPRA net assets. In its own LTV calculation, the Company does not make such adjustments. As a result, GCP views its LTV calculation as a better measure of leverage, as it more closely matches the LTV under its debt covenants. However, for enhanced transparency the Company will continue to present both metrics going forward.

GCP recorded an EPRA LTV of 46% as of December 2022, flat as compared to 46% as of December 2021. The greatest change between the two periods came from the use of cash which reduced cash and liquid assets to repay debt which reduced the EPRA gross debt. In 2022, the Company used cash to repay €615 million in debt which included redeeming the €450 million Series F convertible bonds in cash and repaying €165 million in near-term maturity bank loans.

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

	Dec 2022	Dec 2021
	€'000	
Investment property	9,529,608	9,339,489
Investment properties of assets held-for-sale	330,853	102,537
Less: Classified as development rights and new buildings	(309,763)	(306,272)
Complete property portfolio	**9,550,698**	**9,135,754**
Allowance for estimated purchaser's costs	705,145	674,073
Gross up complete property portfolio valuation	**10,255,843**	**9,809,827**
End of period annualised net rental income (including impact from assets held for sale)	404,720	384,848
Operating costs (1)	(81,572)	(71,232)
Annualised net rent, after non-recoverable costs	**323,148**	**313,616**
Notional rent expiration of rent-free periods or other lease incentives	N/A	N/A
Topped-up net annualised rent	323,148	313,616
EPRA NIY	**3.2%**	**3.2%**
EPRA "topped-up" NIY	**3.2%**	**3.2%**

(1) to reach annualised operating costs, cost margins were used for each respective period

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

As of the end of December 2022, the Company's portfolio had an EPRA NIY of 3.2%, stable compared to December 2021. The increase in the end of period annualised net rental income, driven by acquisitions and internal rent growth, was offset by an increase in the gross up complete property portfolio valuation, driven by net acquisitions and some positive revaluation gains, as well as from relatively higher operating costs.

Mannheim

EPRA VACANCY

	Dec 2022	Dec 2021
	€'000	
Estimated rental value of vacant space (A)	17,147	20,650
December annualised net rent including vacancy rented at ERV (B)	409,957	403,683
EPRA Vacancy Rate (A/B)	**4.2%**	**5.1%**

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

As of December 2022, GCP had an EPRA Vacancy of 4.2% substantially lower as compared to 5.1% as of December 2021 and 6.2% as of December 2020. The Company has a strong track record of reducing vacancy which has contributed 0.7% to the total like-for-like rental growth of 2.9% in 2022. The reduction in the vacancy rate is the result of the strong letting performance reflecting the strong demand in GCP's portfolio locations.

Bremen

EPRA COST RATIOS

	For the year ended 31 December	
	2022	2021
	€'000	
Property operating expenses, net	58,100	45,536
Maintenance and refurbishment	21,723	22,449
Administrative and other expenses	10,689	11,138
Share of expenses from investments in equity accounted investees *	-	2,599
EPRA Costs (including direct vacancy costs)	**90,512**	**81,722**
Direct vacancy costs	(7,644)	(7,369)
EPRA Costs (excluding direct vacancy costs)	**82,868**	**74,353**
Revenue	582,505	524,629
Less: operating and other income	(186,464)	(150,079)
Add: Share of net rental income from equity-accounted investees	-	6,796
Rental income, net	**396,041**	**381,346**
EPRA Cost Ratio (including direct vacancy costs)	**22.9%**	**21.4%**
EPRA Cost Ratio (excluding direct vacancy costs)	**20.9%**	**19.5%**

* including share of operating expenses recoverable from tenants

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

As of the end of December 2022, GCP's EPRA Cost Ratios, both including and excluding direct vacancy costs, stood at 22.9% and 20.9% respectively as compared to 21.4% and 19.5% as of the end of December 2021. The increase in the EPRA cost ratios is primarily the result of the higher EPRA costs, mostly from higher property net operating expenses from cost inflation which outpaced the growth in the rental income. The rental income increased primarily as a result of net acquisitions and the like-for-like growth. The slightly higher direct vacancy costs in 2022 as compared to 2021 was primarily as a result of the substantial increase in the vacancy costs mostly as a result of the higher energy costs but offset by the strong letting performance which reduced the vacancy rate to 4.2% as of the end of December 2022.

EPRA CAPITAL EXPENDITURE

	For the year ended 31 December	
	2022	2021
	€'000	
Acquisitions	277,668	479,976*
Pre-letting modifications and others	58,928	42,339
Repositioning capex	70,535	63,084
Modernisation	10,184	-
EPRA property-related capex	**417,315**	**585,399**

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

GCP recorded EPRA property-related capex in the amount of €417 million in 2022, as compared to €585 million in 2021. EPRA property-related capex is comprised of expenditures on acquisitions, repositioning capex, pre-letting modifications and others, as well as modernisation. The modernisation line item was split from repositioning capex in 2022 and as result will be presented as its own line item in the future. The decrease in EPRA property-related capex was primarily a result of the smaller volume of acquisitions made in 2022 and offset by higher expenditures on pre-letting modifications and others, repositioning capex and modernisation. Acquisition costs represent the gross expenditure related to the acquisition of investment properties, including transaction costs, and was the largest component of the EPRA property-related capex amounting to €278 million in 2022.

GCP also recorded €71 million of expenditures on repositioning capex which is comprised of investments that focus on increasing the quality and offerings of assets in the portfolio and their surrounding areas. Examples of these investments include apartment renovations, improvements to corridors and staircases, façade refits and the additions or renovation of playgrounds, barbeque pits, study rooms and other common meeting areas. Modernisation measures totalled €10 million by themselves in 2022, as compared to €3 million in 2021, when the number was included in the repositioning capex as the amount was relatively immaterial, and included measures such as installing green energy and heating systems and adding better insulation and windows, among others. The Company also recorded €59 million pre-letting modifications and others in 2022 which were expenditures related to the final preparation of new buildings, as well as the re-opening of converted and refurbished properties which are in the pre-let stage and are being prepared for leasing.

Alternative Performance Measures

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

RECONCILIATION OF ADJUSTED EBITDA

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

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

RECONCILIATION OF FUNDS FROM OPERATIONS I (FFO I)

Funds From Operations I (FFO I) is an industry-wide standard measure of the recurring operational cash flow of a real estate company, often utilised as a key industry performance indicator. It is calculated by deducting the *Finance expenses, Current tax expenses, Contribution to minorities, Adjustment for perpetual notes attribution and adding the Contribution from joint ventures,* to the *Adjusted EBITDA.* To arrive at the *FFO I per share* the *FFO I* is divided by the *Weighted average number of ordinary shares (basic) in thousands, including impact from share-based payments,* which reflects the impact of the *Equity settled share-based payments* adjustment in the *Adjusted EBIDTA.*

FFO I reconciliation
Adjusted EBITDA
(-) Finance expenses
(-) Current tax expenses
(-) Contribution from/(to) joint ventures and minorities, Net
(-) Adjustment for perpetual notes attribution
(=) (A) FFO I
(B) Weighted average number of ordinary shares (basic) in thousands, including impact from share-based payments
(=) (A/B) FFO I per share

RECONCILIATION OF FUNDS FROM OPERATIONS II (FFO II)

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

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

RECONCILIATION OF ADJUSTED FUNDS FROM OPERATIONS (AFFO)

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

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

RECONCILIATION OF EQUITY RATIO

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

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

RECONCILIATION OF LOAN-TO-VALUE (LTV)

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

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

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

RECONCILIATION OF UNENCUMBERED ASSETS RATIO

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

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

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

RECONCILIATION OF NET DEBT-TO-EBITDA AND NET DEBT-TO-EBITDA INCLUDING PERPETUAL NOTES

The Net debt-to-EBITDA is another acknowledged measurement of the leverage position of a given firm in the real estate industry. This ratio highlights the ratio of financial liabilities to the Company's recurring operational profits and thereby indicates how much of the Company's recurring operational profits are available to debt holders. Therefore, GCP calculates the *Net debt-to-EBITDA* ratio by dividing the total *Net debt* as at the balance sheet date by the *adjusted EBITDA (annualised)* for the period. The *adjusted EBITDA (annualised)* is computed by adjusting the *adjusted EBITDA* (as previously defined) to reflect a theoretical full year figure, based on the periods result, this is done by dividing the figure by ¼ in the first three-month period, ½ in the first six-month period and ¾ in the nine-month period. For the full year figure no adjustment is made.

NET DEBT-TO-EBITDA Reconciliation
(A) Net debt
(B) Adjusted EBITDA (annualised)
(=) (A/B) Net debt-to-EBITDA

GCP additionally provides the *Net debt-to-EBITDA* ratio by adding *its Equity attributable to perpetual notes investors* as at the balance sheet date to the *Net Debt*. While GCP's perpetual notes are 100% equity instruments under IFRS, credit rating agencies, including S&P, generally apply an adjustment to such instruments and consider these as 50% equity and 50% debt. Furthermore, some equity holders may find an adjustment that adds the full balance of perpetual notes to the net debt as relevant. For enhanced transparency GCP therefore additionally provides this metric including the full balance sheet amount of Equity attributable to perpetual notes investors.

NET DEBT-TO-EBITDA including perpetual notes Reconciliation
(A) Net debt
(B) Equity attributable to perpetual notes investors
(C) Adjusted EBITDA (annualised)
(=) [(A+B)/C)] NET DEBT-TO-EBITDA including perpetual notes

RECONCILIATION OF ICR AND DSCR

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

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

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

EPRA EARNINGS

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

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

EPRA Earnings Reconciliation

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

Bridge to FFO I

Excluding:	
(+) Depreciation	
(+) Finance-related costs	
(+/-) Other adjustments	
(-) Adjustment for perpetual notes attribution	
(=) (C) FFO I	
(D) Weighted average number of ordinary shares (basic) in thousands, including impact from share-based payments	
(=) (C/D) FFO I per share	

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

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

The reconciliation of the EPRA NRV starts from the *Equity attributable to the owners of the Company* and adds back *Deferred tax liabilities on investment property, fair value measurements of derivative financial instruments.* Further, the EPRA NRV includes *real estate transfer tax* in order to derive the *EPRA NRV* and provide the reader with a perspective of what would be required to reinstate the Company at a given point of time. To arrive at the *EPRA NDV per share* the *EPRA NDV* is divided by the *Basic number of shares including in-the-money dilution effects (in thousands).*

EPRA NRV Reconciliation

Equity attributable to the owners of the Company	
(+) Deferred tax liabilities(1)	
(+/-) Fair value measurements of derivative financial instruments, net(2)	
(+) Real Estate Transfer Tax(1)	
(=) (A) EPRA NRV	
(B) Basic number of shares including in-the-money dilution effects (in thousands)	
(=) (A/B) EPRA NRV per share	

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

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

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

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

EPRA NTA Reconciliation
Equity attributable to the owners of the Company
(+) Deferred tax liabilities[1]
(+/-) Fair value measurements of derivative financial instruments, net[2]
(-) Intangible assets and goodwill
(+) Real Estate Transfer Tax[1]
(=) (A) EPRA NTA
(B) Basic number of shares including in-the-money dilution effects (in thousands)
(=) (A/B) EPRA NTA per share

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

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

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

Accordingly, to arrive at the EPRA NDV the starting point is the *Equity attributable to the owners of the Company* and includes the *Net fair value of debt.* The adjustment is the difference between the market value of debt and book value of debt. To arrive at the *EPRA NDV* per share the *EPRA NDV* is divided by the *Basic number of shares including in-the-money dilution effects (in thousands).*

EPRA NDV Reconciliation
Equity attributable to the owners of the Company
(+/-) Net fair value of debt
(=) (A) EPRA NDV
(B) Basic number of shares including in-the-money dilution effects (in thousands)
(=) (A/B) EPRA NDV per share

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

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

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

EPRA NIY and 'topped-up' NIY reconciliation

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

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

EPRA VACANCY RATE

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

EPRA Vacancy rate reconciliation

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

EPRA COST RATIOS

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

EPRA Cost Ratios reconciliation

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

* including share of operating expenses recovered from tenants

EPRA CAPITAL EXPENDITURE

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

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

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

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

Modernisation refers to capex carried on a targeted basis aimed at further improving the quality of the portfolio and increasing rents.

EPRA capital expenditure

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

EPRA LOAN-TO-VALUE (EPRA LTV)

The EPRA Loan-To-Value (EPRA LTV) is a key metric which aims to assess the leverage of the shareholder equity within a real estate company. The main difference between the EPRA LTV and the Company calculated LTV metric is the wider categorization of liabilities in EPRA gross debt and assets in EPRA net assets with the largest impact coming from the inclusion of the perpetual notes as debt. The *EPRA LTV* is calculated by dividing the *EPRA Net debt* by *EPRA Net Assets. EPRA Net debt* is composed of *EPRA Gross Debt* subtracted by *Cash and liquid assets. EPRA Gross Debt* is calculated from *Total financial debt* which is the sum of the current and non-current portions of *Loans and borrowings*, *Convertible Bonds, Straight Bonds* and adds to this *Foreign currency derivatives, Equity attributable to perpetual notes investors,* and *Net Payables* (if applicable). *EPRA Net Assets* is calculated by adding together *Owner-occupied property, Investment property* and *Investment properties of assets held-for-sale* (each excluding right-of-use assets), *Intangible assets, Financial Assets* and *Net receivables* (if applicable).

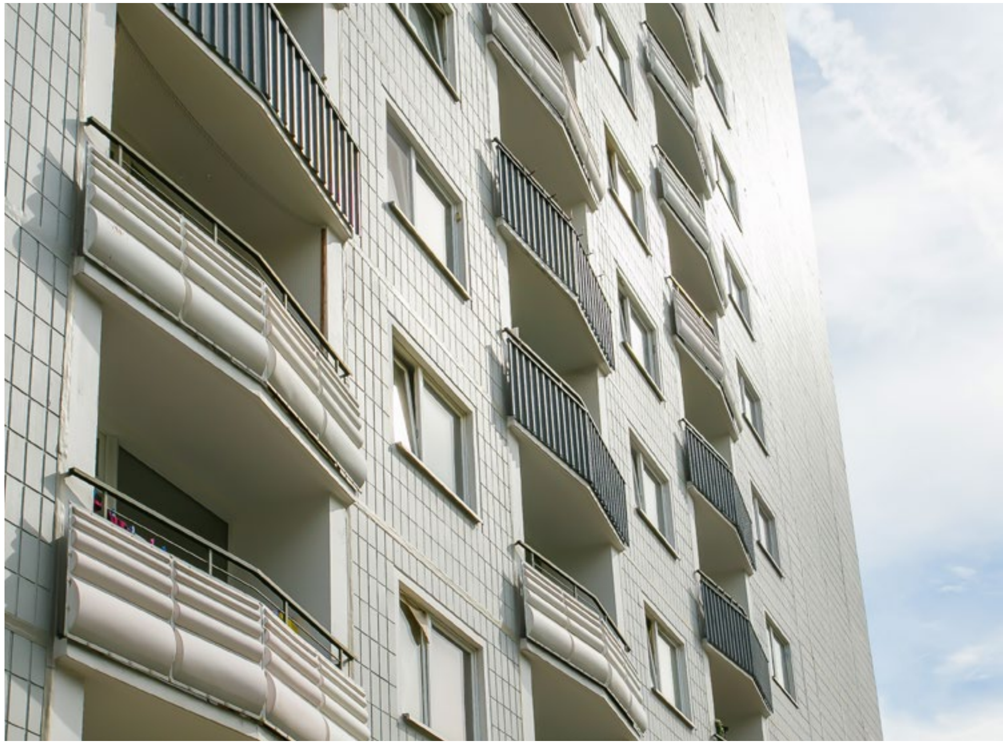
Net receivables or *Net payables* are *Payables* net of *Receivables*, and whichever item is greater is applicable to the calculation.

Additional items which are included in the calculation, but are currently not applicable to GCP include *Share of net debt of joint ventures* (in EPRA Gross Debt), *Share of Investment properties of joint ventures* (in EPRA Gross Assets), and the *Net minority impact of material minorities* (applicable to both assets and liabilities) which would be added to the EPRA LTV calculation if applicable.

EPRA Loan-To-Value (EPRA LTV) Calculation
(+) Total financial debt[1]
(+) Foreign currency derivatives
(+) Equity attributable to perpetual notes investors
(+) Net Payables[3]
(=) EPRA Gross Debt
(-) Cash and liquid assets[1]
(=) (A) Net debt
(+) Owner-occupied property
(+) Investment property[2]
(+) Investment properties of assets held-for-sale[2]
(+) Intangible assets
(+) Financial assets
(+) Net receivables[3]
(=) (B) EPRA Net Assets
(=) (A/B) EPRA LTV

(1) Including balances held-for-sale
(2) Including advance payments and deposits and excluding right of use assets
(3) Net receivables to be used when receivables are greater than payables and net payables to be used when payables are greater than receivables.

Dresden



RESPONSIBILITY STATEMENT

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

DISCLAIMER

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

Luxembourg, 16 March 2023

Christian Windfuhr
Chairman and member
of the Board of Directors

Simone Runge-Brandner
Member of the
Board of Directors

Daniel Malkin
Member of the
Board of Directors

To the Shareholders of
Grand City Properties S.A.
37, Boulevard Joseph II,
L-1840 Luxembourg
Grand Duchy of Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Grand City Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

Valuation of Investment Properties

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

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

As at 31 December 2022 the Group held a portfolio of investment properties with a fair value of TEUR 9,529,608 (31 December 2021: TEUR 9,339,489) and investment properties within assets classified as held for sale with a fair value of TEUR 330,853 (31 December 2021: TEUR 102,537).

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

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

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

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

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

b) How the matter was addressed during the audit

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

We have been appointed as “réviseur d'entreprises agréé” by the General Meeting of Shareholders on 29 June 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is eleven years.

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

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

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

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

We have checked the compliance of the consolidated financial statements of the Group as at 31 December 2022 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

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

In our opinion, the consolidated financial statements of Grand City Properties S.A. as at 31 December 2022, identified as 5299002QLUYKK2WBMB18-2022-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the consolidated financial statements of Grand City Properties S.A. as at 31 December 2022, identified as 5299002QLUYKK2WBMB18-2022-12-31-en.zip, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 16 March 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

Alessandro Raone
Partner

02 Consolidated financial statements


TOBIAS GRAU

Consolidated statement of profit or loss

		For the year ended 31 December	
		2022	2021
	Note	€'000	
Revenue	6	**582,505**	**524,629**
Property revaluations and capital gains	7	117,761	694,844
Share of profit from investments in equity-accounted investees	14	-	3,952
Property operating expenses	8	(266,287)	(218,064)
Administrative and other expenses	9	(10,689)	(11,138)
Depreciation and amortisation	15	(10,488)	(8,235)
Operating profit		**412,802**	**985,988**
Finance expenses	10.1	(46,914)	(46,450)
Other financial results	10.2	(137,133)	(148,640)
Profit before tax		**228,755**	**790,898**
Current tax expenses	11.2	(39,120)	(39,227)
Deferred tax expenses	11.3	(10,532)	(134,582)
Profit for the year		**179,103**	**617,089**
Profit attributable to:			
Owners of the Company		129,214	523,522
Perpetual notes investors		24,750	25,042
Non-controlling interests		25,139	68,525
		179,103	**617,089**
Net earnings per share attributable to the owners of the Company (in euro):			
Basic earnings per share	12.1	0.77	3.12
Diluted earnings per share	12.2	0.76	2.90

Consolidated statement of comprehensive income

	For the year ended 31 December	
	2022	2021
	€'000	
Profit for the year	**179,103**	**617,089**
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods, net of tax:		
Gains on owner-occupied property revaluation	10,974	-
Items that may be reclassified to profit or loss in subsequent periods, net of tax:		
Foreign currency translation, net of investment hedges of foreign operations	(32,855)	(6,715)
Net change in cost of hedging	8,998	36,359
Total other comprehensive income (loss) for the year, net of tax	**(12,883)**	**29,644**
Total comprehensive income for the year	**166,220**	**646,733**
Total comprehensive income attributable to:		
Owners of the Company	114,676	553,166
Perpetual notes investors	24,750	25,042
Non-controlling interests	26,794	68,525
	166,220	**646,733**

Consolidated statement of financial position

		As at 31 December	
		2022	2021
	Note	€'000	
ASSETS			
Investment property	16	9,529,608	9,339,489
Property and equipment	15	66,206	55,626
Intangible assets and goodwill	15	11,002	14,717
Advance payment and deposits		20,760	24,255
Derivative financial assets	27	53,814	37,504
Other non-current assets	13	262,094	359,831
Deferred tax assets	11.3	53,774	51,412
Non-current assets		**9,997,258**	**9,882,834**
Cash and cash equivalents		324,935	895,486
Financial assets at fair value through profit or loss		102,429	211,913
Trade and other receivables	17	353,125	452,048
Derivative financial assets	27	9,390	6,129
Assets held-for-sale	25.2	344,191	113,582
Current assets		**1,134,070**	**1,679,158**
Total assets		**11,131,328**	**11,561,992**
EQUITY			
Share capital	18.1	17,619	17,619
Treasury shares	18.4	(83,872)	(248,009)
Share premium and other reserves	18.5/18.6	258,609	408,371
Retained earnings		3,828,417	3,782,053
Total equity attributable to the owners of the Company		**4,020,773**	**3,960,034**
Equity attributable to perpetual notes investors	18.8	1,227,743	1,227,743
Total equity attributable to the owners of the Company and perpetual notes investors		**5,248,516**	**5,187,777**
Non-controlling interests	18.9	665,639	614,809
Total equity		**5,914,155**	**5,802,586**

Consolidated statement of financial position

		As at 31 December	
		2022	2021
	Note	€'000	
LIABILITIES			
Loans and borrowings	20.1	318,772	353,073
Straight bonds	20.2	3,612,105	3,642,285
Derivative financial liabilities	27	37,092	76,200
Other non-current liabilities	22	151,868	154,330
Deferred tax liabilities	11.3	788,605	760,472
Non-current liabilities		**4,908,442**	**4,986,360**
Current portion of long term loans	20.1	4,508	5,176
Bond redemption	20.2	-	449,595
Trade and other payables	21	225,338	215,757
Derivative financial liabilities	27	12,945	30,691
Tax payable		17,493	18,541
Provisions for other liabilities and charges	23	32,102	39,778
Liabilities held-for-sale	25.2	16,345	13,508
Current liabilities		**308,731**	**773,046**
Total liabilities		**5,217,173**	**5,759,406**
Total equity and liabilities		**11,131,328**	**11,561,992**

The Board of Directors of Grand City Properties S.A. authorised these consolidated financial statements to be issued on 16 March 2023.

Christian Windfuhr	**Simone Runge-Brandner**	**Daniel Malkin**
Chairman and member of the Board of Directors	Member of the Board of Directors	Member of the Board of Directors

Consolidated statement of changes in equity

€'000	Share capital	Treasury shares	Share premium	Equity component of convertible bond	Cost of hedging reserve	Foreign exchange translation reserves, net	Revaluation surplus reserve, net	Other reserves	Retained Earnings	Total equity attributable to the owners of the Company	Equity attributable to perpetual notes investors	Equity attributable to owners of the Company and perpetual notes investors	Non-controlling interests	Total Equity
	Equity attributable to the owners of the Company													
Balance as at 31 December 2021	**17,619**	**(248,009)**	**443,779**	**16,157**	**11,103**	**(39,658)**	**-**	**(23,010)**	**3,782,053**	**3,960,034**	**1,227,743**	**5,187,777**	**614,809**	**5,802,586**
Profit for the year	-	-	-	-	-	-	-	-	129,214	129,214	24,750	153,964	25,139	179,103
Other comprehensive Income (loss) for the year	-	-	-	-	8,998	(27,903)	4,367	-	-	(14,538)	-	(14,538)	1,655	(12,883)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**-**	**8,998**	**(27,903)**	**4,367**	**-**	**129,214**	**114,676**	**24,750**	**139,426**	**26,794**	**166,220**
Share-based payment	-	74	-	-	-	-	-	2,356	(27)	2,403	-	2,403	-	2,403
Dividend distribution to the owners of the Company (1)	-	-	(137,580)	-	-	-	-	-	-	(137,580)	-	(137,580)	-	(137,580)
Scrip dividend (2)	-	164,063	-	-	-	-	-	-	(82,823)	81,240	-	81,240	-	81,240
Initial consolidation, deconsolidation, transactions with non-controlling interests and dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	24,036	24,036
Payments to perpetual notes investors	-	-	-	-	-	-	-	-	-	-	(24,750)	(24,750)	-	(24,750)
Redemption of convertible bond (3)	-	-	16,157	(16,157)	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2022	**17,619**	**(83,872)**	**322,356**	**-**	**20,101**	**(67,561)**	**4,367**	**(20,654)**	**3,828,417**	**4,020,773**	**1,227,743**	**5,248,516**	**665,639**	**5,914,155**

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

Consolidated statement of changes in equity

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

Consolidated statement of cash flows

	Note	2022	2021
		For the year ended 31 December	
		€'000	
Profit for the year		**179,103**	**617,089**
ADJUSTMENTS FOR THE PROFIT:			
Depreciation and amortisation	15	10,488	8,235
Property revaluations and other capital gains	7	(117,761)	(694,844)
Share of profit from investments in equity-accounted investees	14	-	(3,952)
Net finance expenses	10	184,047	195,090
Tax and deferred tax expenses	11	49,652	173,809
Equity settled share-based payment	19	2,571	3,162
Change in working capital		(61,132)	(44,830)
		246,968	**253,759**
Tax paid		(30,853)	(36,699)
Net cash provided by operating activities		**216,115**	**217,060**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of equipment and intangible assets, net	15	(4,533)	(8,367)
Acquisition of investment property, capex and advance payments, net		(260,263)	(480,305)
Disposal of investment property, net		18,484	14,989
Acquisition of investees and loans, net of cash acquired		(3,667)	(9,388)
Disposal of investees, net of cash disposed		-	342,802
Disposal of (investment in) financial and other assets		82,290	(58,186)
Net cash used in investing activities		**(167,689)**	**(198,455)**

Consolidated statement of cash flows

		For the year ended 31 December	
		2022	2021
	Note	€'000	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Amortisation of loans from financial institutions	20.3	(3,766)	(4,328)
Proceeds (repayments) of loans from financial institutions, net	20.3	(32,560)	(288,320)
Proceeds from straight and convertible bonds, net	20.3	-	1,149,078
Payment to perpetual notes investors, net	18.8	(24,750)	(107,893)
Redemption and buy-back of straight and convertible bonds	20.3	(450,000)	(927,119)
Capital increase	18.6	-	17,103
Share buy-back	18.4	-	(271,781)
Transactions with non-controlling interests and dividends paid to non-controlling interests		(1,998)	(417)
Dividend distributed to the shareholders of the Company	18.7	(56,340)	(53,720)
Interest and other financial expenses, net	20.3	(47,341)	(49,790)
Net cash used in financing activities		**(616,755)**	**(537,187)**
Net decrease in cash and cash equivalents		**(568,329)**	**(518,582)**
Change in cash and cash equivalents held-for-sale	25.2	(1,158)	(216)
Cash and cash equivalents at the beginning of the year		895,486	1,412,199
Effect of foreign exchange rate changes		(1,064)	2,085
Cash and cash equivalents at the end of the year		**324,935**	**895,486**

Notes to the consolidated financial statements

1. GENERAL

1.1. INCORPORATION AND PRINCIPAL ACTIVITIES

Grand City Properties S.A. ("the Company") was incorporated in Grand Duchy of Luxembourg on 16 December 2011 as a Société Anonyme (public limited liability company). Its registered office is at 37, Boulevard Joseph II, L-1840 Luxembourg.

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

These consolidated financial statements for the year ended 31 December 2022 comprise the Company and its investees ("the Group" or "GCP").

1.2. LISTING ON THE FRANKFURT STOCK EXCHANGE

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

Effective 19 September 2022, the Company's shares were included in the SDAX index of the Deutsche Börse.

As at 31 December 2022, the issued share capital consists 176,187,899 shares with a par value of euro 0.10 per share, of which 3,862,089 shares with suspended voting rights are held in treasury. For additional information see note 18.4.

1.3. CAPITAL INCREASE, PERPETUAL NOTES AND BOND ISSUANCES

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

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

For more information see notes 18 and 20.2.

1.4. GROUP RATING

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

On 31 December 2022, the Group's credit rating was reaffirmed at stable by rating agencies, as follows:

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

1.5. DEFINITIONS

In these consolidated financial statements:

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

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

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

Certain consolidated statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows' items related to the year ended 31 December 2021 have been reclassified to enhance comparability with 2022 figures and are marked as "reclassified".

The consolidated financial statements were authorised for issue by the Company's Board of Directors on 16 March 2023.

2.2. BASIS OF MEASUREMENT

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

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

2.3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Judgements

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

» **Leases**

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

» **Revenue from contracts with customers**

- **Determination of performance obligations** - In relation to the services provided to tenants of investment property as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the performance obligation is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consume the benefits provided by the Group. With respect to the sale of property, the Group concluded that the goods and services transferred in each contract constitute a single performance obligation.
- **Principal versus agent considerations (services to tenants)** - The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.
- **Determining the timing of revenue recognition on the sale of property** - The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions. The Group has generally concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

» **Business combinations**

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

Estimates and assumptions

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

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

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

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

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

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

2.4. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

Transactions and balances

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

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

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

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

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

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

Group companies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

	EUR/ GBP	EUR/ HKD	EUR/ CHF	EUR/JPY
As of 31 December 2022	0.887	8.316	0.985	140.660
As of 31 December 2021	0.840	8.833	1.033	130.380
Change (%)	5.6%	(5.9)%	(4.6)%	7.9%
Average exchange rate during the year	0.853	8.245	1.005	138.027

3.1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

There were several new and amendments to standards and interpretations which are applicable for the first time in 2022, but either not relevant or do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. See note 3.25.

The following amendments were adopted by the EU with effective date of 1 January 2022:

» **Amendments to IFRS 3 Business Combinations**

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year.

» **Amendments to IAS 16 Property, Plant and Equipment**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

» **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- **Annual Improvements to IFRSs 2018-2020 Cycle**
  - **IFRS 1 First-time Adoption of International Financial Reporting Standards**
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.
  - **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**
    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.
    These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial liabilities during the year.
  - **IFRS 16 Leases** – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

3.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

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

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

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

3.3. PROPERTY ACQUISITIONS AND BUSINESS COMBINATIONS

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

3.4. BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

» deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

» liabilities or equity instruments related to share based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based Payment at the acquisition date; and

» Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

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

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

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

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

3.5. INVESTMENTS IN ASSOCIATES AND EQUITY-ACCOUNTED INVESTEES

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

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

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

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

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

3.6. REVENUE RECOGNITION

The Group's key sources of income include:

- Rental income
- Revenue from contracts with customers:
  - Services to tenants including management charges and other expenses recoverable from tenants
  - Sale of properties

The accounting for each of these elements is discussed below:

Rental income

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

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

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

Revenue from services to tenants

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

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

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

Sale of property

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

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

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

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

- Contract costs incurred related to contracts with an amortization period of less than one year have been expensed as incurred.
- The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations for contracts in which the Group has a right to consideration from tenants in an amount that corresponds directly with the value to the tenant of the Group's performance completed to date.
- The Group does not adjust the transaction price for the effects of significant financing component since at contract inception it is expected that the period between when the entity transfers the services to tenants and when the tenants pay for these services will be one year or less.

3.7. FINANCE INCOME AND EXPENSES AND OTHER FINANCIAL RESULTS

Finance income comprises interest income on funds invested.

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

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

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

3.8. TAXES

Current tax

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

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

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

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

3.9. PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

3.10. INTANGIBLE ASSETS AND GOODWILL

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

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

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

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

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

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

	%
Software	20-33

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

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

3.11. DEFERRED INCOME

Deferred income represents income which relates to future periods.

» **Prepayments**

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

» **Tenancy deposits**

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

3.12. INVESTMENT PROPERTY

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

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

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

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

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

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

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

3.13. TRADING PROPERTY (INVENTORIES)

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

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

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

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

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

3.14. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

3.15. FINANCIAL INSTRUMENTS

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

I. FINANCIAL ASSETS

i. Initial recognition and measurement

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

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

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

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

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

ii. Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

Financial assets at fair value through OCI (equity instruments)

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

iii. De-recognition

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

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

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

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

iv. Impairment of financial assets

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

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

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

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

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

II. FINANCIAL LIABILITIES

i. Initial recognition and measurement

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

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

ii. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

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

iii. De-recognition

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

III. INTERBANK OFFERED RATES (IBOR) REFORM

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

IV. OFFSETTING OF FINANCIAL INSTRUMENTS

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

V. SHARE CAPITAL

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

VI. TREASURY SHARES

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

VII. CONVERTIBLE BONDS

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

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

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

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

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

VIII. PERPETUAL NOTES

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

3.16. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

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

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

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

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

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

- **Fair value hedges**

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

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

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

- **Hedge of net investments in foreign operations**

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

  - The Group designates only the spot element as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve as time period related element and amortised to the consolidated statement of profit or loss over the hedged period.
  - Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the consolidated statement of profit or loss.
  - On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of profit or loss.

- **Interbank offered rates (IBOR) reform**

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

3.17. CASH AND CASH EQUIVALENTS

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

3.18. PROPERTY OPERATING EXPENSES

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

3.19. OPERATING SEGMENTS

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

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

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

3.20. COMPARATIVES

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

3.21. EARNINGS PER SHARE

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

3.22. SHARE-BASED PAYMENT TRANSACTIONS

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

3.23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

3.24. LEASED ASSETS

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

Group as a lessee

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

I) Right-of-use assets

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

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

II) Lease liabilities

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

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

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

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

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

Group as a lessor

Refer to accounting policies on rental income in note 3.6.

3.25. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

The following amendments were adopted by the EU, but not yet effective in 2022:

- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

  The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

  The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

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

» **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**

» **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies**

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

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

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2022 and 31 December 2021 on a recurring basis:

	As at 31 December 2022					As at 31 December 2021				
			Fair value measurement using					Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€'000									
FINANCIAL ASSETS										
Financial assets at fair value through profit or loss(*)	184,463	184,463	76,199	70,288	37,976	410,570	410,570	175,638	77,163	157,769
Derivative financial assets	63,204	63,204	-	63,204	-	43,633	43,633	-	43,633	-
Total financial assets	**247,667**	**247,667**	**76,199**	**133,492**	**37,976**	**454,203**	**454,203**	**175,638**	**120,796**	**157,769**
FINANCIAL LIABILITIES										
Derivative financial liabilities	50,037	50,037	-	50,037	-	106,891	106,891	-	106,891	-
Total financial liabilities	**50,037**	**50,037**	**-**	**50,037**	**-**	**106,891**	**106,891**	**-**	**106,891**	**-**

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

The Group also has a number of financial instruments which are not measured at fair value in the consolidated statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Significant differences were identified for the following instruments as at 31 December 2022 and 31 December 2021:

	As at 31 December 2022					As at 31 December 2021				
			Fair value measurement using					Fair value measurement using		
	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Carrying amount	Total fair value	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€'000									
FINANCIAL LIABILITIES										
Loans and borrowings[1]	323,280	289,816	-	289,816	-					
Straight bonds	3,612,105	2,813,003	2,676,781	136,222	-	3,642,285	3,779,314	3,599,216	180,098	-
Convertible bond[2]	-	-	-	-	-	449,595	451,283	451,283	-	-
Total financial liabilities	**3,935,385**	**3,102,819**	**2,676,781**	**426,038**	**-**	**4,091,880**	**4,230,597**	**4,050,499**	**180,098**	**-**

(1) including current portion of long-term loans
(2) including bond redemption

Fair value hierarchy

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

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

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

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

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

Valuation techniques used to determine fair values:

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

- The fair values of the quoted bonds are based on price quotations at the reporting date. The fair value of unquoted bonds is measured using the discounted cash flows method with observable inputs.
- There's an active market for the Group's listed equity investments and quoted debt instruments.
- For the fair value measurement of investments in unlisted funds, the net asset value is used as a valuation input and an adjustment is applied for lack of marketability and restrictions on redemptions as necessary. This adjustment is based on management judgment after considering the period of restrictions and the nature of the underlying investments.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate and foreign exchange swap and forward, collar and cap contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation technique includes forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves.

5. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

» During the year, the Group obtained control over several companies. The transaction did not meet the definition of business combination. The purchase of these companies were treated as an acquisition of a group of assets and liabilities, without recognition of goodwill.

The acquisition costs, including investment in loans, amounted to euro 113 million. The total acquisition costs were allocated between the assets acquired and the liabilities assumed based on their relative fair value at the purchase date. As part of the acquisition, the Group initially consolidated investment property of euro 143 million and recognised euro 27 million non-controlling interests.

6. REVENUE

	Year ended 31 December	
	2022	2021
	€'000	
Net rental income	396,041	374,550
Operating and other income	186,464	150,079
	582,505	**524,629**

During the year, approximately 77% (2021: 78%) of the Group's net rental income derive from Germany, 22% (2021: 21%) derive from the United Kingdom and 1% (2021: 1%) from other countries

7. PROPERTY REVALUATIONS AND CAPITAL GAINS

	Year ended 31 December	
	2022	2021
	€'000	
Property revaluations (see note 16.1)	115,039	631,152
Capital gains (see note 25.1)	2,722	63,692
	117,761	**694,844**

8. PROPERTY OPERATING EXPENSES

	Year ended 31 December	
	2022	2021
	€'000	
Purchased services	(187,631)	(*)(144,727)
Maintenance and refurbishment	(21,723)	(22,449)
Personnel expenses	(24,458)	(22,059)
Other operating costs	(32,475)	(*)(28,829)
	(266,287)	**(218,064)**

(*) reclassified

As of 31 December 2022, the Group had 810 employees (2021: 809 employees). On an annual average, the Group had 806 employees (2021: 849 employees)

9. ADMINISTRATIVE AND OTHER EXPENSES

	Year ended 31 December	
	2022	2021
	€'000	
Personnel expenses	(4,509)	(4,587)
Audit and accounting costs	(2,856)	(2,693)
Legal and professional consultancy fees	(2,437)	(1,913)
Marketing and other expenses	(887)	(1,945)
	(10,689)	**(11,138)**

During the year, the Group recorded euro 1.9 million (2021: euro 1.9 million) and euro 1.0 million (2021: euro 0.8 million) related to audit and audit-related fees provided by KPMG audit firms and other audit firms, respectively, and less than euro 0.1 million (2021: euro 0.2 million) and euro 0.2 million (2021: euro 0.1 million) related to tax and consultancy services provided by KPMG audit firms and other audit firms, respectively.

10. FINANCE EXPENSES

	Year ended 31 December	
	2022	2021
	€'000	
10.1. FINANCE EXPENSES		
Finance expenses from financial institutions and third parties, net	(5,944)	(3,273)
Finance expenses from straight and convertible bonds, net	(40,970)	(43,177)
	(46,914)	**(46,450)**
10.2. OTHER FINANCIAL RESULTS		
Changes in fair value of financial assets and liabilities, net	(115,925)	(122,553)
Finance-related costs	(21,208)	(26,087)
	(137,133)	**(148,640)**

11. TAXATION

1.1 TAX RATES APPLICABLE TO THE GROUP

The Company is subject to taxation under the laws of Luxembourg. The corporation tax rate for Luxembourg companies is 24.94% (2021: 24.94%).

The German subsidiaries with property are subject to taxation under the laws of Germany. Income taxes are calculated using a federal corporate tax of 15% as of 31 December 2022 (2021: 15%), plus an annual solidarity surcharge of 5.5% (2021: 5.5%) on the amount of federal corporate taxes payable (aggregated tax rate: 15.825%).

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

The Cypriot subsidiaries are subject to taxation under the laws of Cyprus. The corporation tax rate for Cypriot companies is 12.5% (2021: 12.5%).

Under certain conditions interest income of the Cypriot companies may be subject to defense contribution at the rate of 30% (2021: 30%). In such cases this interest will be exempt from corporation tax.

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

The United Kingdom subsidiaries with property are subject to taxation under the laws of the United Kingdom. Income taxes are calculated using a federal corporate tax (that includes capital gains) of 19% for 31 December 2022 (2021: 19%).

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

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

11.2. CURRENT TAX IN CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December	
	2022	2021
	€'000	
Corporate income tax	(24,378)	(25,011)
Property tax	(14,742)	(14,216)
Charge for the year	**(39,120)**	**(39,227)**

11.3. MOVEMENT IN DEFERRED TAX ASSETS (LIABILITIES) NET

	Investment property	Owner-occupied property	Derivative financial instruments, net	Losses carried forward	Others	Total
			€'000			
BALANCE AS AT 1 JANUARY 2021	**(617,972)**	**-**	**(6,192)**	**50,665**	**(10,165)**	**(583,664)**
Credit (charge) to profit or loss for the year	(140,220)	-	1,637	5,909	(1,908)	(134,582)
Credit (charge) to other comprehensive income for the year	(2,134)	-	267	-	-	(1,867)
Deconsolidation	18,728	-	-	(3,383)	-	15,345
Transfers	(*)3,324	(*)(5,837)	-	(1,779)	-	(4,292)
BALANCE AS AT 31 DECEMBER 2021	**(738,274)**	**(5,837)**	**(4,288)**	**51,412**	**(12,073)**	**(709,060)**
Credit (charge) to profit or loss for the year	(43,761)	204	29,157	1,515	2,353	(10,532)
Credit (charge) to other comprehensive income for the year	1,714	(2,063)	(27,348)	(166)	-	(27,863)
Transfers	11,611	-	-	1,013	-	12,624
BALANCE AS AT 31 DECEMBER 2022	**(768,710)**	**(7,696)**	**(2,479)**	**53,774**	**(9,720)**	**(734,831)**

(*) reclassified

As at 31 December 2022 the Group has unused tax losses for which no deferred tax assets have been recognised as it is not considered probable that there will be future taxable profits available. These deferred tax assets which have not been recognised amounted to approximate euro 54 million (2021: 29 million) of which euro 10 million (2021: euro 10 million) and euro 44 million (2021: euro 19 million) are related unused tax losses that can be carried forward indefinitely and for a maximum period of 17 years, respectively.

The Group has applied the initial recognition exemption on acquisitions of investment property which did not meet the definition of business combination. As at 31 December 2022, the deferred tax liabilities which have not been recognised in the consolidated financial statement of financial position amounted to euro 98 million (2021: 90 million).

11.4. RECONCILIATION OF EFFECTIVE TAX RATE

	Year ended 31 December	
	2022	2021
	€'000	
Profit before tax	228,755	790,898
Statutory tax rate	24.94%	24.94%
Tax computed at the statutory tax rate	57,051	197,250
Decrease in taxes on income resulting from the following factors:		
Group's share of earnings from companies accounted for at equity	-	(986)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(27,745)	(89,579)
Effect of permanent differences	16,596	42,747
Effect of change in tax rate	-	17,297
Others	3,750	7,080
Tax and deferred tax expenses	**49,652**	**173,809**

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

12.1. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share as of 31 December 2022 is based on the profit attributable to ordinary shareholders of euro 129,214 thousand (2021: euro 523,522 thousand), and a weighted average number of ordinary shares outstanding of 168,170 thousand (2021: 167,551 thousand), calculated as follows:

PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (BASIC)	Year ended 31 December	
	2022	2021
	€'000	
Profit for the year, attributable to the owners of the Company	129,214	523,522

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (BASIC)	Year ended 31 December	
	2022	2021
	'000	
Issued ordinary shares, net of treasury shares on January 1	164,962	171,864
Capital increase	3,208	2,483
Share buy-back	-	(6,796)
Weighted average number of ordinary shares as at 31 December	**168,170**	**167,551**
Basic earnings per share (euro)	**0.77**	**3.12**

12.2. DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at 31 December 2022 is based on profit attributable to ordinary shareholders of euro 129,812 thousand (2021: euro 527,060 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 171,591 thousand (2021: 181,588 thousand), calculated as follows:

PROFIT ATTRIBUTED TO ORDINARY SHAREHOLDERS (DILUTED)	Year ended 31 December	
	2022	2021
	€'000	
Profit for the year, attributable to the owners of the Company (basic)	129,214	523,522
Expense on convertible bond series F	598	3,538
Profit for the year, attributable to the owners of the Company (diluted)	**129,812**	**527,060**

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (DILUTED)	Year ended 31 December	
	2022	2021
	'000	
Issued ordinary shares, net of treasury shares on January 1	164,962	171,864
Capital increase	3,208	2,483
Share buy-back	-	(6,796)
Effect of exercise of convertible bond Series F	3,250	13,579
Effect of warrants	-	310
Effect of equity settle share-based payment	171	148
Weighted average number of ordinary shares as at 31 December	**171,591**	**181,588**
Diluted earnings per share (euro)	**0.76**	**2.90**

13. OTHER NON-CURRENT ASSETS

	As at 31 December	
	2022	2021
	€'000	
Tenancy deposit[1]	43,599	40,789
Investment in other long-term assets[2]	130,429	114,950
Financial assets at fair value through profit and loss[3]	82,034	198,657
Others	6,032	5,435
	262,094	**359,831**

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

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

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

14. INVESTMENT IN EQUITY-ACCOUNTED INVESTEES

The following table analyses, in aggregate the Group's share of profit in associates for the year:

	Year ended 31 December	
	2022	2021
	€'000	
Share of profit from investees	-	3,952

15. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

	Property(*), furniture, fixtures and office equipment	Goodwill, softwares and other intangible assets	Total
		€'000	
COST			
Balance as at 1 January 2021	25,765	19,866	45,631
Additions, net	3,708	4,659	8,367
Transfer from investment property	42,973	-	42,973
Transfer from held-for-sale	13	-	13
Initial consolidation	26	-	26
Deconsolidation	(243)	-	(243)
Balance as at 31 December 2021	**72,242**	**24,525**	**96,767**
Additions, net	3,326	1,207	4,533
Revaluation adjustment	13,037	-	13,037
Transfer to held-for-sale	(215)	(2)	(217)
Balance as at 31 December 2022	**88,390**	**25,730**	**114,120**
DEPRECIATION/AMORTISATION			
Balance as at 1 January 2021	12,232	5,957	18,189
Depreciation/Amortisation for the year	4,384	3,851	8,235
Balance as at 31 December 2021	**16,616**	**9,808**	**26,424**
Depreciation/Amortisation for the year	5,568	4,920	10,488
Balance as at 31 December 2022	**22,184**	**14,728**	**36,912**
CARRYING AMOUNTS			
Balance as at 31 December 2022	**66,206**	**11,002**	**77,208**
Balance as at 31 December 2021	**55,626**	**14,717**	**70,343**

(*) Owner-occupied properties measured at fair value less accumulated depreciation and impairment losses and classified in accordance with the fair value hierarchy (see note 4). Since one or more of the significant inputs is not based on observable market data, the fair value measurement is included in level 3

16. INVESTMENT PROPERTY

16.1. RECONCILIATION OF INVESTMENT PROPERTY

	2022	2021
	Level 3(*)	Level 3(*)
	€'000	
As at 1 January	**9,339,489**	**8,005,893**
Plus: investment property classified as held-for-sale	102,537	150,207
Total investment property	**9,442,026**	**8,156,100**
Acquisitions of investment property	277,668	757,738
Capital expenditure on investment property	139,647	105,424
Disposals of investment property	(15,762)	(294,222)
Fair value adjustment	115,039	631,152
Effect of foreign currency exchange differences	(98,157)	112,348
Transfers (from)/to investment property	-	(26,514)
Total investment property	**9,860,461**	**9,442,026**
Less: investment property classified as held-for-sale	(330,853)	(102,537)
As at 31 December	**9,529,608**	**9,339,489**

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

As at 31 December 2022 and 2021, the fair values of the properties are based on valuations performed by accredited independent valuers.

16.2. GEOGRAPHICAL INFORMATION

	As at 31 December	
	2022	2021
	€'000	
Investment property(*)		
Germany	7,845,740	7,487,101
United Kingdom	1,874,428	1,817,587
Others	140,293	137,338
	9,860,461	**9,442,026**

(*) including investment property classified as held-for-sale

16.3. MEASUREMENT OF FAIR VALUE

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

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

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

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

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

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

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

» Comparable approach

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

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

» Residual value approach

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

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

As of 31 December 2022, 96% (2021: 92%) of investment property have been valued using the discounted cash flows method, 1% (2021:4%) comparable approach and 3% (2021:4%) residual value approach.

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

Valuation Technique	Significant unobservable inputs	As of 31 December	
		2022	2021
		Range (weighted average)	
DCF method	Rent growth p.a. (%)	0.3 - 3.0 (1.8)	0.2 - 2.5 (1.7)
	Long-term vacancy rate (%)	0.0 - 4.1 (3.4)	0.0 - 6.0 (3.3)
	Discount rate (%)	2.5 - 9.3 (4.8)	2.3 - 8.0 (4.8)
	Capitalization rate (%)	1.7 - 8.3 (3.8)	1.7 - 7.4 (3.9)
Market comparable approach	Price per sqm (in euro)	6,400 - 16,800 (11,900)	3,600 - 17,700 (8,600)
Residual value approach	Sale price per sqm (in euro)	3,000 - 6,200 (3,700)	3,300 - 17,700 (8,500)
	Rent price per sqm (in euro)	10.0 - 24.0 (19.8)	11.7 - 27.3 (15.8)
	Development cost per sqm (in euro)	1,000 - 4,600 (3,000)	1,100 - 4,800 (2,700)
	Developer margin (%)	9.0 - 15.0 (13.0)	7.5 - 15.0 (11.8)

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.
Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

Highest and best use

As at 31 December 2022, the current use of all investment property is considered the highest and best use, except for 2% (2021: 3%) of the investment properties, for which the Group determined that fair value based the development and the sale of such properties is the highest and best use. These properties are currently being used to earn rental income, in line with the Group's business model of buying and holding investment property to earn rental income. By increasing the rental income and improving these properties, the value of these properties will grow and reach the level of properties being sold.

17. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	€'000	
Operating cost receivables[(1)]	188,346	144,801
Rent and other receivables	67,492	72,171
Prepaid expenses	7,390	4,689
Other short-term assets[(2)]	89,897	230,387
	353,125	**452,048**

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

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

During the year, the Group recognised a loss allowance for expected credit losses on trade and other receivables for a total amount of euro 16,964 thousand (2021: euro 9,657 thousand).

18. EQUITY

18.1 SHARE CAPITAL

		As at 31 December			
		2022		2021	
		Number of shares	€'000	Number of shares	€'000
Authorised					
Ordinary shares of euro 0.10 each		400,000,000	40,000	400,000,000	40,000
Issued and fully paid					
Balance as at 1 January		176,187,899	17,619	171,864,050	17,186
Issuance of new ordinary share as part of scrip dividend	18.3.1	-	-	4,323,849	433
Balance as at 31 December	18.3.2	**176,187,899**	**17,619**	**176,187,899**	**17,619**

18.2. AUTHORISED CAPITAL

The Company's authorised share capital as of 31 December 2022 amounts to euro 40,000,000.

18.3. ISSUED CAPITAL DURING 2021-2022

18.3.1 On 26 July 2021, the Company issued 4,323,849 new shares in total value of euro 83 million in connection with the scrip dividend. For additional information see note 18.7.

18.3.2 As at 31 December 2022, the subscribed and fully paid-up share capital amounts to euro 17,619 thousand, represented by 176,187,899 ordinary shares with par value of euro 0.10 per share, including 3,862,089 shares held in treasury with no voting rights. See note 18.4.

18.4. TREASURY SHARES

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

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

c) On July 15, 2022 in connection with the scrip dividend, 7,360,307 shares held in treasury have been delivered to shareholders who opted to receive their dividend in the form of new ordinary shares of the Company.

As at 31 December 2022, the Group holds 3,862,089 (2021: 11,225,841) shares in treasury which represent 2.2% (2021: 6.4%) out of the total ordinary shares. These shares do not have voting rights.

18.5. SHARE PREMIUM

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

The dividend distributions are paid out of the share premium.

18.6. OTHER RESERVES

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

In addition, the other reserves include results on buy-back and redemption of perpetual notes.

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

In 2021 the option has been exercised by the seller, for an additional exercise price of euro 17 million. As a result, the Company has transferred 1.1 million shares held in treasury to the seller. The other reserve of 7 million has been reclassified within the equity to share premium.

18.7. RESOLUTION OF DIVIDEND DISTRIBUTION

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

For the year	Amount per share (in cents)	Gross amount (€'000)	Ex-date	Payment date
2014	20.00	24,344	25 June 2015	3 July 2015
2015	25.00	38,447	30 June 2016	1 July 2016
2016	68.25	112,468	29 June 2017	1 July 2017
2017	73.00	120,296	30 June 2018	17 July 2018
2018	77.35	129,002	27 June 2019	22 July 2019
2019	82.38	138,407	25 June 2020	14 July 2020
2020	82.32	136,433	1 July 2021	20 July 2021
2021	83.40	137,580	30 June 2022	19 July 2022

On 29 June 2022, the Annual General Meeting of the shareholders of the Company has resolved upon a dividend distribution of euro 0.8340 (gross) per share for the year 2021 (2021: euro 0.8232 (gross) per share for the year 2020). The total gross amount of the dividend amounted to euro 137,580 thousand (2021: euro 136,433 thousand) and deducted from the share premium account.

The Company has also provided shareholders with the option to receive their dividend through a scrip dividend. Shareholders of the Company could elect to receive up to 85% of their dividend in the form of shares of the Company, with the remainder paid in cash.

On 15 July 2022, the Company announced that the shareholders of approximately 115 million shares opted to receive their dividend in the form of new ordinary shares of the Company. Accordingly, 7,360,307 treasury shares (2021: 4,323,849 new shares) have been delivered to shareholders in connection with the scrip dividend and the reminder of the dividend in total amount of approximately euro 56.3 million (2021: 53.7 million) has been paid in cash.

18.8. PERPETUAL NOTES

Nominal amount outstanding	Placement date	Coupon rate	Next call date	Reset margin(*)
€'000				
200,000	Sep-16	2.75%	Jan-23	3.637% over 5-year Mid swap rate
350,000	Apr-18	2.5%	Oct-23	2.432% over 5-year Mid swap rate
700,000	Dec-20	1.5%	Jun-26	2.184% over 5-year Mid swap rate

(*) if not called at the next call date

Movement during 2021-2022

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

18.8.2 At the end of 2022, the Company announced its decision not to call the euro 200 million of perpetual notes which had its first call date in January 2023.

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

18.9. NON-CONTROLLING INTERESTS

The majority of the non-controlling interests is held indirectly by Aroundtown SA.

19. SHARE-BASED PAYMENT AGREEMENTS

19.1. DESCRIPTION OF SHARE-BASED PAYMENT ARRANGEMENTS

As of 31 December 2022, the Group had the following share-based payment arrangements:

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

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

Grant date	Number of shares	Weighted vesting period	Contractual life of the shares
1 January 2019 – 30 June 2026	434 thousands	2.59 years	Up to 4 years

19.2. RECONCILIATION OF OUTSTANDING SHARE OPTIONS

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

	2022	2021
	Number of shares	Number of shares
	'000	
Outstanding on January 1	413	297
Granted during the year	32	232
Exercised during the year (*)	(11)	(116)
Outstanding on 31 December	**434**	**413**

(*) In accordance with the terms and conditions of the incentive share plan, the Group withheld 4 thousand (2021: 46 thousand) shares equal to the monetary value of the employees' tax obligation from the total number of shares exercised. In addition, 4 thousand (2021: 51 thousands) shares have been settled in cash. As a result, only 3 thousand (2021: 19 thousand) shares were transferred from the Company's shares held in treasury

During the year, the total amount recognised as share-based payment was euro 2,571 thousand (2021: euro 3,162 thousand). It was presented as Property operating expenses and as Administrative and other expenses in the consolidated statement of profit or loss and as share-based payment reserve in the consolidated statement of changes in equity.

20. LOANS AND BORROWINGS, STRAIGHT AND CONVERTIBLE BONDS

20.1. LOANS AND BORROWINGS

	Weighted average interest rate (*)	Maturity	As at 31 December	
			2022	2021
			€'000	
Non-current				
Bank loans	2.2%	2024-2082	318,772	353,073
Total non-current			**318,772**	**353,073**
Current				
Current portion of long-term loans	2.2%	2023	4,508	5,176
Total current			**4,508**	**5,176**

(*) As at 31 December 2022

Approx. euro 1.2 billion (2021: euro 1.1 billion) of investment properties are encumbered.

During the year the Group raised euro 135 million in new secured debt, repaid euro 165 million in near-term maturity bank loans and holds credit lines from several banks in the amount of euro 300 million. See also note 33.2.

All bank loans are generally non-recourse loans with the related assets serving, among others, as a security. As at 31 December 2022 under the existing loan agreements, the Group is compliant with its financial covenants to the financing banks.

20.2 STRAIGHT AND CONVERTIBLE BONDS

Composition	Note	Nominal amount outstanding	Effective coupon	Placement	Maturity	As at 31 December	
						2022	2021
		'000				€'000	
CONVERTIBLE BOND							
Current							
Convertible bond series F [3]	(e),(g),(i)	EUR 450,000	0.25%	Mar-2016	Mar-2022	-	449,595
Accrued interest on convertible bond [2]						-	370
						-	**449,965**
STRAIGHT BONDS							
Non-current							
Straight bond series E	(a),(d),(h)	EUR 205,600	1.50%	Apr-2015	Apr-2025	200,387	198,128
Straight bond series G		EUR 600,000	1.38%	Aug-2017	Aug-2026	590,128	587,510
Straight bond series H		EUR 255,000	2.00%	Oct-2017	Oct-2032	244,312	243,224
Straight bond series I	(j)	HKD 900,000	[1] 1.00%	Feb-2018	Feb-2028	95,943	101,411
Straight bond series J		EUR 667,600	1.50%	Feb-2018	Feb-2027	662,619	661,401
Straight bond series K		CHF 125,000	0.96%	Mar-2018	Sep-2026	126,590	120,572
Straight bond series L		JPY 7,500,000	1.40%	Jun-2018	Jun-2038	51,941	55,940
Straight bond series M	(k)	EUR 47,000	[1] 1.7%	Jul-2018	Jul-2033	46,241	45,215
Straight bond series N		EUR 88,000	[1] 1.71% + 3M Euribor	Feb-2019	Feb-2039	54,793	84,847
Straight bond series O		EUR 15,000	[1] 1.68% + 3M Euribor	Feb-2019	Feb-2034	10,809	14,675
Straight bond series P		HKD 290,000	[1] 1.38% + 3M Euribor	Mar-2019	Mar-2029	28,656	32,286
Straight bond series Q		CHF 130,000	0.57%	Jun-2019	Jun-2024	131,849	125,561
Straight bond series R		EUR 40,000	2.50%	Jun-2019	Jun-2039	39,810	39,798
Straight bond series U		EUR 80,000	0.75%	Jul-2019	Jul-2025	79,897	79,857
Straight bond series V	(l)	EUR 70,000	[1] 1.5%	Aug-2019	Aug-2034	61,796	69,951
Straight bond series W	(a),(d),(h)	EUR 204,700	1.70%	Apr-2020	Apr- 2024	203,372	202,330
Straight bond series X	(a)	EUR 1,000,000	0.125%	Jan-2021	Jan - 2028	982,962	979,579
						3,612,105	**3,642,285**
Current							
Accrued interest straight bonds [2]						26,757	26,311
						26,757	**26,311**

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

As of 31 December 2022, the weighted average interest rate on the outstanding loans, borrowings and bonds, after taking into account hedging impact, is 1.3% (2021: 1.0%)

As of 31 December 2022, the Company has established a euro 10 billion EMTN programme. Notes issued under the EMTN programme are guaranteed by the Company.

Movement during 2021-2022

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

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

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

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

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

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

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

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

(i) On March 2, 2022, the Company redeemed euro million 450 principal amount of convertible bond series F with 0.25% coupon (due March 2022) of which euro 186.7 million of principal amount were held by subsidiaries of Aroundtown SA.

(j) The effective coupon until 2023 is 1.00%; starting February 2023, 1.1725% + 6M Euribor.

(k) The effective coupon until 2023 is 1.70%; starting July 2023, 1.39% + 6M Euribor.

(l) The effective coupon until 2024 is 1.50%; starting August 2024, 1.472% + 6M Euribor.

COVENANTS

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

1. The Company undertakes that it will not, and will procure that none of its subsidiaries will, up to (and including) the Final Discharge Date, incur any Indebtedness (other than Refinancing Indebtedness) if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence:
    a. The sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) ((in case of bonds other than the series E bonds) the value of all assets acquired or contracted for acquisition by the Group as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Company in the latest Financial Statements as certified by the auditors of the Company, since the Last Reporting Date)/ ((in case of the Series E bonds) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date); and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);) and
    b. The sum of: (i) the Consolidated Secured Indebtedness (excluding the Series E Bonds and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series E Bonds and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) ((in case of bonds other than the Series E bonds) the value of all assets acquired or contracted for acquisition by the Group as determined at the relevant time in accordance with IFRS and the accounting principles applied by the Company in the latest Financial Statements as certified by the auditors of the Company, since the Last Reporting Date/ ((in case of Series E bonds) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date); and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness);

2. The Company undertakes that the sum of: (i) the Unencumbered Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Unencumbered Assets (less Cash and Cash Equivalents) newly recorded since the Last Reporting Date will at no time be less than 125% of the sum of: (i) the Unsecured Indebtedness (less Cash and Cash Equivalents) at the Last Reporting Date; and (ii) the Net Unsecured Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date;
3. Up to and including the Final Discharge Date, the Company undertakes that, on each Reporting Date, the Consolidated Coverage Ratio will be at least 1.8 (excluding the Series E bonds, for which the Consolidated Coverage Ratio will be at least 2.0);
4. The Company's outstanding series of bonds contain a customary negative pledge clause that prohibits the Company, so long as any of the Senior Notes remain outstanding, from creating or having outstanding any Security Interest (other than a Permitted Security Interest) upon any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Capital Markets Indebtedness, unless the Company promptly takes any and all action necessary to ensure that:

   (i) all amounts payable by it under the Senior Notes and the Trust Deed are secured by the Security Interest equally and rateably with the Capital Markets Indebtedness to the satisfaction of the Trustee; or

   (ii) such other Security Interest or other arrangement is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Senior Noteholders or (ii) as is approved by an Extraordinary Resolution of the Senior Noteholders.

The Company's Series E bonds contain a substantially similar negative pledge.

As at 31 December 2022 under its outstanding bond series the Group is fully compliant with its financial covenants.


Hamburg

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

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

		Finance cash flows		Non-cash changes					
€'000	31 Dec 2021	Finance expenses paid	Other cash flows(1)	Acquisition (disposal) of subsidiaries, net	Foreign exchange effect	Change in liabilities held-for-sale	Other non-cash(2)	Other changes(3)	31 Dec 2022
Convertible bond(4)	449,965	(563)	(450,000)	-	-	-	405	193	-
Straight bonds(4)	3,668,596	(40,179)	-	-	16,302	-	(46,500)	40,643	3,638,862
Loans and borrowings(5)	358,249	(3,210)	(36,326)	-	-	-	-	4,567	323,280
Lease liabilities	58,702	(3,389)	-	-	557	(58)	1,694	(84)	57,422
	4,535,512	**(47,341)**	**(486,326)**	**-**	**16,859**	**(58)**	**(44,401)**	**45,319**	**4,019,564**

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

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

21. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	€'000	
Trade and other payables	55,307	40,833
Prepayments received from tenants[1]	144,252	131,815
Deferred income	10,754	11,217
Other liabilities	15,025	31,892
	225,338	**215,757**

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

22. OTHER NON-CURRENT LIABILITIES

	As at 31 December	
	2022	2021
	€'000	
Tenancy deposits	44,154	41,746
Lease liabilities (see note 22.1)	57,422	58,702
Long-term positions with non-controlling interest and others	50,292	53,882
	151,868	**154,330**

22.1 LEASE LIABILITIES

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

	2022	2021
	€'000	
As at 1 January	58,702	55,099
Additions (disposals), net	-	2,889
Reclassification to held-for-sale	(58)	(3,208)
Expenses	2,251	7,541
Payments	(3,473)	(3,619)
As at 31 December	**57,422**	**58,702**

As at 31 December 2022, all lease liabilities are related to right-of-use assets accounted for as investment property.

23. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Balance as at 1 January 2021	45,776
Movement during the year	(5,998)
Balance as at 31 December 2021	39,778
Movement during the year	(7,676)
Balance as at 31 December 2022	32,102

24. RELATED PARTY TRANSACTIONS

24.1. DIRECTORS AND EXECUTIVE MANAGEMENT PERSONNEL REMUNERATION

	For the year ended 31 December 2022			
	Chairman of the Board of Directors	Independent director	Independent director	**Total**
€'000	**Christian Windfuhr**	**Daniel Malkin**	**Simone Runge-Brandner**	
Fix remuneration(1)	85,641	112,000	112,000	309,641
Fixed and variable incentive(2)	62,937	-	-	62,937
Total remuneration	**148,578**	**112,000**	**112,000**	**372,578**

(1) including salary, director fee and supplementary payment based on employer cost
(2) refer to long-term share incentive program

Mr. Refael Zamir, the Company's CEO and CFO, was entitled to a total remuneration of euro 1,349 thousand, of which euro 638 thousand refer to multi year fix and variable share incentive plan.

There were no other transactions between the Group and its directors and executive management during the year. For further information on the share incentive program see note 19.

24.2. OTHER RELATED PARTY TRANSACTIONS AND BALANCES

24.2.1	For the year ended 31 December	
	2022	2021
	€'000	
Rental and operating income	1,252	1,180
Interest income on loans to equity-accounted investees	-	1,518
Consulting services income	500	500
Consulting services expenses	(500)	(500)
	1,252	**2,698**

a. During 2021, the Company sold euro 169.2 million principal amount of its convertible bond series F held in treasury to Edolaxia Group Ltd. For additional information see note 20.2(g).

b. During the year, the Group sold financial assets to Aroundtown SA's subsidiary for a total consideration of euro 6.8 million, reflecting the market price based on quoted price as at the transaction date.

c. During the year, the Group sold investment property to Aroundtown SA's subsidiary for a total consideration of euro 2.5 million, reflecting the fair value as at the transaction date.

24.2.2	As at 31 December	
	2022	2021
	€'000	
Convertible bond	-	186,854
Other payables	1,196	-

25. DISPOSALS

25.1. DISPOSALS OF INVESTMENT PROPERTY DURING THE YEAR

During the year, the Group disposed several investment properties and subsidiaries which held investment properties. The following table describes the amounts of assets and liabilities disposed:

	For the year ended 31 December	
	2022	2021
	€'000	
Investment property	15,762	294,222
Other assets, net	-	3,967
Deferred tax liabilities, net	-	(15,345)
Total net assets disposed	**15,762**	**282,844**
Non-controlling interests disposed	-	3,176
Total consideration	18,484	343,360
Profit from disposal of investment property and subsidiaries	2,722	63,692

25.2. ASSETS AND DISPOSAL GROUP HELD-FOR-SALE

The Group resolved an intention to sell several properties. These properties were identified by the Group as either non-core, primarily due to the location of the properties, or mature properties with lower-than-average upside potential in their current condition. The intention of the Group to dispose non-core and mature properties is part of its capital recycling plan of is following a strategic decision to increase the quality of its portfolio.

Some properties are expected to be disposed through sale of subsidiaries. Accordingly, assets and liabilities relating to these subsidiaries ("Disposal Group") and some properties which are expected to be disposed through asset deals are presented as assets held-for-sale and as liabilities held-for-sale in the consolidated statement of financial position.

Efforts to sell the properties have started and a sale is expected within twelve months.

The major classes of assets and liabilities comprising the Disposal Group classified as held-for-sale are as follows:

	As at 31 December	
	2022	2021
	€'000	
ASSETS CLASSIFIED AS HELD-FOR-SALE		
Investment property	330,853	102,537
Cash and cash equivalents	1,763	605
Deferred tax assets	1,219	(*)2,230
Other assets	10,356	(*)8,210
Total assets classified as held-for-sale	**344,191**	**113,582**
LIABILITIES CLASSIFIED AS HELD-FOR-SALE		
Deferred tax liabilities	7,300	(*)5,670
Other liabilities	9,045	(*)7,838
Total liabilities classified as held-for-sale	**16,345**	**13,508**

(*) reclassified

As at 31 December 2022, the group signed additional desposals in the amount of over euro 170 million, which are expected to be completed in 2023. For additional information see note 33.

26. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT

26.1. FINANCIAL ASSETS

Set out below, is an overview of financial assets, held by the Group as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	€'000	
FINANCIAL ASSETS AT AMORTISED COST:		
Cash and cash equivalent[1]	326,698	896,091
Trade and other receivables[1]	362,537	460,258
Other non-current assets[2]	180,060	161,174
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:		
Financial assets at fair value through profit or loss[3]	184,463	410,570
Derivative financial assets[4]	9,798	320
Total	**1,063,556**	**1,928,413**

(1) including assets held for sale
(2) excluding non-current financial assets at fair value through profit or loss
(3) including non-current financial assets at fair value through profit or loss included in other non-current assets (see note 13)
(4) excluding derivative financial assets designated as hedging instruments in hedge relationships (see note 27)

26.2. FINANCIAL LIABILITIES

Set out below, is an overview of financial liabilities, held by the Group as at 31 December 2022 and 31 December 2021:

	As at 31 December	
	2022	2021
	€'000	
FINANCIAL LIABILITIES AT AMORTISED COST:		
Trade and other payables[1]	229,736	218,340
Tax payable	17,493	18,541
Loans and borrowings[2]	323,280	358,249
Straight bonds	3,612,105	3,642,285
Accrued interest on straight bonds[4]	26,757	26,311
Convertible bond[3]	-	449,595
Accrued interest on convertible bonds	-	370
Other non-current liabilities[1]	156,217	157,538
Total	**4,365,588**	**4,871,229**

(1) including liabilities held for sale
(2) including current portion of long-term loan
(3) Including bond redemption
(4) see note 20.2

26.3. RISKS MANAGEMENT OBJECTIVES AND POLICES

As at 31 December 2022, the Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, straight bonds, trade and other payable, tax payable and non-current liabilities. The Group's principal financial assets include trade and other receivables, cash and cash equivalent and other non-current asset. The Group also holds investments in debt and equity instruments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is supported by a risk committee that advices on financial risks and the appropriate financial risk governance framework for the Group. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Group's activities.

26.3.1 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by hedging long-term debt with floating rate using swap, collar and cap contracts. For additional information see note 27.

As at 31 December 2022, after taking into account the effect of the hedging, the interest profile of the Group's interest-bearing debt was as follows:

	Nominal amount outstanding as at 31 December	
	2022	2021
	€'000	
Fixed rate	3,779,410	4,218,534
Capped rate	53,930	165,670
Floating rate	220,562	135,831
	4,053,902	**4,520,035**

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of long-term debt affected, after the impact of hedging as of the reporting date. With all other variables held constant, the Group's profit before tax and pre-tax equity are affected through the impact on floating rate long-term debt, as follows:

	Increase/decrease in basis points	Effect on profit before tax and pre-tax equity
	€'000	
2022	100	(2,692)
	-100	2,745
2021	100	(2,069)
	-100	1,071

The Group had no long-term debt for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2022.

FOREIGN CURRENCY RISK

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's net investment in foreign subsidiaries and to several straight bonds issued in a foreign currency.

The Company issued several straight bonds in different currencies and in fixed and floating interest. The Company used cross currency swap contracts to hedge the fair value risk derived from the changes in exchange rates and interest rates as explained in note 27.1.

Due to the hedging above there is no material residual foreign currency risk.

In addition, the Company used forwards contracts to hedge the fair value of its net investment in foreign operation which operates in British pound (GBP) as explained in note 27.2.

EQUITY PRICE RISK

The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

As at 31 December 2022, the exposure to listed equity instruments was euro 86,673 thousand (2021: euro 182,815 thousand).

26.3.2 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including cash and cash equivalents held in banks, derivatives and other financial instruments.

TRADE AND OTHER RECEIVABLES

Customer credit risk is managed by the property managers subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision to measure expected credit loss. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic condition may also not be representative of customer's actual default in the future.

The Group has no significant concentration of credit risk.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 26.1.

The aging of rent receivables at the end of the reporting period that were not impaired was as follows:

	As at 31 December	
	2022	2021
	€'000	
Neither past due and past due 1–30 days	14,842	17,074
Past due 31–90 days	16,798	13,339
Past due above 90 days	3,499	7,351
	35,139	**37,764**

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on the historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

FINANCIAL INSTRUMENTS AND CASH AND CASH EQUIVALENTS

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's investment in financial instruments at fair value through profit or loss consist of quoted debt and equity securities that are graded in the investment category.

The Group holds its cash and cash equivalents and its derivative financial instruments with high-rated banks and financial institutions with high credit ratings. Concentration risk is mitigated by limiting the exposure to a single counter party.

As at 31 December 2022, the Group has recorded euro 291 thousand (2021: 536 thousand) ECL allowance on its cash and cash equivalent.

26.3.3 LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Group has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the remaining contractual maturities at the end of the reporting period and at the end of 2022 of financial liabilities, including estimated interest payments, the impact of derivatives and excluding the impact of netting agreements:

		Contractual cash flows including interest					
As at 31 December 2022	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
		€'000					
FINANCIAL LIABILITIES							
Loans and borrowings(1)	323,280	381,103	46	11,567	11,091	11,418	346,981
Straight bonds	3,612,105	3,956,500	17,148	19,889	361,442	318,993	3,239,028
Lease liabilities	57,422	985,806	-	3,453	3,453	3,453	975,447
Trade and other payables	225,338	225,338	37,556	187,782	-	-	-
Derivative financial liabilities(2)	10,821	24,974	-	12,544	12,430	-	-
Total	**4,228,966**	**5,573,721**	**54,750**	**235,235**	**388,416**	**333,864**	**4,561,456**

(1) including current portion of long-term loans
(2) including foreign currency forward contracts - see note 27.2

		Contractual cash flows including interest					
As at 31 December 2021	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-3 years	More than 3 years
		€'000					
FINANCIAL LIABILITIES							
Loans and borrowings(1)	358,249	387,777	1,224	8,969	169,569	5,403	202,612
Straight bonds	3,642,285	3,938,101	13,811	26,105	30,285	354,091	3,513,809
Convertible bond(2)	449,595	450,563	-	450,563	-	-	-
Lease liabilities	58,702	1,014,119	-	3,553	3,553	3,553	1,003,460
Trade and other payables	215,757	215,757	35,960	179,798	-	-	-
Derivative financial liabilities(3)	85,699	132,476	-	36,016	39,274	57,186	-
Total	**4,810,287**	**6,138,793**	**50,995**	**705,004**	**242,681**	**420,233**	**4,719,881**

(1) including current portion of long term loans
(2) including bond redemption
(3) including foreign currency forward contracts - see note 27.2

26.3.4 OPERATING RISK

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

26.3.5 OTHER RISKS

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

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

» Geopolitical situation involving Russia and Ukraine

On 24 February 2022, following several months of increasing escalation, Russia announced the beginning of a "special military operation" in Ukraine. Following the announcement, Russia started moving military forces into Ukraine and launched missile strikes and airstrikes at targets across Ukraine, initiating a full-scale invasion of Ukraine (the Invasion) and hostilities have continued since then. The Invasion has received widespread international condemnation and in reaction to Russian hostilities many nations and organisations, including Germany and the European Union, have announced sanctions against Russia, Russian companies, and individuals in and from Russia. These sanctions, as well as increased uncertainty resulting from the Invasion, have so far resulted in increased volatility in financial markets and increases in prices for a range of commodities, particularly in energy prices, among others.

The group is not directly impacted by the Invasion, as neither its portfolio nor its operations have direct exposure to Ukraine or Russia. However, the group is impacted by the indirect consequences of the Invasion. As a result of the Invasion, inflationary pressures have increased, specifically heating and energy costs, which have an impact on the operating costs of the group. Such pressures may also have an impact on the ability of the group's tenants to pay rent and/or for the group to recover expenses related to recoverable expenses from tenants. Furthermore, higher levels of inflation have impacted interest rates and borrowing costs, while increased volatility in the capital markets have reduced the group's ability to raise capital at attractive prices, resulting in an increase in its cost of capital and potentially limiting its growth opportunities.

As a result of the large number of refugees that have entered and are expected to continue enter the European Union and Germany following the Invasion. This is has resulted in an increased strain on the residential real estate market in Germany. This further exacerbates the supply and demand mismatch, increase political pressure for home construction and lead to higher utilisation of already limited construction capacity, which may result in increased construction costs and delays, particularly in the event that the crisis is prolonged. The full effects are currently still unclear and will depend significantly on the duration and final outcome of the Invasion as well as the distribution of refugees across the European Union.

While the Invasion is currently limited to Ukraine on one side and Russia and several of its allies on the other, continued escalation may result in other countries joining the conflict and at this stage the group is unable to assess the full impact of such a scenario on the Company, and the likelihood of its occurrence.

» Inflationary environment

The COVID-19 pandemic, supply chain disruptions, the high amount of cash injected into the market as a monetary response and the geopolitical situation around Russia and Ukraine, have further resulted in a high inflationary environment. Inflationary pressure has been particularly strong in energy prices, in particular for oil and gas, caused by the Invasion, and material prices, and there is much uncertainty as to the development of prices in the near future. This may also result in tenant's inability to bear the costs that are passed through to them as part of the lease agreements. It cannot be ruled out that losses of rent will occur in the future or that the group will be unable to collect operating costs from tenants and that the group will lose considerable rental income.

Higher levels of inflation particularly for energy and materials may have an impact on the group's ability to acquire materials for capex measures at a reasonable price and increase utility costs or result in delays across the group's operations. Furthermore, higher levels of inflation across the economy may result in higher personnel expenses and expenses related to external services, which could have a negative impact on the group's profitability. In addition, higher levels of inflation have already resulted in increases in interest rates and volatility in capital markets, which has a negative impact on the cost of new financing for the group on one hand and may put further upward pressure on discount rates and cap rates if prolonged, which could consequently have a further adverse impact on the fair value of the group's assets and share price performance.

» An increase in interest rates

In order to battle the increased inflation levels, the European Central Bank has raised interest rate levels rapidly, and has declared that it would continue to do so until inflation slows down and it reached the desired level. This has led to a significant rise in interest rates in Germany and throughout the Eurozone and could result in a decrease in the attractiveness of real estate investments, resulting in lower demand for real estate and broad declines in real estate valuations, among other effects. This could lead to an increased default on loan repayments, which also could cause banks to increase their interest rates. An increase in interest rates could adversely impact the group's business in a number of ways, including:

The discount and cap rates used to calculate the value of the Group's properties recorded on the Company's balance sheet in accordance with International Accounting Standard ("IAS") IAS 40 tends to increase in an environment of rising interest rates, which in turn could result in the group Group's properties having a lower fair value.

Although the group's current debt structure primarily involves debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest rate hedging agreements, the increase in interest rates may have a negative impact on the group's ability to refinance existing debt or incur additional debt on favourable terms. Financial institutions such as banks may also be subject to increased equity requirements and balance sheet regulations resulting in restraints to lend out money to customers which could make it more difficult for the group to obtain bank financing at desired terms. In general, rising interest rates (or market expectations regarding future increases in interest rates) would make financing required by the group for its acquisition, capital expenditure and/or other real estate activities more expensive, which could reduce the group's profits.

When negotiating financing agreements or extending such agreements, the group depends on its ability to agree to terms and conditions that will provide for interest payments that will not impair its profit targets, and for amortisation schedules that do not restrict its ability to pay intended dividends. Further, the group may be unable to enter into hedging instruments that may become necessary if variable interest rates are agreed upon or may only be able to do so at significant costs. If the current environment in which high rates prevail will remain for a prolonged period, the group's financing costs, including costs for hedging instruments, may increase, which would likely reduce the group's profits.

The group's equity includes a material amount of perpetual notes. Such notes include in their terms a reset of their respective interest rates every five years (reset date), starting from the first call date, based on a specified margin plus a 5-year swap rate (reset rate). If a reset date falls in a period of high interest rates it is likely that such notes will carry a materially higher interest going forward, thereby reducing the profits available to shareholders. Furthermore, the Company generally aims to replace its perpetual notes issues on their first voluntary call date by a new issue. In times of high market uncertainty, the rates that the Company would pay on a new issuance may differ materially from the reset rate, it may therefore be uneconomical for the Company to call the respective notes and issue new notes, as has been the case with its notes with the first call date in January 2023, which may impact market expectations and the Company's access to capital.

The willingness of purchasers to acquire real estate in an environment of rising interest rates may be negatively affected, thereby restricting the group's ability to dispose of its properties on favourable terms when desired. Most purchasers finance their acquisitions with lender provided financing through mortgages and comparable security (in Germany so-called land charges). Lack of availability of such financing at attractive rates therefore reduces demand for properties.

Any of the foregoing factors may have a material adverse effect on the group's business, net assets, financial condition, cash flows and results of operations.

» Climate related risks

The significant impact of human activity on ecosystems and the climate have become apparent in recent years, with temperatures rising, severe weather events such as drought, floods and wildfires occurring more frequently, changes in rainfall patterns and mean global sea levels rising, as well as increased pressures on biodiversity, among others. As a result climate risks have increased and environmental impacts have become more important in the decision making of investors, lenders, regulators and consumers. As a result, the Company does not only face changing physical climate risks but also transitional climate risks resulting from changes in investor and consumer demand, from regulatory changes as well as from other societal factors.

The Company faces several physical climate-related risks. As a result of changing climate patterns severe weather events in the group's regions become more likely, which may result in more frequent flooding or other weather-related damages. The Company actively attempts to identify these risks and implement measures to mitigate the impact of such risks to the Company, for example through insurance. However, it cannot be guaranteed that the Company correctly identifies all risks and therefore may under- or over insure against such risk. Furthermore, increased occurrence of severe weather events will likely result in higher insurance premiums. In addition, increased flood risk as well as increasing sea levels put increased stress on dikes, levees and related infrastructure which will likely result in higher costs for such infrastructure which in turn may lead to higher fees and taxes to fund the increased costs, particularly impacting the group's assets situated in regions affected by increased flood risk and/or rising sea levels. While the above-mentioned insurance costs, taxes and fees can generally be passed on to tenants through the service charges, in case of vacancies such costs are carried by the Company.

In addition to physical climate-related risks the Company also faces transitional risks. As a result of the more apparent impact of climate changes in recent years regulators have increased their efforts to mitigate current as well es expected future impacts of climate change through a wide range of regulations.

As part of its Climate Action Programme 2030, the German federal government has introduced a fixed price for carbon dioxide emissions in the transport and real estate sectors as from January 2021. The price per metric ton of carbon dioxide emitted as heating or fuel emissions (CO_2 and CO_2 levy) was set at an initial price of euro 25.00 per metric ton of carbon dioxide and will, based on the current regime, gradually increase to euro 45.00 per metric ton until 2025 and increase further thereafter. On 1 January 2023 the Carbon Dioxide Cost Sharing Act came into effect, according to which the landlord will be obliged to bear part of the costs (previously carried in full by tenants). For residential buildings, a 10-step tiered model is introduced that splits the CO_2 costs based on the emissions of the building. For residential buildings with a particularly poor energy balance (>=52 kg $CO_2/m^2/a$), landlords shall bear 95 percent and tenants five percent of the CO_2 costs. However, if the building meets at least the very efficient standard (EH 55; <12 kg $CO_2/m^2/a$), landlords do not have to bear any CO_2 costs. For non-residential buildings, a 50-50 solution is regulated. The CO_2 costs will be divided equally between tenant and landlord, unless another split is negotiated in the lease agreement. From 2025 a similar tiered model is planned also for non-residential buildings. The shifting of some or all of the relevant costs to landlords will have a negative effect on the Company's operating margins and financial results.

Emerging regulations in the group's regions pursuing a phase-out of fossil fuels and improved energy efficiency present technological risks to the company which requires careful attention when planning maintenance and capex measures. Some examples are Germany's Building Energy Act (GEG), which bans the installation of new oil heating systems in 2026 and the UK's Heat and Buildings Strategy banning gas boilers from new builds in 2026 and then entirely banning installation of gas boilers starting in 2035. At the EU level, the Energy Performance of Buildings Directive was updated in 2021, and national-level iterations are rolling out. In the UK the Domestic Minimum Energy Efficiency Standard limits letting of properties with EPC ratings F or G, with a bill proposal under review which would prohibit lettings in buildings with EPC ratings D or lower from 2025 for new lettings and 2028 for existing leases.

The increased focus of regulators and market participants has additionally resulted in increased reporting and transparency requirements for companies. Higher reporting and transparency requirements result in increased administrative hurdles and costs for the group, negatively impacting its efficiency and financial results. Furthermore, the group's sustainability strategy incorporates self-set targets for material environmental, social and corporate governance matters (ESG). If any of these self-set ESG goals are not met, this could damage the group's reputation. Considering the increasing focus of market participants and lenders on sustainability and "green financing", this could have a negative impact on the group's refinancing and access to further financing, for example, via the capital market or by taking out loans, at all or on attractive terms. If the group fails to meet expectations and trends related to sustainability aspects in a timely manner or at all, there could be a decline in demand from tenants. Furthermore, this could also lead to investors not investing or no longer investing in the group's bonds or shares, as they also expect ESG goals to be met. From a regulatory perspective, failure to achieve the sustainability goals may also have a negative impact on the group. For example, the introduction of the CO_2 levy, minimum energy performance standards or further tightening of regulatory requirements to achieve alignment with the targets of the Paris Agreement could directly or indirectly increase the group's costs or decrease rental income. To take on a proactive approach, the Company has developed a CO_2 pathway to guide the investment in on-site renewable energy and building energy efficiency improvements needed to achieve it's 2030 emission reduction target while enabling further emission reductions down the line.

In order mitigate risks related to CO_2 emissions, and in order to reach the Company's environmental targets, the group is developing an investment program, which covers a wide variety of activities involving both energy efficiency improvements and renewable energy projects. The size and scope of the investment program depends on the availability of governmental subsidies and grants, as is also subject to increasing cost of material. Furthermore, potential new requirements set by the regulators or set as a market standard, could increase the amount the Company would need to invest and potentially accelerate the execution time of the investment program.

In order to align with best practices on assessing, responding to, and reporting on climate-related risks, the Company has committed to begin the process of aligning to the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations framework. As part of this process, the Company launched a climate-related risk assessment in 2022, with the most prominent climate-related risks already integrated into the enterprise risk management system. The Building Resilience Task Force was also launched to further develop control mechanisms and risk mitigation measures for climate-related risks. To better understand the Company's exposure to physical risks, an analysis was commissioned involving the development of physical risk trends in four climate change scenarios through 2100. This analysis will inform the Company in determining which risks are material in order to begin developing adaptation solutions.


Munich


Hannover

27. HEDGING ACTIVITIES AND DERIVATIVES

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments is interest rate risk and currency risk.

The Group's risk management strategy and how it is applied to manage risk are explained in note 26.3.

		As at 31 December	
		2022	2021
		€'000	
DERIVATIVE FINANCIAL ASSETS			
Derivatives that are designated as hedging instruments in fair value hedge	27.1	41,155	43,313
Derivatives that are designated as hedging instruments in net investment hedge	27.2	12,251	-
Derivatives that are not designated in hedge accounting relationships	27.3	9,798	320
		63,204	**43,633**
DERIVATIVE FINANCIAL LIABILITIES			
Derivatives that are designated as hedging instruments in fair value hedge	27.1	39,216	21,192
Derivatives that are designated as hedging instruments in net investment hedge	27.2	10,821	85,699
		50,037	**106,891**

27.1. DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS IN FAIR VALUE HEDGE

As at 31 December 2022, the Group had foreign exchange rate swap agreements in place, as follows:

Hedging instrument(*)	Group receives	Group pays
	'000	
Swap	HKD 900,000	Euro 92,631
Swap	CHF 125,000	Euro 116,233
Swap	JPY 7,500,000	Euro 75,500
Swap	HKD 290,000	Euro 32,768
Swap	CHF 130,000	Euro 119,441

(*) all swaps are linked to bonds' maturity

In addition, the Group has entered into several interest rate swap agreements. For further information regarding the effective coupon rate see note 20.2.

The swaps are being used to hedge the exposure to changes in fair value of the Group's straight bonds which arise from foreign exchange rate and interest rate risks.

There is an economic relationship between the hedged items and the hedging instruments as the terms of foreign exchange rate and interest rate swaps match the terms of the hedged items as described above. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange rate and the interest rate swaps is identical to hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risk.

The hedge ineffectiveness can arise from:

» Different foreign exchange and interest rates' curve applied to the hedge items and hedging instruments

» Differences in timing of cash flows of the hedged items and hedging instruments

» The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items

The impact of the hedging instruments on the consolidated statement of financial position is, as follows:

Risk category	Carrying amount: Assets	Carrying amount: Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the year
	€'000	€'000		€'000
As at 31 December 2022				
Foreign exchange rate and interest rate swaps	41,155	39,216	Derivative financial assets/ liabilities	(41,200)
As at 31 December 2021				
Foreign exchange rate and interest rate swaps	43,313	21,192	Derivative financial assets/ liabilities	2,343

The impact of the hedged items on the consolidated statement of financial position is, as follows:

	Carrying amount	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the year
	€'000		€'000
As at 31 December 2022			
Straight bonds	608,618	Straight bonds	43,249
As at 31 December 2021			
Straight bonds	650,458	Straight bonds	122

The ineffectiveness recognised in the consolidated statement of profit or loss was euro 2,049 (2021: 2,465) thousand.

27.2. DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS IN NET INVESTMENT IN FOREIGN OPERATION

The Group uses foreign exchange forward contracts as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

The foreign exchange forward contracts are being used to hedge the Group's exposure to the GBP foreign exchange risk on these investments. Gains or losses on the retranslation of the forward contracts are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged item and the hedging instruments as the net investment creates a translation risk that will match the foreign exchange risk on the forward contracts. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiaries becomes lower than the amount of the fixed rate borrowing.

The impact of the hedging instruments on the consolidated statement of financial position is, as follows:

Risk category	Notional amount outstanding	Carrying amount: Assets	Carrying amount: Liabilities	Line item in the consolidated financial statements	Net change in fair value used for measuring ineffectiveness for the year
	GB£000	€'000	€'000		€'000
As at 31 December 2022					
Foreign currency forward contracts	1,565,000	12,251	10,821	Derivative financial assets and derivative financial liabilities	97,668
As at 31 December 2021					
Foreign currency forward contracts	1,599,550	-	85,699	Derivative financial assets and derivative financial liabilities	(121,790)

The impact of the hedged item on the consolidated statement of financial position is, as follows:

	Foreign currency translation reserves	Net in fair value used for measuring ineffectiveness for the year
	€'000	
As at 31 December 2022		
Net investment in foreign subsidiaries	(106,116)	(97,668)
As at 31 December 2021		
Net investment in foreign subsidiaries	111,327	121,790

The hedging gains and losses recognised in OCI before tax are equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

27.3. DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS

The Group uses interest rate swaps, collars, caps and floors to manage its exposure to interest rate movements on its bank borrowings. These derivative financial instruments are linked to the bank loans maturity (see note 20.1).

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while increasing the return to owners through striving to keep a low debt to equity ratio. The management closely monitors Loan to Value ratio (LTV), which is calculated, on an entity level or portfolio level, where applicable, in order to ensure that it remains within its quantitative banking covenants and maintain a strong credit rating. The Group seeks to preserve its conservative capital structure with a LTV to remain at a target below 45%. As at 31 December 2022 and 2021 the LTV ratio was 36% and 36%, respectively, and the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. LTV covenant ratio may vary between the subsidiaries of the Group. The Company regularly reviews compliance with Luxembourg and local regulations regarding restrictions on minimum capital. During the years covered by these consolidated financial statements, the Company complied with all externally imposed capital requirements.

29. LEASES

The Group has entered into long-term rent agreements as a lessor of some of its investment property. The future minimum rental income receivable under non-cancellable operating leases is as follows:

	As at 31 December	
	2022	2021
	€'000	
First year	53,424	55,210
Second year	46,860	47,126
Third year	39,435	42,565
Fourth year	31,333	36,734
Fifth year	28,243	28,182
More than five years	158,654	142,755
	357,949	**352,572**

30. COMMITMENTS

As at the reporting date, the Group had several financial obligations in total amount of approximately euro 60 million.

31. CONTINGENT ASSETS AND LIABILITIES

The Group does not have significant contingent assets and liabilities as at 31 December 2022 and 2021.

32. GROUP SIGNIFICANT HOLDINGS

The details of the significant holdings in the Group as at 31 December 2022 and 2021 are as follows:

	Place of incorporation	Principal activities	As at 31 December 2022 Holding %	As at 31 December 2021 Holding %
Significant subsidiaries held directly by the Company:				
Grandcity Property Ltd.	Cyprus	Holding of investments	94.80%	94.80%
Grand City Properties Holdings S.à r.l	Luxembourg	Holding of investments	100%	100%
Grandcity Holdings Ltd.	Cyprus	Holding of investments	100%	100%
Grand City Properties Holdings B.V.	the Netherlands	Holding of investments	100%	100%
Grandcity Towers Ltd	Cyprus	Holding of investments	100%	100%

	Place of incorporation	Principal activities	As at 31 December 2022 Holding %	As at 31 December 2021 Holding %
Significant subsidiaries held indirectly by the Company:				
Gutburg holding Limited	Cyprus	Holding of investments	100%	100%
Noeran Limited	Cyprus	Holding of investments	100%	100%
Carmiliana Limited	Cyprus	Holding of investments	100%	100%
Garnet 1 Property S.à r.l	Luxemburg	Holding of investments	100%	100%
GCP Real Estate Holdings GmbH	Germany	Holding of investments	100%	100%
GCP Holdings GmbH	Germany	Holding of investments	100%	100%
Sparol Limited	Cyprus	Holding of investments	94%	94%
Garnet 2 Property S.à r.l	Luxemburg	Holding of investments	100%	100%

Significant Group entities releated to investing in real estate properties in Germany and London and their mother companies.

The holding percentage in each entity equals to the voting rights the holder has in it.

There are no material restrictions on the ability of the Group to access or use the assets of its subsidiaries to settle the liabilities of the Group.

33. EVENTS AFTER THE REPORTING PERIOD

1. After the reporting period, the Group completed the disposals of investment property of over euro 130 million, for which the sale contract has been signed during 2022.
2. During the first quarter of 2023 the Group signed a new unsecured bank loan for an amount of euro 60 million.

Düsseldorf