



Grand City Properties S.A.

(a public limited liability company (société anonyme), incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 24, Avenue Victor Hugo, L-1750 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg trade and companies register (Registre de commerce et des sociétés) under number B.165560)

€ 500,000,000

2.0 per cent. Series D Bonds due 2021

ISIN XS1130507053, Common Code 113050705

The issue price of the € 500,000,000 2.0 per cent. Series D Bonds due 2021 (the **"Series D Bonds"**) of Grand City Properties S.A. (the **"Issuer"**) is 95.564 per cent. of their principal amount. The Series D Bonds will (unless previously redeemed or purchased and cancelled) mature on 29 October 2021. The Issuer may, at its option, redeem all, but not some only, of the Series D Bonds at any time (i) at their principal amount plus accrued interest, in the event of certain tax changes as defined and further described under *"Conditions of the Series D Bonds - Redemption and Purchase - Redemption for Taxation Reasons"*; and (ii) at the Optional Redemption Amount (as defined and described further under *"Conditions of the Series D Bonds - Redemption and Purchase - Redemption at the Option of the Issuer"*). In addition, upon the occurrence of a change of control of the Issuer as described under *"Conditions of the Series D Bonds - Redemption and Purchase - Redemption at the Option of Bondholders upon a Change of Control"*, holders of the Series D Bonds may require the Issuer to redeem the Series D Bonds at a redemption price equal to 101 per cent. of its principal amount plus accrued interest.

The Series D Bonds will bear interest from 29 October 2014 (the **"Issue Date"**) at the rate of 2.0 per cent. per annum. The rate of interest shall be increased by an additional 0.5 per cent. per annum with effect from (and including) 30 November 2015 if an Investment Grade Rating Change (as defined and described further under *"Conditions of the Series D Bonds – Interest – Interest Rate Adjustment"*) has not occurred at any time in the period beginning on (and including) 29 October 2014 and ending on (but excluding) 30 November 2015. Interest on the Series D Bonds will be payable semi-annually in arrear on 29 April and 29 October in each year, commencing on 29 April 2015.

The Series D Bonds will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank at all times *pari passu* and rateably, without any preference among themselves, and *pari passu* with all other existing and future secured and unsubordinated obligations of the Issuer, save for certain mandatory exceptions of applicable law and as otherwise set out in this prospectus (the **"Prospectus"**). Upon issuance, the Series D Bonds (together with the Issuer's obligations under its €350,000,000 6.250% bonds due 2020 (the **"Series B Bonds"**) and its €275,000,000 convertible bonds due 2019 (the **"Series C Bonds"**), as described in this Prospectus) will be secured by the security granted by the Issuer and its subsidiary Grandcity Property Ltd. as described in this Prospectus (the **"Security"**). The Security will serve as security for the obligations of the Issuer in respect of the Series D Bonds, the Series B Bonds and the Series C Bonds, which shall fall away on the later of: (i) the date on which all present and future obligations and liabilities (whether actual or contingent) of the Issuer to Prudential Trustee Company Limited (the **"Trustee"**) and the holders of the Series B Bonds and the Series C Bonds have been redeemed; and (ii) the date any rating previously assigned to the Issuer by a rating agency is changed from a non-investment grade rating to an investment grade rating or if a rating agency that has not previously assigned a rating to the Issuer assigns an investment grade credit rating to the Issuer. The Trustee will hold the Security for the benefit of the Trustee, the holders of the Series B Bonds, the holders of the Series C Bonds and the holders of the Series D Bonds.

This Prospectus has been approved by the Central Bank of Ireland (the **"Central Bank"**), as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant member state of the European Economic Area) (the **"Prospectus Directive"**). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Series D Bonds to be admitted to the official list of the Irish Stock Exchange (the **"Official List"**) and trading on its regulated market (the **"Main Securities Market"**). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC. Such approval relates only to the Series D Bonds which are to be admitted to trading on the Main Securities Market or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the European Economic Area. References in this Prospectus to Series D Bonds being "listed" (and all related references) shall mean that the Series D Bonds have been admitted to the Official List and admitted to trading on the Main Securities Market. This Prospectus is available for viewing on the website of the Irish Stock Exchange.

This Prospectus is a prospectus for the purposes of Article 5 of the Prospectus Directive.

The Issuer is assigned a “BB+” rating with a stable outlook by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”). S&P is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 May 2011 (the “**CRA Regulation**”).

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Series D Bonds in any jurisdiction where such offer or solicitation is unlawful. The Series D Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities law, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on transfers of the Series D Bonds, see “*Subscription and Sale*”.

Investing in the Series D Bonds involves risks. See “Risk Factors” beginning on page 2 of this Prospectus for a discussion of certain risks prospective investors should consider in connection with any investment in the Series D Bonds.

The Series D Bonds will be in registered form in principal amounts of €100,000 each. The Series D Bonds will be represented by a global registered bond (the “**Global Registered Bond**”), without interest coupons, which will be deposited on or around the Issue Date with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and registered in the name of a nominee of the common safekeeper. The Global Registered Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Series D Bonds in definitive form in principal amounts equal to €100,000. See “*Overview of Provisions Relating to the Series D Bonds in Global Form*”.

SOLE GLOBAL COORDINATOR AND JOINT BOOKRUNNER

Morgan Stanley

JOINT BOOKRUNNERS

Morgan Stanley

J.P. Morgan

Deutsche Bank

Prospectus dated 28 October 2014

IMPORTANT NOTICES

This document comprises a prospectus for the purposes of Article 5 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the “**Group**” or the “**GCP Group**”) and the Series D Bonds which, according to the particular nature of the Issuer and the Series D Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer confirms that: (a) this Prospectus contains or incorporates all information regarding the Issuer, the Group and the Series D Bonds which is (in the context of the issue and offering of the Series D Bonds) material; (b) such information is true and accurate in all material respects and is not misleading in any material respect; (c) any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or the Group are honestly held or made and are not misleading in any material respect; (d) this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; (e) and all proper enquiries have been made to ascertain and to verify the foregoing.

Neither the Managers (as described under “*Subscription and Sale*”, below) nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Series D Bonds. Neither the Managers nor the Trustee accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Series D Bonds or their distribution.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Information Incorporated by Reference*”). This Prospectus should be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

Investors should rely only on the information contained in this Prospectus. The Issuer has not authorised anyone to provide investors with different information. The Issuer is not making any

offer of the Series D Bonds in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus is accurate as at any date other than the date on the cover of this Prospectus regardless of the time of delivery of this Prospectus or of any sale of the Series D Bonds.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Series D Bonds and, if given or made, such representation or information should not be relied upon as having been authorised by the Issuer, the Managers or the Trustee.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained herein concerning the Issuer and/or its Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Series D Bonds is correct as of any time subsequent to the date indicated in the document containing the same or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer and/or its Group since the date of this Prospectus.

Neither this Prospectus nor any other information supplied in connection with the offering, sale or delivery of any Series D Bonds: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer that any recipient of this Prospectus should purchase any Series D Bonds. Each investor contemplating purchasing any Series D Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Neither this Prospectus nor any other information supplied in connection with the issue of the Note constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Series D Bonds.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Series D Bonds.

The distribution of this Prospectus and the offering, sale and delivery of Series D Bonds in certain jurisdictions may be restricted by law. The Issuer, the Managers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Series D Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Managers or the Trustee which is intended to permit a public offering of the Series D Bonds or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Series D Bonds may be offered or sold, directly or indirectly, and neither this

Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Series D Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of the Prospectus and the offering and the sale of the Series D Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Series D Bonds in the United States, the European Economic Area (including the United Kingdom). For a description of certain restrictions on offers, sales and deliveries of Series D Bonds and on distribution of this Prospectus and other offering material relating to the Series D Bonds, see “*Subscription and Sale*”.

In particular, the Series D Bonds have not been, and will not be, registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Series D Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area and references to “**€**”, “**EUR**” or “**Euro**” are to the currency introduced at the start of the third stage of European economic and monetary union and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to “**billions**” are to thousands of millions.

This Prospectus is drawn up in the English language. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In compliance with the requirements of the Prospectus Directive, this Prospectus will be available on the website of the Irish Stock Exchange (www.ise.ie).

Stabilisation

IN CONNECTION WITH THE ISSUE OF THE SERIES D BONDS, MORGAN STANLEY & CO. INTERNATIONAL PLC AS STABILISING MANAGER (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SERIES D BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE

STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SERIES D BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SERIES D BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SERIES D BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Forward-looking Statements

This Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” or similar words. These statements are based on the Issuer’s current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer’s strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

Market Share Information and Statistics

This Prospectus contains information and statistics regarding the market share of the GCP Group, which are derived from, or are based upon, the Issuer’s analysis of data obtained from the sources set out in the section “*Description of the Issuer and the Group*” - “*Market Overview*” below, all third party information is cited alongside where it is used. Such data have been reproduced accurately in this Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by such entities, no facts have been omitted which would render such reproduced information inaccurate or misleading. Although the Issuer believes that the external source used is reliable, the Issuer has not independently verified the information provided by the source. None of the Issuer, the Managers or the Trustee represent that such information is accurate. Furthermore, this Prospectus contains statements regarding the Issuer’s industry and its relative competitive position in the industry that are not based on published statistical data or information obtained from independent third parties, but are based on the Issuer’s experience and its own investigation of market conditions, including its own elaborations of such published statistical or third-party data. Although the Issuer’s estimates are based on information obtained from its customers, sales force, trade and business organisations, market

survey agencies and consultants, government authorities and associations in its industry which it believes to be reliable, there is no assurance that any of these assumptions are accurate or correctly reflect the Issuer's position in the industry. None of the Issuer's internal surveys or information have been verified by independent sources. None of the Issuer, the Managers or the Trustee represent that such information is accurate.

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RISK FACTORS

Below is a description of risk factors that are material for the assessment of the market risks associated with the Series D Bonds and risk factors that may affect the Issuer's ability to fulfil its obligations under the Series D Bonds.

Potential investors should carefully read and consider the risk factors described below in addition to all the other information contained in this Prospectus and consult with their own professional advisors (including their financial, accounting, legal and tax advisors) should they consider it necessary before deciding upon a purchase of the Series D Bonds. The realisation of one or more of these risks could individually or together with other circumstances adversely affect the business activities and have material adverse effects on the financial condition and results of operations of the Issuer or the Group. The market price of the Series D Bonds could decline as the result of any of these risks, and investors could lose all or part of their investments. The risks described below may not be the only risks to which the Issuer or the Group is exposed to. Additional risks which are presently not known to the Issuer or the Group or which currently are considered immaterial could also adversely affect the business operations of the Group and have material adverse effects on the Group's business activities, financial condition and results of operations. The order in which the risk factors are described below neither indicates the probability of their occurrence nor the scope of their financial consequences nor the significance of the individual risk factor. In addition, investors should be aware that several risks described might occur simultaneously and thus have, possibly together with other circumstances, a stronger impact.

Words and terms that are defined in the Conditions of the Series D Bonds below or elsewhere in the Prospectus have the same meaning in this section "Risk factors".

Potential investors should, among other things, consider the following:

Risk factors relating to the Issuer

Risks Relating to the Real Estate Market

The GCP Group is dependent on demographic and economic developments in Germany and regional market conditions in areas in Germany, where its properties are located, in particular in North-Rhine Westphalia and Berlin.

The Issuer is a specialist real estate company focused on investing in and managing turnaround opportunities in the German real estate market. As of October 2014, the Group's portfolio comprises of approximately 42,000 units located in densely populated areas of Germany with a

focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin, Germany's capital and other densely populated areas. In addition, the Group manages a portfolio of over 20,000 units which are owned by third parties. According to value the Group holds 36% of its portfolio in North Rhine-Westphalia, 20% in Berlin, 11% in Leipzig/Dresden, 7% in Nuremberg-Furth/Munich, has significant holdings in other major cities such as Mannheim, Bremen and Hamburg (all percentages given according to fair value assessment of the Issuer as of October 2014.), and so the Group's business activities are affected by numerous demographic, economic and political factors.

Economic developments in and related to the property market in Germany and in its regional sub-markets are of significant importance for the Group's business and future prospects. These developments play a decisive role in determining property prices, rent levels, turnover and vacancy rates and may vary significantly across Germany and within regional sub-markets.

In Germany, it is expected that population will decline while the amount of households will increase and the average household size will decrease (*source: Federal States Office (Statistisches Bundesamt), Statistisches Jahrbuch 2013, p. 48, available under <https://www.destatis.de>*). Thus, the population decline might not have any influence on the demand for real estate in general. However, the number of households and the amount of space needed per person might not increase to the extent projected. In addition, if the population begins to decline sooner than expected, and the number of households and average amount of space needed per person does not increase or increases more slowly than expected, the demand for rented space may decline.

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

The majority of the Group's currently held properties are located in North Rhine-Westphalia and Berlin. Thus, there is also a dependence on the general macroeconomic developments of these regions. North Rhine-Westphalia is composed of various socio-economically heterogeneous sub-markets. For example, the Ruhr region is still facing structural challenges following the withdrawal of the coal and steel industry, while the neighbouring Rhineland is one of the strongest economic areas in Germany. Berlin also faces challenges as to the economic and demographic development in certain parts of the city. The same applies to other densely populated areas in

Germany. Thus, the Group is not only dependent on general economic and demographic developments in Germany, but also on the particular circumstances in the regions and areas where the GCP Group's properties are located.

While the GCP Group has taken steps to absorb the effects of the expected changing economic and demographic conditions, in particular, through the repositioning of units, well as the targeted modernisation of its properties to comply with the expectations of its tenants, the GCP Group may nevertheless be negatively affected by unfavourable economic and demographic developments in Germany, or in the regional sub-markets where its properties are located.

If the indicators discussed above develop negatively from the Group's perspective in those areas where it owns properties, the dependency of the GCP Group on such macro-economic factors and any misjudgement, miscalculation or failure or inability to react to such developments may have a material adverse effect on the business, net assets, cash flows, financial condition, results of operations and prospects of the GCP Group.

The continuing uncertainty regarding the development of the global economy, for example due to the on-going sovereign debt crises in many parts of the world, particularly in Europe, may result in economic instability, limited access to debt and equity financing and possible defaults by the Group's counterparties.

The severe global economic downturn in the years following the global economic and financial crisis of 2008 and 2009 and its effects, in particular the scarcity of financing, tensions in the capital markets and weak consumer confidence and declining consumption in many markets, adversely impacted economic development worldwide. This crisis was followed by sovereign debt crises in many parts of the world, particularly in the Eurozone, which are still on-going and have resulted in recessions in many of the impacted countries. This macroeconomic environment gives rise to economic and political instability, including the possibility of a breakup of the Eurozone. Such instability and the resulting market volatility may also create contagion risks for economically strong countries like Germany and may spread to the German financial sector and the German residential real estate market.

For the refinancing of its debt liabilities, the Group must be able to access the financial markets. Thus, any worsening of the economic environment or the capital markets may reduce its ability to refinance its existing and future liabilities on favourable terms, and at all. Furthermore, the Group's counterparties, in particular its hedging counterparties, may not be able to fulfil their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons.

Any of these risks could have material adverse effects of the Group's business, net assets, financial condition, cash flow and results of operations.

The German real estate market and the business of the GCP Group are affected by changes in general economic and business conditions. The current economic situation is characterised by low interest rates and an increased demand for investments in real estate. A rise in interest rates could have a material adverse effect on the German real estate market and on the business of the GCP Group.

The global financial and economic crisis and concerns over the level of sovereign debt in many developed countries have caused a high level of uncertainty in many industries and markets and have resulted in reduced economic growth. During this time, interest rates have been set at relatively low levels in a number of countries, including Germany. In addition, the uncertainty of the general economic situation and the low interest return on more traditional investment methods has made investments in residential and commercial real estate more attractive. A rise in interest rates could adversely impact the Group's business in a number of ways.

Although the Group's current debt structure provides either for debt at fixed interest rates or, where variable interest rates apply, is predominantly subject to interest hedging agreements, a future rise of the interest rate level may have a negative impact on the GCP Group. In general, rising interest rates will make financings needed by the GCP Group for its acquisitions and refurbishment activities more expensive. The same applies to potential buyers whose willingness to make real estate purchases may be negatively affected, thereby restricting the Group's ability to dispose of properties on favourable terms when desired.

The discount rate used to calculate the fair value of the Group's properties tends to increase in an environment of rising interest rates, which in turn could result in the Group's properties having a lower fair value.

Rising interest rates and economic recovery could also prompt investors to prefer investments which potentially have a higher yield than investments in real estate, which could lead to a general decrease of real estate value, thereby having a negative impact on the valuation of the Group's property portfolio.

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

The future growth of the GCP Group depends on the development of its specific market for real estate properties with turnaround potential. The availability of property portfolios for sale at attractive prices is an important part of the Group's business model. Increased competition could make it more difficult for the GCP Group to implement this strategy.

The Group's strategy is focused on the acquisition of turnaround opportunities in the German real estate market, such as under-managed and/or under-occupied and/or under-rented property

portfolios. This investment strategy depends on the availability of such properties for purchase at reasonable prices. Given the current high demand for real estate in Germany, such portfolios or properties may be unavailable or available only on unfavourable terms or at unattractive prices.

Additionally, the supply of real estate portfolios might be limited, for example due to fewer sales of real estate portfolios by municipalities or federal states, or by private sellers. If municipalities and federal states cease privatising or if they reduce their privatisation activities, supply could be constricted, which could increase competition for acquisitions of properties that would be suitable for the Group and could also motivate potential sellers to sell properties in an auction process. All this may result in a price increase of properties, which are in the strategic focus of the GCP Group. As a result, it could be more difficult for the Group to compete and successfully acquire properties, which could limit the ability to grow its business effectively and could have an adverse effect on the future business, cash flows, financial condition and results of operations of the GCP Group.

Risks Related to the Business of the GCP Group

The GCP Group could fail in the turnaround of acquired properties or could not be as successful as intended in reducing vacancy rates and/or increasing rent on such properties.

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

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

As a consequence, the GCP Group might not be able to reduce vacancy rates and increase rental income in a manner or to the extent that it expects, which could have a material adverse

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

Regional composition of the property portfolio of the GCP Group might change in the future due to further acquisitions or divestures.

The GCP Group pursues an opportunistic strategy and focuses on real estate property which it considers to have a high upside potential. Due to this acquisition strategy the GCP Group also seeks investment opportunities in other densely populated parts of Germany that it believes meets with its strategy. This might lead to a change in the regional composition of the GCP Group's portfolio. The same would apply if the Issuer sells properties in North-Rhine Westphalia and Berlin. A change in the composition of the real estate portfolio may lead to a greater geographical distribution of the properties and dependency on additional regional market conditions in such additional areas. This may also result in additional cost in connection with the management of the properties and also in a loss of advantages due to economies of scale. A wider geographical distribution could also result in a lower availability of market data, which could inhibit the GCP Group's ability to accurately predict the performance of its investments. This could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

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

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

The properties owned by the GCP Group from time to time may require investment for targeted modernisation and repositioning as these properties are mainly acquired undermanaged and so may not have received adequate investment from previous owners. In general, targeted modernisations can include the renovation of facades and staircases, construction of outdoor and indoor playgrounds, conversion of unit sizes and the refurbishment of units according to the

tenants' requests. Such measures can be expensive and may trigger costs that will exceed the costs of general maintenance.

The GCP Group could underestimate the amount to be invested for the targeted modernisation and repositioning of acquired properties as modernisation costs may be increased due to various factors, such as increased costs of materials, increase of labour costs, increase of energy costs, bad weather conditions, unexpected safety requirements or unforeseen complexities emerging at the building site.

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

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

The future growth of the GCP Group depends on its continuing ability to acquire properties with upside potential. A key factor for the growth of the GCP Group has been its ability to acquire properties in using its sourcing network. The GCP Group may fail in its ability to source attractive deals.

A part of the business model of the GCP Group is the acquisition of turn-around opportunity properties with the potential for capital growth and/or investment returns. The GCP Group relies on its ability to acquire properties through privileged access to potential sellers and thus depends on its sourcing network and contacts of its key personnel in order to identify suitable properties. The GCP Group may fail to maintain its sourcing network and contacts could be lost. As a result, the GCP Group may have difficulties finding suitable properties, which could have a material adverse effect on the future business, net assets, cash flows, financial condition, results of operations and prospects of the GCP Group.

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

The business of the GCP Group strongly depends on the rental income from its properties, which is influenced by the level of rent charged and the vacancy rate of its properties. Thus, a loss of rent, rent reductions and increased vacancies would lead to a decline in total current rental income of the Group. There is therefore a risk that the GCP Group will be less profitable if demand for residential and commercial space declines (in general due to social or economic market conditions or in relation to the condition of particular properties) as this may lead to an increase of the vacancy rate. If tenants fail to meet their rent payment obligations in whole or in part (e.g., due to a deterioration of their economic situation or a deterioration of their business activity), or if larger numbers of tenants give notice of termination without the GCP Group being able to re-let the property within a reasonable time period, the GCP Group could sustain a decrease in current rental income, which could have a significant adverse effect on its results of operations. To the extent that the GCP Group is able to re-let a unit, there is a risk that the GCP Group might no longer be able to do so on terms that are as attractive to it.

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

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

If the GCP Group is unable to obtain necessary funds in form of additional debt or equity financing, each on acceptable terms, this may limit the ability of the GCP Group to make further acquisitions. Any additional debt incurred in connection with future acquisitions could have a significant negative impact on the Group's performance indicators, and could result in higher interest expenses for the Group. If the Group is no longer able to obtain the debt or equity financing it needs to acquire additional property portfolios, or if it is able to do so only on onerous terms, its further business development and competitiveness could be severely constrained.

Since 2012, the Issuer has successfully raised debt and equity financing through the issue of new shares and the issue of debt securities in addition to bank loans. It cannot be guaranteed that the GCP Group will be able to obtain debt or equity financing as needed to acquire additional properties in the desired volumes. A shortage of required financing may prevent the GCP Group

from pursuing its fast growth strategy and could have significant adverse effects on the Group's business, net assets, financial condition, cash flows, and results of operations.

The acquisitions and investments of the GCP Group involve risks that may not be uncovered by prior due diligence.

Before acquiring a property, the GCP Group performs a due diligence exercise in order to evaluate the property and to identify risks connected with the property. There can be no assurance as to the adequacy or accuracy of information provided during any due diligence exercise or that such information will remain accurate in the period from conclusion of the due diligence exercise until acquisition of the relevant property. Finally, it is possible that the GCP Group may have overlooked or may overlook certain risks especially where transactions must be closed under time pressure. These risks, among others, relate to title and security searches, planning permissions and conditions, building permits, licences, fire and health and safety certificates and the compliance with related regulations as well as restrictions in connection with historic preservation laws, subsidised housing or contractual limitations imposed by the seller of the respective property that may relate to investment obligations, limitations as to rent increases or other provisions for extra-statutory tenant protection.

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

It is possible that damage or quality defects could remain entirely undiscovered, or that the scope of such problems may not be fully apparent in the course of the due diligence investigation, and/or that defects may become apparent only at a later time. In general, sellers exclude liability for hidden defects which would prevent a claim for any loss incurred by the Group. If liability for hidden defects has not been fully excluded, it is possible that the representations and warranties made in the purchase agreement with respect to the property failed to cover all risks and potential problems relating to the acquisition. In respect of certain properties in the Group's portfolio, only limited investigation or review was undertaken prior to purchase as to the existence of harmful environmental contamination.

Accordingly, in the course of acquiring a property portfolio, specific risks might not be or might not have been, recognized or correctly evaluated which could lead to additional costs and could have an adverse effect on the proceeds from rental income and sales of the relevant properties. This

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

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

Prior to any acquisition, the GCP Group carries out an examination and evaluation of the properties to be acquired. In this respect, the Group sets a yield target, taking into account the need for required maintenance, refurbishment or modernisation measures. The GCP Group carries out such work with the objective of optimising the respective property to make it possible for the GCP Group to achieve higher occupancy or rental income from the properties and thereby increase the yield and value obtained from the property.

The assumptions made in connection with the acquisition of a property portfolio, particularly with respect to anticipated rent, refurbishment investments and/or costs, and vacancy could, be incorrect because of many factors that can affect the accuracy of these assumptions. During times of reduced real estate transactions levels, market prices for properties may be difficult to assess. In addition, valuation methods used could subsequently be found to have been unsuitable. Accordingly, there is a risk that the acquired properties may achieve less than the originally expected yields. In addition, it could subsequently become more difficult to lease or sell the property, the market rent at that location could decline, and there could be vacancies and vacancy income shortfalls. The multitude of factors that affect the market rent that can be charged in a particular market make it difficult to project future rent, so that the rent projected in connection with the acquisition of a property may not be attainable.

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

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

The general strategy of the Group is mainly to hold onto its acquired properties. However, the Group might also sell a property or a portfolio of properties, among others, if attractive prices are

being offered and other investment opportunities arise. The ability of the GCP Group to sell a property depends on the market liquidity at the time of the potential resale. The demand for real estate assets is influenced by, among other factors, the property status, the vacancy rate, the general economic situation, the level of interest rates and the availability of debt financing. As a result of general economic conditions and due to a variety of further reasons, there may not be a sufficient number of potential buyers to enable the Group to dispose of a property when it wishes.

If the GCP Group was required to liquidate parts of its total portfolio, in particular on short notice, there is no guarantee that the GCP Group would be able to do so on favourable terms or at all. In the case of a forced sale, for example if creditors realise collateral, there would likely be a significant shortfall between the fair value of a property or a property portfolio and the price achievable upon the sale of property or property portfolio in such circumstances, and there can be no guarantee that the price obtained would represent a fair or market value for the property or property portfolio.

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

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

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

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

After the acquisition of a property portfolio, the properties must be integrated into the existing management platform. The Group has developed an IT-based platform that provides efficient in-house management of its existing real estate portfolio as well as the integration of newly acquired properties. The integration of acquired portfolios may fail or take longer than anticipated and cost savings and synergies may not develop as expected, resulting in higher administrative and management costs. Also, the integration of IT systems of newly acquired property portfolios into the existing IT-platform of the GCP Group or transmission of the respective data into the IT system of the GCP Group could require significant time and effort and related costs. It is possible that further acquisitions could cause a significant increase of such costs which could have

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

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

In some entities of the Group, the Issuer and/or its subsidiaries do not own all shares and/or do not hold all voting rights in such entities and are to that extent exposed to the influence of other shareholders in the respective entity. In such cases the GCP Group is exposed to minority shareholders' influence. Hence, significant structural changes or other material decisions with respect to such entity may only be implemented with qualified majority consent and/or the consent of the remaining shareholders or the joint venture partner. Such exposure to other shareholders' influence and interests may limit the GCP Group's flexibility to implement the Group's strategy. This could affect the distribution of dividends from such subsidiary or the sale of shares in such subsidiary or the respective property. Furthermore, a joint venture partner or minority shareholder may have economic or business interests or goals that are inconsistent with those of the GCP Group, take actions contrary to the GCP Group's policies or objectives, experience financial and other difficulties or be unable or unwilling to fulfil their obligations under the co-investment agreements. Any such inflexibility could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

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

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

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

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

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

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

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

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

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

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

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

The GCP Group may face difficulties to replace key personnel if it loses them.

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

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

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

The GCP Group's proprietary information technology system is an important facilitator of the Group's business optimisation strategy. Any interruptions in, failures of or damage to this information technology system could lead to business process delays or interruptions. If the Group's information technology system was to fail and back-ups were not available, the GCP Group would have to recreate existing databases, which would be time-consuming and expensive. The GCP Group may also have to expend additional funds and resources to protect against or to remedy potential or existing security breaches and related consequences. Any malfunction or impairment of the Group's computer systems could interrupt its operations, lead to increased costs, and may result in lost revenue. The Group cannot guarantee that anticipated and/or recognized malfunctions can be avoided by appropriate preventative security measure in every case. Damage to, malfunction or interruptions in the GCP Group's information technology system could therefore have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Valuation Risks

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

The GCP Group accounts for its investment properties at fair value, i.e. on the balance sheet dates subsequent to the accession of the property the fair value of the property is used. The valuation is done by third party appraisers. The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free period and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality, duration and lease terms.

The fair value thus reflects not only the circumstances directly connected with the property but also the general conditions of the real estate markets, such as regional market developments and general economic conditions or interest rate levels. Accordingly, there is a risk that in the event of a downturn in the real estate market or the general economic situation, the GCP Group will need to revise downward the values of its total portfolio. In addition, rising interest rates generally may have a negative influence on the fair value of property portfolios.

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

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

Real estate valuation is based on assumptions that may change and are inherently subjective and uncertain. The value accounted for in its financial statements may not reflect the value of the GCP Group's property portfolio.

In valuing a property, an appraiser may consider factors such as real estate tax rates, operating expenses, potential environmental liabilities and the risks associated with certain construction materials in addition to expected rental income, the property's condition and its historic vacancy level. In addition, property valuations may be based on assumptions that may not be correct. An adverse change in one of the assumptions used or factors considered in valuing a property can decrease the assessed value of the property.

When assessing the value of its properties, the GCP Group also mandates external property appraisers. Important assumptions used by independent property appraisers are based on information that the GCP Group produces, for example, the number of units and current rental income. A change in the factors considered and assumptions used may cause lower valuation results. The valuation of the Group's property may not reflect the actual sale or market prices that the GCP Group could generate on a sale of its property, even where any such sales occur shortly after the relevant valuation date, or the estimated yield and annual rental income of any such property. In particular, during times of reduced real estate transaction levels, market prices for properties may be difficult to assess.

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

Financial Risks

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

The GCP Group may require additional funds to finance or refinance its debt, capital expenditures, future acquisitions and working capital requirements. The GCP Group will likewise need to borrow additional funds or to raise additional equity or debt capital. The extent of the Group's future capital requirements will depend on many factors which may be beyond the Group's control, and its ability to meet such capital requirements will depend on future operating performance and ability to generate cash flows. Additional sources of financing may include equity, hybrid debt/equity and debt financings or other arrangements. The Issuer believes that its debt structure with a LTV of 46% as at 30 June 2014 and no material maturities before 2017 is rather conservative and provides the GCP Group with an adequate flexibility as to future financings. However, there can be no assurance that the GCP Group will be able to obtain additional financing on acceptable terms when required. If the GCP Group does not generate sufficient cash flows or if the GCP Group is unable to obtain sufficient funds from future equity or debt financings or at acceptable interest rates, the Group may not be able to pay its debts when due or to fund other liquidity needs. Any or all, or a combination of these factors would limit operating flexibility, and could have a material adverse impact on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

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

As at 30 June 2014 the total carrying amount of the GCP Group's outstanding debt was approximately € 1.14 billion (calculated in accordance with IFRS).

When concluding financing agreements or extending such agreements, the GCP Group depends on its ability to agree on terms for interest payments that will not impair its desired profit and amortisation schedules. In general, rising market interest rates would lead to higher financing costs in the future and so may have a material adverse effect on the business, financial condition and results of operations of the Group. The GCP Group regularly enters into financing agreements with variable interest rates while hedging such variable interest rate with customary market hedging instruments, such as interest swaps or caps. However, the hedging instruments that the GCP Group uses may not be completely effective, or the GCP Group may be unable to enter into necessary extensions or renegotiations of financing agreements or hedging instruments at their current interest rate terms, including associated costs, or to the extent planned.

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

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

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

As at the date of this Prospectus, the Issuer's creditworthiness was rated "BB+" with a stable outlook by S&P. It is possible that due to a weaker performance of the Group's business this rating could be downgraded by the rating agency. This may make future financings more difficult and lending banks could require higher interest rates and/or a higher level of collateral, which may have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

The redemption by the Issuer of outstanding bonds issued in 2013 and 2014 depends on a successful refinancing or a successful sale of its properties when they become due. Besides the final maturity dates in 2019 and 2020 as stipulated in the terms and conditions, the breach of covenants of the conditions by the Issuer under its outstanding bonds or a default of other obligations of the Issuer arising from its outstanding bonds may result in a substantial payment obligation for the Issuer before the final maturity dates of the bonds. The failure to refinance may cause the enforcement of security granted by the Issuer in favour of the Trustee and the holders of its outstanding bonds. Such enforcement may cause the enforcement of a pledge on the shares of the Issuer in Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited), which holds a significant portion of the portfolio of the GCP Group.

The Issuer has issued secured bonds with an aggregated principal amount of €350 million (the "**Series B Bonds**"), which are due and repayable on June 3, 2020. Additionally, the Issuer has issued secured convertible bonds with an aggregated principal amount of €275 million (the "**Series C Bonds**"), which are due and repayable on February 24, 2019 at the latest.

In the terms and conditions of the Series B and Series C Bonds, the Issuer made several undertakings in respect of the incurrance of further indebtedness, group structuring and the granting of securities. Any breach of such undertakings may trigger an event of default. An event of default may also arise if the Issuer or, with regard to the Series B Bonds, any of its

subsidiaries, fail to repay any indebtedness provided that such due but unpaid indebtedness exceeds 10% of the Group's gross consolidated assets or if insolvency or similar proceedings are commenced against the Issuer or any other company of the GCP Group or if security granted by the Issuer or its subsidiaries is enforced. In addition an event of default occurs if the Issuer fails to repay any principal amount or interest under the Series B Bonds when due. As a result of an event of default and cross default provisions, all outstanding Series B and Series C Bonds may become due and repayable in their respective principal amount plus any accrued interest. If the Issuer is not able to redeem the Series B and Series C Bonds plus accrued interest in full when required, this could lead to the insolvency of the Issuer.

Furthermore, the Issuer has granted a first ranking charge over its shares in its subsidiary Grandcity Property Ltd. (previously named Adminond Trading & Investments Limited, "**GrandCity**") in favour of the Trustee for the benefit of the Trustee and the holders of the Series B Bonds, the Series C Bonds and any further secured bonds. The Issuer holds 94.80% of the shares in GrandCity which is a sub-holding company within the GCP Group and indirectly holds materially all of the assets of the GCP Group. If the Issuer defaults on any payments in accordance with the Series B and Series C Bonds or fails to comply with its undertakings related to the conditions of the Series B Bonds, the Series C Bonds and any further secured bonds such as the Series D Bonds, the security shall become enforceable and the Trustee may enforce the security on behalf of the bondholders. Such enforcement may lead to the exercise of the first ranking charge over the Issuer's shares in GrandCity and thus may lead to the transfer of all or part of the charged shares of the Issuer in GrandCity to a third party. This may result in a loss of all or substantial parts of the assets of the Issuer and would have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the Issuer.

A change of control of the Issuer and/or the decrease in the free float of the ordinary shares in the Issuer below a certain level may result in a substantial payment obligation for the Issuer with respect to its outstanding bonds.

According to the conditions of the Series B and Series C Bonds, the holders of such bonds are entitled to request redemption of their bonds in the event of a change of control in the Issuer. Such change of control is deemed to be the acquisition of more than 50% of the voting rights in the Issuer by a third party (subject to limited exceptions) or the right of a third party to appoint and/or remove the majority of the members of the Issuer's board of directors. A repayment obligation under the Series C Bonds will also trigger repayment obligation under the Series B Bonds. Provided that the present number of outstanding bonds issued under the Series B Bonds and the Series C Bonds were also outstanding at the point in time a change of control in the Issuer occurred and all of the bondholders requested redemption, the potential payment obligations of the Issuer may total the aggregate principal amount of the Series B and Series C Bonds then outstanding plus accrued interest.

Further according to the conditions of the Series C Bonds the bondholders are entitled to request redemption of their bonds in a free float event of the Issuer. Such free float event occurs if, for any period of at least thirty consecutive dealing days commencing on or after 24 February 2014, the number of ordinary shares of the Issuer comprising the free float is less than 15% of the total number of issued and outstanding ordinary shares of the Issuer.

Any such payment obligation would have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the Issuer. If the Issuer was not able to redeem the Series B and Series C Bonds to the extent required this may lead to insolvency of the Issuer.

The Issuer's cash flows and possible future interest payments are dependent on the profitability of the GCP Group or must be met by borrowed capital or by selling property.

The Issuer is a holding company that does not conduct its operative business itself but does so through its subsidiaries. In order to service its loan debt (principal and interest), the GCP Group needs to continue to achieve positive cash flows from operating activities. The Group generally generates such cash flow from rent and from proceeds of disposals. If the GCP Group is unable to generate positive cash flows from its operating activities in the future, the GCP Group could be forced to sell properties irrespective of the market situation and possibly on terms unfavourable to the Group or borrow money on financially unattractive terms. As a whole, this could have a significant adverse effect on the net assets, cash flows, financial condition and results of operations of the GCP Group.

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

The GCP Group has taken up outside capital in the past (via loans and bonds) and will continue to do so. The receivables resulting from loans granted by banks for the purpose of acquiring and re-developing properties are usually secured by first-ranking land charges in favour of the lending bank. If the relevant entity of the GCP Group does not fulfil its obligations under the loan, e.g. repayment of receivables when they become due, or a breach of covenants or undertakings not cured within the cure period, such entity could be forced to sell the respective property under time pressure or on unfavourable conditions, or the lending bank would be entitled to enforce into the property. Both may lead to a sale of property at lower prices than originally expected.

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

As at the date of this Prospectus, a considerable portion of loan agreements of entities of the GCP Group with banks provide for standard change of control clauses enabling the respective lender to terminate the loan agreement in case of a change of control without the lender's consent. Under loan agreements with an aggregate nominal amount of approximately €160 million the respective lender may terminate the loan agreement if (a) the Issuer is no longer (directly or indirectly) the majority shareholder of the respective borrower, or (b) Mr Yakir Gabay (the “**Founder**”) no longer holds (directly or indirectly) at least 25% of the shares in the Issuer or another shareholder obtains control over the Issuer, or (c) the property management of the respective property is no longer performed by a member of the GCP Group. If a loan agreement is terminated due to the aforementioned reasons, the outstanding amounts (principal and interests) under the affected loan agreements are immediately due and payable, which could have a material adverse effect on the business, financial condition and results of operations of the affected entity and the GCP Group.

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

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

Legal and Regulatory Risks

The Group's business is subject to the general legal environment in Germany, which may change to its detriment. German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to evict tenants, increase the rents of residential units owned by the GCP Group or pass on ancillary costs or modernisation investment costs. Moreover, there are current political efforts to further restrict rent level increases.

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

In Germany, the landlord-tenant relationship is subject to a significant level of statutory regulation which, for the most part, provides far-reaching social protection for tenants under residential leases. According to German law, for example, the landlord may only terminate a lease agreement if there is a legitimate interest in doing so. Beyond that, a landlord may not increase residential rents of existing leases by more than an aggregate of 20% compared to locally prevailing comparative rent levels over a three-year period (capping limit). The German Tenancy Law Amendment Act 2013 (*Mietrechtsänderungsgesetz*) provided inter alia the authorisation of German federal state governments to decrease the aforementioned capping limit to 15% over a three-year period for specific municipalities. The German federal state governments of Bavaria, Berlin and North Rhine-Westphalia have made use of their option and decreased the capping limit (e.g. for the municipalities of Berlin and Munich).

The German Federal Government as well as several German states have presented draft bills that - partly because of necessities resulting from the Energy Concept which shall facilitate, inter alia, a reduction of the German primary energy need (*Primärenergiebedarf*) in 2050 by 80% (compared to 1990) - aim to modify currently existing Tenancy Law provisions. The draft bills have been deliberated and the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) has been adopted on March 11, 2013 and came into effect in May 2013. Main amendments resulting therefrom are that (i) tenants shall have to endure - and be excluded from rent reduction for three

months because of - maintenance measures (*Erhaltungsmaßnahmen*) and modernisation measures (*Modernisierungsmaßnahmen*), in particular energetic modernisation measures, unless such measures would constitute an unreasonable hardship; (ii) following the announcement of modernisation measures, tenants are entitled to a special termination right (*außerordentliche Kündigung*); (iii) except for certain types of measures that are not directly linked to the leased premises and unless this would constitute an unreasonable hardship for the tenant, landlords shall be entitled to allocate cost for such modernisation measures to tenants of residential units by way of an increase of the annual rent in the amount of 11 % of the cost accrued (less the cost accrued for maintenance measures anyway); (iv) German federal state governments are authorized to limit rent increases up to locally prevailing comparative rent level to 15 % in three years (capping limit) for specific municipalities; (v) as alternative to the classic eviction procedure, the so-called „Berliner Räumung“, offering the landlord the cost effective opportunity to limit the eviction procedure to the procurement of possession, shall be implemented; (vi) eviction procedures shall furthermore no longer be tediously delayed because of a right of possession of a third person that is not covered by the executory title (*Vollstreckungstitel*); a further title against such third person shall be obtainable by way of an injunction (*einstweiliger Rechtsschutz*); (vii) the existing restriction of termination of lease agreements for a period of three years shall be extended to the case that in the course of a continuing lease the leased premises have been transformed into condominium and have subsequently been sold to a partnership or to more than one purchaser. Furthermore, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) includes provisions according to which the costs resulting from heat-contracting (*Wärmelieferung*) can be charged to tenants as part of the service charges under certain conditions. These provisions have become effective as of July 1, 2013.

In Germany, affordable housing continues to be a political topic receiving a high level of attention. In particular, further statutory limitation on the rent for new lease agreements might be introduced by another German Tenancy Law Amendment Act for which, however, only a Ministerial Draft exists. Such limit shall apply to any newly agreed rent at a maximum of ten per cent above the relevant locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*); it shall, however, neither apply to commercial lease agreements nor to lease agreements relating to new or modernised buildings. The Ministerial Draft intends to authorize the German federal state governments to implement such limitation (and thus a limitation would be at the discretion of each federal state). In the event any such proposal will be implemented this could affect the ability of the Group to freely agree on rental fees in new lease agreements to the extent described. Tightened rent restrictions might impair the ability of the GCP Group to increase rents, which in turn could adversely affect the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

In addition to such generally applicable rent increase restrictions, the GCP Group may be subject to additional restraints on rent increases arising from the acquisition agreements, in particular in

agreements with government entities such as the states and municipalities, through which the real estate portfolio will be purchased. Such restrictions mainly limit the Group's ability to impose rent increases.

More restrictive environmental laws could also result in additional expenses for the GCP Group. Starting January 1, 2009 for sales or new letting of residential units, potential buyers and tenants must be given an energy certificate upon request that discloses the property's energy efficiency. In undertaking modernisation measures, additions or extensions, an energy certificate must be prepared if an engineering assessment of the entire building's energy consumption is performed in the course of the modernisation that allows the certificate to be prepared at a reasonable cost. The energy certificate is generally valid for ten years. For buildings completed no later than 1965, the owner must already have had an energy certificate available starting July 1, 2008. The Energy Savings Ordinance (*Energieeinsparverordnung*) of July 24, 2007, as amended on April 29, 2009, also requires structural alterations for energy conservation. Failure to comply with these rules can be penalized as an administrative offense. A further amendment of the Energy Savings Ordinance was due on January 9, 2012 according to European Law, however has been delayed. This further amendment has been published on November 21, 2013 and took effect as from May 1, 2014. The amendment requires inter alia require additional structural alterations for energy conservation, which will have to be implemented by 2015 (regarding heating facilities that are older than 30 years) and by January 1, 2016 regarding buildings. Further the energy certificate must be handed over to the potential buyer or tenant prior to an entry into a new purchase or lease agreement. Furthermore, if a seller or landlord advertises the property via commercial media, the energy performance indicator of the respective property's existing energy certificate must be stated in the advertisement. The withholding of that kind of energy information may be penalized as an administrative offense.

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

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

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

For example, the German Federal Court of Justice (*Bundesgerichtshof*) has ruled that standard clauses in letting contracts are invalid if they obligate the tenant to carry out cosmetic repairs (*Schönheitsreparaturen*) within a fixed schedule or to fully renovate the apartment at the end of the letting term (*Endrenovierung*). The invalidity of such clauses results in the landlord being responsible for the repair and maintenance and being required to bear all related costs. If the tenant carries out such repair and maintenance works without actually being obliged to do so, the landlord might have to compensate the corresponding costs. Even in the case of contracts prepared with legal advice, it is impossible for the GCP Group to avoid problems of this nature in advance or in the future, because changes could occur in the legal framework, particularly case law, making it impossible for the Group to avoid the ensuing legal disadvantages. This could have a material adverse effect on the business, cash flows, financial condition and results of operations of the GCP Group.

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

With regard to the sale of properties, the GCP Group has to make representations, warranties, covenants and negative declarations of knowledge to purchasers with respect to certain characteristics of the sold properties. The resulting obligations of the GCP Group may continue to exist for several years after the Group sells a property. Among other things, the GCP Group could be subject to claims for damages from purchasers who assert that the representations the GCP Group made to them were untrue, or that GCP Group failed to meet its obligations under the contract. The GCP Group could become involved in legal disputes with purchasers, as a consequence of which the GCP Group could be required to make payments for damages.

As a seller of properties, the GCP Group is liable to tenants for any breach of letting contracts by the buyer unless it has notified the tenant of the change of ownership and the tenant fails to terminate the tenancy at the earliest permitted termination date. This applies specifically where the GCP Group no longer has any control over the property. Moreover, the Group continues to be exposed to liability for breach of contract even in the event that the buyer resells the property and the subsequent buyer breaches the letting contract. As a rule, when selling properties, the GCP

Group informs all tenants in writing of the change of landlord. Such release from liability does not apply for rental securities (*Mietbürgschaften*) provided by the tenants. If the tenant is unable to receive its rental security from the buyer of the property, the liability to repay such rental security remains with the seller.

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

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

Entities of the GCP Group have regularly been and probably will be in the future subject to administrative and legal proceedings in the ordinary course of business. Such litigation relates to matters such as outstanding rent payments and the termination of lease contracts. Although not material on a case-by-case basis, such litigation ties up resources and may have an adverse effect on the GCP Group's business if they occur frequently or in a concentrated manner. Further litigation may result from purchase agreements, either as seller or as purchaser, concerning breaches of representations and warranties.

The risk management system of the GCP Group may prove to be partially or completely insufficient or fail so that unknown, unrecognized or unexpected risks may materialise.

The Group has a risk management system which has developed risk management strategies and processes tailored to the business of the GCP Group. These are continually updated and are particularly designed to monitor market risk, liquidity and financial risk, operational risk, organisational risk and the risk of reputational damage. The GCP Group could be faced with risks that have been underestimated or not previously detected. Inappropriate risk management measures may cause irregularities leading to official investigations or third-party claims against the GCP Group, which in turn could have financial and other consequences, as well as negative effects on its business, net assets, financial condition, cash flows, results of operations and its reputation.

The GCP Group could be exposed to restitution claims.

According to the German Act on Unsettled Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), persons who were expropriated of property within the former German Democratic Republic ("GDR") can claim restitution or compensation under certain conditions, in particular if the property was seized without compensation or less compensation than citizens of the GDR were entitled to. The German Act on Unsettled Property Issues is also applicable to persons who lost property due to racist, political, religious or ideological reasons between 1933

and 1945. Although the notification deadline under the German Act of Unsettled Property Issues, subject to certain exemptions, expired at the end of 1992, the aforementioned restitution and compensation claims cannot be entirely excluded. If any such claims were asserted in respect of an entity of the GCP Group regarding properties owned by the Group, the GCP Group would be severely limited in its ability to manage such properties and may even be forced to transfer such properties to successful claimants without adequate compensation. Any such limitations or compulsory transfers of properties could have a material adverse effect on the business, net assets, cash flows, financial condition and results of operations of the GCP Group.

Tax Risks

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

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

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

- According to German tax law the Group has to file tax declarations for its German subsidiaries within certain statutory periods. Most of the Group's German property subsidiaries have filed tax declarations for income tax for the years until 2012. The statutory submission period for filing the tax declarations for the German subsidiaries of the Group for the year 2013 will end at 30 September 2014. Any tax assessments that deviate from the Groups expectations in its tax declarations could lead to an increase in the Groups' tax obligations.
- The German subsidiaries of the GCP Group are generally subject to tax audit (*Betriebsprüfung*) by the competent tax authorities. In 2012 there have been four tax audits and in 2013 there has been one tax audit with respect the Group's German subsidiaries. The tax audits had no material outcome deviating from the Group's tax declarations. To the knowledge of the Issuer, there are no current tax audits. Generally, tax audits conducted by the competent tax authorities could result in the assessment of additional taxes. For example,

certain expenses could be treated as non-deductible. Further German real estate transfer tax or German trade tax could be assessed.

- The German subsidiaries of the GCP Group might not be able to offset unlimited interest expenses against profits.
- Some of the German subsidiaries of the GCP Group form a fiscal unit for value added tax purposes (*umsatzsteuerliche Organschaft*). Although the Group has no indication, such fiscal unit could be considered invalid or might not be accepted to the full extent by tax authorities.

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

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

The organisational structure of the GCP Group has been established in the year 2012, when the Issuer became the holding company of the GCP Group in its present form. Besides the Issuer, the GCP Group today comprises of over 250 companies which have its registered offices mainly in Germany, Cyprus and Luxembourg and thus are subject to the tax laws of these jurisdictions. The Issuer is a holding company. Its direct subsidiary GrandCity, having its registered office in Cyprus, acts as sub-holding company and - through its permanent establishment in Germany - also provides property and asset management services to the German property companies of the GCP Group. Most of the German property companies are held through further Cypriot subsidiaries which themselves are held by GrandCity. Thus, the structure of the GCP Group provides for various tax aspects, including the cross-border taxation issues governed by double-tax treaties between Germany, Cyprus and Luxembourg. It cannot be excluded that tax authorities in Germany, Cyprus or Luxembourg might not share the view of the tax assessment of the GCP Group which could lead to additional tax burden of the GCP Group in any of these countries. Also, the tax laws in any of these jurisdictions or double-tax treaties between these countries might change in the future, even with a retroactive effect, which could cause additional

tax burdens for the GCP Group. All these aspects could have a material adverse effect on the net assets, financial condition and results of operations of the GCP Group.

Risk Factors Relating to the Series D Bonds

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

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

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

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

The investments of certain investors are subject to investment laws or regulations or, respectively, the supervision or regulation by certain authorities. Each potential investor should consult with a financial advisor, if and to what extent: (a) the Series D Bonds are an investment suitable for it to make; (b) the Series D Bonds may serve as collateral for different types of debt financing; and (c) other limitations on the purchase or pledge of the Series D Bonds apply. Financial institutions should consult with their legal advisor or their appropriate regulatory

authority in order to assess the suitable classification of the Series D Bonds with respect to the applicable rules on risk capital or similar provisions.

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

As at the date of this Prospectus, the Issuer, the Series B Bonds and the Series C Bonds are individually assigned a “BB+” rating with a stable outlook by S&P. The Issuer has undertaken in the Conditions of the Series D Bonds that it will use its reasonable endeavours to obtain a rating for the Series D Bonds from a Rating Agency (as defined in the Conditions of the Series D Bonds) within 90 days after the Closing Date (as defined in the Conditions of the Series D Bonds). The Issuer will announce any rating it receives from a Rating Agency for the Series D Bonds to the bondholders as soon as practicable following the receipt of such a rating (which will include details of the rating and the identity of the Rating Agency). A rating by a rating agency or a third party is not a recommendation to buy, sell or hold Series D Bonds and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency or third party. There is no guarantee that the rating remains stable for a certain period of time and that it is not reduced or withdrawn completely, should this be necessary in the rating agency’s or third party’s opinion. A suspension, reduction or withdrawal of the rating assigned to the Issuer or to any of its outstanding bonds may adversely affect the market price of the Series D Bonds and their tradability. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agency and rating of the Issuer is set out on the cover of this Prospectus.

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

Application has been made to the Irish Stock Exchange for the Series D Bonds to be admitted to the official list of the Irish Stock Exchange (“Official List”) and to trading on its regulated market

(“**Main Securities Market**”). However, there is a risk that no liquid secondary market for the Series D Bonds will develop or, if it does develop, that it will not continue. The fact that the Series D Bonds may be listed does not necessarily lead to greater liquidity as compared to unlisted Series D Bonds. In an illiquid market, an investor is subject to the risk that it will not be able to sell its Series D Bonds at any time at fair market prices. The possibility to sell the Series D Bonds might additionally be restricted for country specific reasons.

If the Series D Bonds are redeemed prior to maturity, a Holder of such Series D Bonds is exposed to the risk of a lower yield than expected.

In accordance with the Conditions of the Series D Bonds, the Issuer may redeem all outstanding Series D Bonds for reason of minimal outstanding amount or if the Issuer is obligated to pay additional amounts in respect of the Series D Bonds due to withholding or deduction or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected or withheld by or within Luxembourg. In addition, the Issuer may choose to redeem the Series D Bonds early due to the optional redemption feature described in more detail in the conditions of the Series D Bonds. If the Series D Bonds are redeemed prior to maturity, a Holder of such Series D Bonds is exposed to the risk that due to such early redemption his investment will have a lower than expected yield. In such circumstances, the investor might possibly not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Series D Bonds.

The Series D Bonds will become unsecured obligations of the Issuer upon the occurrence of certain circumstances.

The Conditions of the Series D Bonds provide that the Security will be released upon the later of: (i) the date on which all present and future obligations and liabilities (whether actual or contingent) of the Issuer to the Trustee and the holders of the Series B Bonds and the Series C Bonds have been discharged; and (ii) the date of any rating previously assigned to the Issuer by a rating agency is changed from a non-investment grade rating to an investment grade rating or if a rating agency that has not previously assigned a rating to the Issuer assigns an investment grade credit rating to the Issuer. At such time, the Series D Bonds will become unsecured obligations of the Issuer. There can be no guarantee that the Issuer will have sufficient assets to meet any claim in the event that an event of default occurs and, in such circumstances, the Holders of the Series D Bonds would rank behind secured creditors of the Issuer.

The market value of the Series D Bonds is dependent on various external factors.

The development of the market price of the Series D Bonds depends on various factors, including, but not limited to, changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Series D

Bonds. The Holders are therefore exposed to the risk of an unfavourable development of the market price of their Series D Bonds which will affect the Holders if they sell the Series D Bonds prior to the final maturity date. If a Holder decides to hold the Series D Bonds until final maturity, the Series D Bonds will be redeemed at the amount set out in the Conditions of the Series D Bonds.

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

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

Currency Risk.

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

The market-value of Series D Bonds with fixed interest rates is dependent on market interest rates.

The Series D Bonds have a fixed rate of interest which carries the risk that the prices of the Series D Bonds can fall as a result of changes in the interest rate on the market. If the nominal interest rate of a security is fixed for the entire duration of such security, the current interest rate on the capital markets typically changes on a daily basis. As the market interest rate changes, the price of a security with a fixed interest rate also changes, but in the opposite direction. If the market interest rate increases, the price of a security with a fixed interest rate typically falls until the yield of such security approximately equals the market interest rate. If the market interest rate

decreases, the price of a fixed interest rate security typically increases, until the yield of such security is approximately equal to the market interest rate. If the Holder of Series D Bonds holds them until maturity and the interest rate does not change, changes of the market interest rate will be irrelevant as the Series D Bonds will be redeemed at a fixed redemption amount.

Resolutions of Holders.

Since the Series D Bonds provide for meetings of Holders or the taking of votes without a meeting, a Holder is subject to the risk of being outvoted by a majority resolution of the Holders or being bound by a decision of a meeting that he elected not to attend. In addition, certain resolutions will need to be approved by a majority of the holders of all series' of bonds in issue by the Issuer (i.e. the Series D Bonds, the Series B and Series C Bonds), taken together as a single series. Such majority resolutions are binding on all Holders. In addition, certain rights of Holders against the Issuer under the Conditions may be amended or reduced or even cancelled under such a resolution.

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

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

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

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

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

The Issuer and its subsidiaries may be able to incur additional debt in the future. Any such additional debt would be subject to restrictions on the incurrence of additional debt contained in the existing loan agreements of the GCP Group. In addition, the Conditions of the Series B Bonds and Series C Bonds contain an undertaking from the Issuer as to the fair market value of the assets of the GCP Group. Thus, in the event the fair value of the total assets of GCP Group increases, the potential total amount of additional debt under this 70% threshold increases respectively. The incurrence of additional debt up to this 70% threshold could exacerbate the risks associated with the indebtedness of the GCP Group.

There may be transaction costs and/or charges in connection with the purchase or sale of the Series D Bonds.

When the Series D Bonds are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Note. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pre-rate commissions, depending on the order value. To the extent that additional parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Holders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties. These incidental costs may significantly reduce or eliminate any profit from holding the Series D Bonds.

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

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

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

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

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

The Series D Bonds will, upon issuance, be secured by the Security. No appraisal of the value of the Security has been made in connection with the issue of the Series D Bonds. Furthermore, the assets subject to the Security are also subject to security interests for the benefit of other *pari passu* creditors, i.e. the holders of the Series B and Series C Bonds. In addition, the Conditions of the Series D Bonds will allow the incurrence of additional permitted indebtedness in the future that is secured by such assets. The amount to be received upon an enforcement of Security would be dependent on numerous factors affecting the value of the assets subject to the Security at the time of their enforcement. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the proceeds from the enforcement of the Security may not be sufficient to repay the obligations under the Series D Bonds. In addition, as noted above, the Security will fall away on the occurrence of certain circumstances and the Series D Bonds will become unsecured obligations of the Issuer.

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

The Security that will secure the obligations of the Issuer under the Series D Bonds will not be granted directly to the Holders but will be granted only in favour of the Trustee. The Trust Deed and the Conditions of the Series D Bonds provide that only the Trustee has the right to enforce

the respective Security. As a consequence, Holders will not have direct security interests and will not be entitled to take direct enforcement action in respect of the Security. The Trust Deed provides that the Trustee may take enforcement action with respect to any of the respective Security only upon the instruction of the requisite number of bondholders (as set out below). The Trustee may take action to enforce the Security at its discretion at any time after the Security has become enforceable, but shall not be bound to take such action unless directed by an extraordinary resolution of the holders of the Series D Bonds, the Series B Bonds and the Series C Bonds taken together as a single series or unless requested in writing by bondholders of not less than 25% in aggregate principal amount of the Series D Bonds, the Series B Bonds and the Series C Bonds then outstanding taken together as a single series. Holders are therefore dependent on third parties in order to be able to indirectly enforce the Security. In addition, as noted above, the Security will fall away on the occurrence of certain circumstances and the Series D Bonds will become unsecured obligations of the Issuer.

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

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

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

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

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

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

Ownership in respect of the Series D Bonds in registered form could be challenged under Luxembourg law.

The Issuer will, in respect of the Series D Bonds, cause a register (the “**Register**”) to be kept at the specified office of the Registrar in which will be entered the names and addresses of the holders of the Series D Bonds and particulars of the Series D Bonds held by them and all transfers and redemptions of the Series D Bonds.

According to Luxembourg company law, the Issuer is obliged to maintain a register of the Series D Bonds at its registered office (the “**Issuer Register**”). Ownership in respect of the Series D Bonds (which are in registered form) is, according to Luxembourg company law, established by the relevant registration (inscription) in the Issuer Register. The Registrar has undertaken pursuant to the Agency Agreement to notify the Issuer forthwith of any changes made to the Register to enable it to update the Issuer Register. Accordingly, the registrations in the Register should, in principle, match the recordings in the Issuer Register. However, there may be a delay in updating the Issuer Register and discrepancies in recordings cannot be excluded.

The terms and conditions of the Series D Bonds provide that, in the case of discrepancies between the Issuer Register and the Register, the Issuer Register shall prevail. It is generally held that the registrations made in the Issuer Register constitute a means to prove ownership in respect of the Series D Bonds. However, Luxembourg case law seems to admit that such registrations in the Issuer Register are not an irrebuttable presumption (*présomption irréfragable*) of title to the Series D Bonds and other registrations (such as the registrations made in the Register) could also serve as a means to prove ownership. It can hence not be excluded that, in the case of discrepancies between the Register and the Issuer Register, a Luxembourg court would rule that the Register prevails over the Issuer Register. Certificates representing the Series D Bonds in registered form may be issued but they do not confer title to the Series D Bonds.

Such certificates would also, in principle, not be conclusive evidence to prove ownership in respect of the Series D Bonds.

Change of Law.

The Conditions of the Series D Bonds are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

INFORMATION INCORPORATED BY REFERENCE

The pages set out in the “*Table of documents incorporated by reference*” below which are extracted from the following documents shall be deemed to be incorporated in, and to form part of, this Prospectus: (a) the audited consolidated financial statements of the Issuer prepared in accordance with the International Financial Reporting Standards as adopted by the EU (“**IFRS**”) as at and for the financial year ended 31 December 2013 (the “**2013 IFRS Consolidated Financial Statements**”); (b) the audited consolidated financial statements of the Issuer prepared in accordance with IFRS as at and for the financial year ended 31 December 2012 (the “**2012 IFRS Consolidated Financial Statements**”)¹ together in each case with the auditor’s report stated therein; and (c) the unaudited consolidated financial statements of the Issuer prepared in accordance with IFRS as at and for the half-year period ended on 30 June 2014 (the “**2014 IFRS Condensed Consolidated Interim Financial Statements**”).

Such documents are incorporated into, and form part of, this Prospectus, save that: (a) any statement contained therein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise); and (b) any information contained in the aforementioned annual financial statements, but not included in the cross-reference tables set out below, is not incorporated by reference in this Prospectus because such information is either not relevant for investors or is covered elsewhere in this Prospectus.

Table of Documents Incorporated by Reference

Grand City Properties S.A.

2013 IFRS Consolidated Financial Statements

Consolidated Statement of Comprehensive Income	page 22
Consolidated Statement of Financial Position	pages 24-25
Consolidated Cash Flow Statement	pages 28, 29
Consolidated Statement of Changes in Equity	page 26
Notes	pages 30-63
Independent Auditor’s Report	page 20

¹ Due to the incorporation of the Issuer at the end of 2011, the comparative figures for the the financial year ended 31 December 2011 included in the 2012 IFRS Consolidated Financial Statements have not been audited. To reflect the acquisition of GrandCity’s shares by the Issuer in 2012 as a transaction under common control, the Issuer presents in its 2012 IFRS Consolidated Financial Statements comparative figures (which comprise the consolidated statement of the financial position as at 31 December 2011 and the consolidated statement of comprehensive income, change in equity and cash flows for the year then ended as at 31 December 2011), as if the transaction had occurred always from the earliest period presented in the consolidated financial statements. In fact the Issuer’s consolidated financial statements include the Issuer’s interests in GrandCity’s results as at 1 January 2011. Certain balance sheet and profit and loss items relating to the financial year ended 31 December 2011 have been reclassified to enhance comparability.

2012 IFRS Consolidated Financial Statements

Consolidated Statement of Comprehensive Income	page 20
Consolidated Statement of Financial Position.....	pages 21, 22
Consolidated Cash Flow Statement	pages 24, 25
Consolidated Statement of Changes in Equity	page 23
Notes	pages 26-70
Independent Auditor's Report	pages 18-19

2014 IFRS Condensed Consolidated Interim Financial Statements (unaudited)

unaudited Condensed Consolidated Statement of Comprehensive Income	page 26
unaudited Condensed Consolidated Statement of Financial Position.....	pages 28-29
unaudited Condensed Consolidated Cash Flow Statement	page 32
unaudited Consolidated Statement of Changes in Equity	page 30
Notes	pages 34-41

Copies of documents incorporated by reference in this Prospectus are published on the website of the Issuer (www.grandcityproperties.com).

In particular, the following documents are available to the public using the following links:

2013 IFRS Consolidated Financial Statements

http://grandcityproperties.com/en/assets/uploads/downloads/march_2014/gcp81646jahresabschluss2013116singlepageshigh.pdf

2012 IFRS Consolidated Financial Statements

http://grandcityproperties.com/en/assets/uploads/downloads/gcpsafinancialstatement31.12.2012_0.pdf

2014 IFRS Condensed Consolidated Interim Financial Statements (unaudited)

http://grandcityproperties.com/en/assets/uploads/downloads/August_2014/GCP_H114_Report.pdf

Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus.

CONDITIONS OF THE SERIES D BONDS

The EUR 500,000,000 2.0 per cent. bonds due 29 October 2021 (the "**Series D Bonds**", which expression shall include any Further Single Series D Bonds) are constituted by an eighth supplemental trust deed (the "**Eighth Supplemental Trust Deed**") dated on or around 29 October 2014 between Grand City Properties S.A., a public limited liability company (*société anonyme*), incorporated under the laws of the Grand Duchy of Luxembourg, registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 165 560, having its registered office at 24, avenue Victor Hugo, L-1750 Luxembourg, Grand Duchy of Luxembourg (the "**Issuer**") and Prudential Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed (as defined below)) for the holders of the Series D Bonds (the "**Series D Bondholders**"), supplemental to a trust deed dated 15 October 2012 (the "**Principal Trust Deed**" as amended and restated by a supplemental trust deed dated 15 May 2013, and as further amended by a second supplemental trust deed dated 3 June 2013 (the "**Original Closing Date**"), a third supplemental trust deed dated 14 June 2013, a deed of replacement of trustee dated 19 June 2013, a fourth supplemental trust deed dated 24 July 2013 (the "**Second Closing Date**"), a fifth supplemental trust deed dated 24 February 2013 (the "**Third Closing Date**"), a sixth supplemental trust deed dated 15 April 2014 (the "**Fourth Closing Date**") and a seventh supplemental trust deed dated 19 June 2014 (the "**Fifth Closing Date**") (the Principal Trust Deed as so supplemented and as further supplemented by the Eighth Supplemental Trust Deed being the "**Trust Deed**") between the same parties and constituting the EUR100,000,000 6.25% bonds due 2020 of the Issuer (the "**Original Series B Bonds**") issued on the Original Closing Date, the EUR100,000,000 6.25% bonds due 2020 of the Issuer issued on the Second Closing Date (the "**Additional Series B Bonds**"), the EUR150,000,000 1.50% convertible bonds due 2019 of the Issuer issued on the Third Closing Date (the "**Series C Bonds**", which expression shall include the Further Series C Bonds (as defined below) and any Further Single Series C Bonds), the EUR150,000,000 6.25% bonds due 2020 of the Issuer issued on the Fourth Closing Date (the "**Further Series B Bonds**") and the EUR125,000,000 1.50% convertible bonds due 2020 of the Issuer issued on the Fifth Closing Date (the "**Further Series C Bonds**"). The issue of the Original Series B Bonds was authorised by a resolution of the board of directors of the Issuer passed on 27 May 2013. The issue of the Additional Series B Bonds was authorised by a resolution of the board of directors of the Issuer passed on 8 July 2013. The issue of the Series C Bonds was authorised by a resolution of the board of directors of the Issuer passed on 17 February 2014. The issue of the Further Series B Bonds was authorised by a resolution of the board of directors of the Issuer passed on 10 April 2014. The issue of the Further Series C Bonds was authorised by a resolution of the board of directors of the Issuer passed on 17 June 2014. The issue of the Series D Bonds was authorised by a resolution of the board of directors of the Issuer passed on 29 October 2014.

The statements set out in these Conditions are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Series D Bonds. The Series D Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Transfer Agency Agreement dated 29 October 2014 (the "**Agency Agreement**") relating to the Series D Bonds between the Issuer, the Trustee, The Bank of New York Mellon, acting through its London branch in its capacity as principal, paying and transfer agent (the "**Principal Paying and Transfer Agent**", which expression shall include any successor as Principal Paying and Transfer Agent under the Agency Agreement), the other Paying and Transfer Agents for the time being (such persons, together with the Principal Paying and Transfer Agent, being referred to below as the "**Paying and Transfer Agents**", which expression shall include their successors as Paying and Transfer Agents under the Agency Agreement) and The Bank of New York Mellon Luxembourg S.A. in its capacity as registrar (the "**Registrar**", which expression shall include any successor as registrar under the Agency Agreement).

Copies of each of the Trust Deed, the Agency Agreement and the Bond Security Documents (as defined below) are or will, on execution thereof, be available for inspection by prior appointment

during normal business hours at the registered office for the time being of the Trustee (being at 29 October 2014 at Laurence Pountney Hill, London EC4R 0HH) and at the specified offices of the Paying and Transfer Agents and the Registrar.

1. Form, Denomination, Title and Status

1.1 Form and Denomination

The Series D Bonds are issued in registered form, serially numbered and in principal amounts of €100,000 each ("**Authorised Denominations**"). A bond certificate (each a "**Certificate**") will be issued to each Series D Bondholder in respect of its registered holding of Series D Bonds. Each certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register (defined below).

1.2 Title

Title to the Series D Bonds will pass by transfer and registration as described in Condition 3. The holder (as defined below) of any Series D Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the related Certificate, as applicable) or anything written on it or on the Certificate representing it (other than a duly executed transfer thereof) and no person will be liable for so treating the holder.

1.3 Status and Negative Pledge

(a) Status until the Final Security Discharge Date

From the Closing Date until the Final Security Discharge Date, the Series D Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and rank and will rank at all times *pari passu* and rateably, without any preference among themselves, and *pari passu* with all other Secured Bonds and any other unsubordinated obligations of the Issuer.

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

(b) Status after the Final Security Discharge Date

After the Final Security Discharge Date, the Series D Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank at all times *pari passu* and rateably, without any preference among themselves, and *pari passu* with all other unsubordinated obligations of the Issuer.

(c) The Issuer undertakes, after the Final Security Discharge Date, for as long as any Series D Bonds are outstanding, not to create or permit to subsist, and to procure that none of its Subsidiaries will create or permit to subsist, any form of Security Interest over its assets to secure any Capital Market Indebtedness other than Securitised Capital Market Indebtedness or to secure any guarantee or indemnity given by the Issuer or any of its Subsidiaries in respect of Capital Market Indebtedness unless, subject to Condition 1.3(d), the Issuer's obligations under the Series D Bonds are secured equally with (or, in case such Capital Market Indebtedness is subordinated debt, senior in priority to) the Capital Market Indebtedness secured by such Security Interest.

- (d) The undertaking pursuant to Condition 1.3(c) shall not apply:
 - (i) to any Security Interest which is mandatory according to applicable laws or required as a prerequisite for governmental approvals which are needed by the Issuer to carry on its business; or
 - (ii) with respect to any Security Interest provided by any Subsidiary over any of such Subsidiary's claims against the Issuer, which claims arise as a result of the passing on to the Issuer of the proceeds from the issue by such Subsidiary of any Capital Market Indebtedness, provided that any such security serves solely to secure obligations under such Capital Market Indebtedness issued by such Subsidiary; or
 - (iii) with respect to any Security Interest which secures Capital Market Indebtedness that becomes an obligation of the Issuer or any Subsidiary as a consequence of a future acquisition, provided that such Capital Market Indebtedness was not created in contemplation of such future acquisition.
- (e) Whenever the Issuer becomes obligated to secure (or procure that a Subsidiary secures) the Series D Bonds pursuant to Conditions 1.3(c) and (d), the Issuer shall be entitled to discharge such obligation by providing (or procuring that the relevant Subsidiary provides) a Security Interest in the relevant collateral to the Trustee, the Trustee to hold such collateral and the security interest that gave rise to the creation of such collateral, equally, for the benefit of the Series D Bondholders and the holders of the Capital Market Indebtedness secured by the Security Interest that gave rise to the creation of such Security Interest in such collateral.

2. Security

- 2.1 Up to (and including) the Final Security Discharge Date, the obligations of the Issuer under the Series B Bonds, the Series C Bonds, the Series D Bonds and any Further Secured Bonds are secured in favour of the Trustee for the benefit of the Trustee, the Series B Bondholders, the Series C Bondholders, the Series D Bondholders and the holders of such Further Secured Bonds by:
 - (a) a first ranking charge, governed by Cyprus law, over all ordinary shares held by the Issuer in GrandCity Property Ltd (previously Adminond Trading & Investment Limited) ("**GrandCity**");
 - (b) a first-ranking account pledge, governed by Luxembourg law, over the bank account held by the Issuer with Bank Hapoalim (Switzerland) Limited, Luxembourg branch;
 - (c) an assignment by way of security, governed by Luxembourg law, of the Issuer's receivables and rights under, and claims against, GrandCity for payment of principal and interest under, the loan agreements between the Issuer and GrandCity in an aggregate principal amount equal to the net issuance proceeds of the Series D Bonds ("**GCP Loans**") and all other loan agreements (of whatever nature and for whatever purpose howsoever described) relating to any loan by the Issuer to GrandCity of the net issuance proceeds in respect of any Further Secured Bonds;
 - (d) first-ranking account pledges, governed by Luxembourg law, over each bank account held by GrandCity with Bank Hapoalim (Switzerland) Limited, Luxembourg branch; and

(e) first-ranking charges, governed by Cypriot law, over each bank account held by GrandCity with Cyprus Popular Bank Public Co Ltd.

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

3. Registration and Transfer of Series D Bonds

3.1 *Registration*

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Series D Bonds and the particulars of the Series D Bonds held by them and of all transfers and redemptions of Series D Bonds.

A duplicate of the Register will be maintained at the registered office of the Issuer in Luxembourg. For Luxembourg law purposes, the information in the Register held at the Issuer's registered office will prevail over the information included in the Register held by the Registrar.

The Registrar will promptly inform the Issuer of any changes made to the Register held by the Registrar.

3.2 *Transfer*

Series D Bonds may, subject to the terms of the Agency Agreement and to Conditions 3.3 and 3.4, be transferred in whole or in part in an Authorised Denomination by lodging the relevant Certificate (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying and Transfer Agent.

No transfer of a Series D Bond will be valid unless and until entered on the Register. A Series D Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days of any duly made application for the transfer of a Series D Bond, register the relevant transfer in the place of the specified office of the Registrar and deliver a new Certificate to the transferee (and, in the case of a transfer of part only of a Series D Bond, deliver a Certificate for the un-transferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the

transferor) mail the Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request).

3.3 *Formalities Free of Charge*

Such transfer will be effected without charge subject to: (a) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith; (b) the Registrar being satisfied with the documents of title and/or identity of the person making the application; and (c) such reasonable regulations as the Issuer may from time to time agree with the Registrar and the Trustee (and as initially set out in the Agency Agreement).

3.4 *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Series D Bond (or part thereof): (a) during the period of 15 days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Series D Bonds pursuant to Condition 6.3; or (b) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Series D Bonds.

4. **Interest**

4.1 *Interest Rate*

Subject to adjustment in accordance with Condition 4.2, the Series D Bonds bear interest from (and including) the Closing Date at the rate of 2.0 per cent. per annum (the "**Initial Interest Rate**") calculated by reference to the principal amount thereof and payable semi-annually in arrear on 29 April and 29 October in each year (each an "**Interest Payment Date**"), commencing on 29 April 2015.

The amount of interest payable in respect of a Series D Bond in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

"**Interest Period**" means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

4.2 *Interest Rate Adjustment*

The rate of interest shall be the Initial Interest Rate plus the Step up Rate with effect from (and including) 30 November 2015 if an Investment Grade Rating Change has not occurred at any time in the period beginning on (and including) the Closing Date and ending on (but excluding) 30 November 2015.

For so long as any of the Series D Bonds are outstanding, the Issuer shall use its reasonable endeavours to maintain its assigned credit ratings by one Rating Agency. In the event that a cessation of the business operations of any Rating Agency occurs or if any Rating Agency forfeits its license to assign a rating to the Issuer as required or ceases to assign a rating for the Issuer, the Issuer shall use its reasonable efforts to obtain a second rating for the Issuer from a Rating Agency.

The Issuer will promptly notify the occurrence of an Investment Grade Rating Change to the Trustee and the Paying and Transfer Agents and will cause notice thereof to be published in accordance with Condition 16 promptly upon becoming aware of such an Investment Grade Rating Change, but in no event later than the fifth business day thereafter.

4.3 *Accrual of Interest*

Each Series D Bond will cease to bear interest where such Series D Bond is redeemed or repaid pursuant to Condition 6 or Condition 9, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the principal in respect of the Series D Bond is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 4.1 (both before and after judgment) until whichever is the earlier of: (i) the day on which all sums due in respect of such Series D Bond up to that day are received by or on behalf of the relevant holder; and (ii) the day after the Trustee or the Principal Paying and Transfer Agent has notified Series D Bondholders of receipt of all sums due in respect of all the Series D Bonds up to that day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

5. **Change of Control Event**

Within 7 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and to the Series D Bondholders in accordance with Condition 16 (a "**Change of Control Notice**"). Such notice shall contain a statement informing the Series D Bondholders of their entitlement to exercise their rights to require redemption of their Series D Bonds pursuant to Condition 6.5.

The Change of Control Notice shall also specify:

- (i) all information material to Series D Bondholders concerning the Change of Control;
- (ii) the last day of the Change of Control Period;
- (iii) the relevant Change of Control Put Date; and
- (iv) such other information relating to the Change of Control as the Trustee may require.

6. **Redemption and Purchase**

6.1 *Final Redemption*

Unless previously purchased and cancelled or redeemed as herein provided, the Series D Bonds will be redeemed at their principal amount on the Final Maturity Date. The Series D Bonds may only be redeemed prior to the Final Maturity Date at the option of the Issuer in accordance with Condition 6.2(a), 6.2(b) or 6.3.

6.2 *Redemption at the Option of the Issuer*

- (a) The Issuer may upon not less than 45 days' nor more than 60 days' prior notice (an "**Optional Redemption Notice**") to the Trustee and to the Series D Bondholders in accordance with Condition 16, redeem, at the sole discretion of the Issuer, the Series D Bonds (except for any Series D Bonds which are the subject of the prior exercise by a Series D Bondholder of its option to require the redemption of such Series D Bondholder under Condition 6.5) in whole but not in part, on the date specified by it in the relevant Optional Redemption Notice (the "**Optional Redemption Date**"), at their Optional Redemption Amount together

with accrued but unpaid interest, if any, to (but excluding) the relevant Optional Redemption Date.

- (b) The Issuer may, upon the giving of an Optional Redemption Notice to the Trustee and to the Series D Bondholders in accordance with Condition 16, redeem, at the sole discretion of the Issuer, all or some only of the Series D Bonds on the Optional Redemption Date specified by it in the relevant Optional Redemption Notice at their principal amount, together with accrued but unpaid interest, if any, to (but excluding) the relevant Optional Redemption Date, if, prior to the date the relevant Optional Redemption Notice is given, purchases (and corresponding cancellations) and/or redemptions shall have been effected in respect of 80 per cent or more in principal amount of the Series D Bonds.
- (c) If less than all of the Series D Bonds are to be redeemed at any time, the Series D Bonds shall be redeemed on a pro rata basis and in such manner as the Trustee may deem appropriate and fair. Where some but not all of the Series D Bonds in respect of which a Certificate is issued are to be redeemed, the notice of redemption that relates to such Certificate shall state the portion of the principal amount of the Series D Bonds to be redeemed and, where applicable, a new Certificate in a principal amount equal to the unredeemed Series D Bonds will be issued in the name of the Series D Bondholder thereof upon cancellation of the original Certificate. Any such new Certificate will be delivered to the specified office of a Paying and Transfer Agent or (at the risk and, if mailed at the request of the Series D Bondholders otherwise than by ordinary uninsured mail, at the expense, of the Series D Bondholder) sent by mail to the Series D Bondholder.

6.3 *Redemption for Taxation Reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Series D Bondholders redeem (subject to the provisions of this Condition 6.3) all but not some only of the Series D Bonds for the time being outstanding on the date (the "**Tax Redemption Date**") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest, if any, to the Tax Redemption Date, if:

- (a) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer has or will become obliged to pay additional amounts pursuant to Condition 8 as a result of any change in, or amendment to, the laws or regulations of Luxembourg or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the relevant Series D Bonds; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Series D Bonds then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee: (i) a certificate signed by two directors of the Issuer stating that the obligation referred to in Condition 6.3(a) above cannot be avoided by the Issuer taking reasonable measures available to it; and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that such change or amendment has occurred and that the Issuer has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall be entitled to accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out in Conditions 6.3(a) and (b) above in which event it shall be conclusive and binding on the Series D Bondholders.

On the Tax Redemption Date, the Issuer shall (subject to provisions of this Condition 6.3) redeem the Series D Bonds at their principal amount, together with accrued interest to such date.

Notwithstanding the foregoing provisions of this Condition 6.3, if the Issuer gives a Tax Redemption Notice, each Series D Bondholder will have the right to elect that his Series D Bonds shall not be redeemed and that the provisions of Condition 8 shall not apply in respect of any payment of interest to be made on such Series D Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 8 and payment of all amounts of such interest on such Series D Bonds shall be made subject to the deduction or withholding of any taxation required to be withheld or deducted from time to time. To exercise such right, the holder of the relevant Series D Bond must complete, sign and deposit at the specified office of any Paying and Transfer Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying and Transfer Agent together with the relevant Series D Bonds on or before the day falling ten days prior to the Tax Redemption Date.

6.4 *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify: (a) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, which shall be a London business day; and (b) the amount of accrued interest payable in respect of each Series D Bond on the Optional Redemption Date or Tax Redemption Date, as the case may be.

6.5 *Redemption at the Option of Series D Bondholders upon a Change of Control*

Following the occurrence of a Change of Control, the holder of each Series D Bond will have the right to require the Issuer to redeem that Series D Bond on the relevant Change of Control Put Date (as defined below) at a redemption price equal to 101% of its principal amount, together with accrued and unpaid interest, if any, to and excluding the relevant Change of Control Put Date. To exercise such right, the holder of the relevant Series D Bond must deliver the Certificate representing such Series D Bond to the specified office of any Paying and Transfer Agent, together with a duly completed and signed notice of exercise in the form for the time being currently obtainable from the specified office of any Paying and Transfer Agent (a "**Change of Control Put Exercise Notice**"), at any time during the Change of Control Period. The "**Change of Control Put Date**" shall be the date falling 180 days after the expiry of the Change of Control Period.

Payment in respect of any such Series D Bond shall be made by transfer to a Euro account with a bank in a city in which banks have access to the TARGET System as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Series D Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

6.6 *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Series D Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any member of the Group may at any time purchase any Series D Bonds in the open market or otherwise at any price. Such Series D Bonds may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered to any Paying and Transfer Agent for cancellation. The Series D Bonds so purchased, while held by or on behalf of the Issuer or any member of the Group, shall not entitle the holder to vote at any meetings of the Series D Bondholders and shall not be

deemed to be outstanding for the purposes of calculating quorums at meetings of the Series D Bondholders for the purposes of Condition 13.1.

6.7 *Cancellation*

All Series D Bonds which are redeemed will be cancelled and may not be reissued or resold. Series D Bonds purchased by the Issuer or any member of the Group may be surrendered to the Principal Paying and Transfer Agent for cancellation and, if so surrendered, shall be cancelled.

6.8 *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

7. **Payments**

7.1 *Principal*

Payment of principal in respect of the Series D Bonds and payment of accrued interest payable on redemption of the Series D Bonds (other than on an Interest Payment Date) will be made to the persons shown in the Register at the close of business on the Record Date, subject to surrender (or in the case of partial payment only, endorsement) of the relevant Certificate at the specified office of any Paying and Transfer Agent.

7.2 *Interest and Other Amounts*

- (a) Payments of interest due on any Interest Payment Date will be made to the persons shown in the Register at close of business on the Record Date.
- (b) Payments of all amounts other than as provided in Conditions 7.1 and 7.2(a) will be made as provided in these Conditions.

7.3 *Record Date*

"Record Date" means the seventh business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

7.4 *Payments*

Each payment in respect of the Series D Bonds pursuant to Condition 7.1 and Condition 7.2(a) will be made by transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

Payment instructions (for value on the due date or, if that is not a business day in London, for value the first following day which is a business day in London) will be initiated on the business day in London preceding the due date for payment or, in the case of payments referred to in Condition 7.1, if later, on the business day in the place of the specified office of the Paying and Transfer Agent to which the relevant Bond is surrendered as specified in Condition 7.1 (for value the next following business day in London).

7.5 *Payments Subject to Fiscal Laws*

All payments in respect of the Series D Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to Condition 9. No commissions or expenses shall be charged to Series D Bondholders in respect of such payments.

7.6 *Delay in Payment*

Series D Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due: (a) as a result of the due date not being a business day; or (b) if the Series D Bondholder is late in surrendering the relevant Certificate (where such surrender is required pursuant to these Conditions as a precondition to payment).

7.7 *Business Days*

In this Condition, "**business day**" means a day (other than a Saturday or Sunday) in London and (where surrender of the relevant Certificate is required pursuant to these Conditions as a precondition to payment) in the place of the specified office of the Paying and Transfer Agent to whom the Certificate is surrendered.

7.8 *Paying and Transfer Agents, etc.*

The initial Paying and Transfer Agents and Registrar and their initial specified offices are The Bank of New York Mellon, acting through its office at One Canada Square, London E14 5AL (as Paying and Transfer Agents) and The Bank of New York Mellon (Luxembourg) S.A., acting through its office at Vertigo Building – Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg (as Registrar). The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying and Transfer Agent and Registrar and appoint additional or other Paying and Transfer Agents, provided that it will:

- (a) maintain a Principal Paying and Transfer Agent;
- (b) maintain a Paying and Transfer Agent (which may be the Principal Paying and Transfer Agent) with a specified office in a European Union member state (if any) that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (c) maintain a Registrar with a specified office outside the United Kingdom.

Notice of any change in the Paying and Transfer Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Series D Bondholders in accordance with Condition 16.

7.9 *No Charges*

Neither the Registrar nor the Paying and Transfer Agents shall make or impose on a Series D Bondholder any charge or commission in relation to any payment, exchange or transfer in respect of the Series D Bonds.

7.10 *Fractions*

When making payments to Series D Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Series D Bonds shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Luxembourg or any authority

therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Series D Bondholders of such amounts, after such withholding or deduction, as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Series D Bond:

- (a) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Series D Bond by reason of his having some connection with Luxembourg otherwise than merely by holding the Series D Bond or by the receipt of amounts in respect of the Series D Bond;
- (b) where presentation and surrender of a Series D Bond is required pursuant to these Conditions, if the Series D Bond is surrendered more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to such additional amount on surrendering the Series D Bond for payment on the last day of such period of 30 days;
- (c) where such withholding or deduction is imposed on a payment to an individual or certain residual entities and is required to be made pursuant to European Council Directive 2003/48/EC, the Luxembourg laws of 21 June 2005, as amended, implementing such Directive, the Luxembourg law of 23 December 2005, as amended, introducing in Luxembourg a 10% withholding tax as regards Luxembourg resident individuals or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) where presentation and surrender of a Series D Bond is required pursuant to these Conditions, presented for payment by or on behalf of a Series D Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Series D Bond to another Paying and Transfer Agent in a Member State of the European Union.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Series D Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefore pursuant to the Trust Deed.

The provisions of this Condition 8 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Series D Bonds which are the subject of a Series D Bondholder election pursuant to Condition 6.3.

9. Events of Default

9.1 The Trustee shall, if so requested in writing by the holders of at least 51 per cent. in principal amount of the Series D Bonds then outstanding or if so directed by an Extraordinary Resolution of the Series D Bondholders (subject to being indemnified and/or secured and/or prefunded to its satisfaction and provided that in the case of paragraphs (b), (d), (e), (i) and (j) of this Condition 9 the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of Series D Bondholders) give notice in writing to the Issuer that the Series D Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount, together with accrued interest as at such date, if any of the following events (each an "**Event of Default**") shall have occurred and be continuing:

- (a) the Issuer fails to pay the principal of or any interest on any of the Series D Bonds when due and such failure continues for a period of 14 days in the case of principal and 21 days in the case of interest;

- (b) the Issuer does not perform or comply with any one or more of its other obligations in respect of the Series D Bonds or the Trust Deed (in respect of its obligations relating to the Series D Bonds only) and such default is incapable of remedy or, if (in the opinion of the Trustee) capable of remedy, is not (in the opinion of the Trustee) remedied within 30 days after the Issuer shall have received from the Trustee written notice of such default;
- (c) if: (i) any Indebtedness of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer for any Indebtedness is enforced; or (iv) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person;
- (d) if: (i) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any substantial part of the assets of the Issuer and is not discharged or stayed within 90 days or such longer period as may be permitted by the Trustee in its sole discretion; or (ii) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer;
- (e) any step is taken to enforce any Security Interest, present or future, created or assumed by the Issuer (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager, judicial manager or other similar person) and such step is not stayed within 90 days;
- (f) bankruptcy (*faillite*), insolvency, voluntary or judicial liquidation (*liquidation volontaire ou judiciaire*), reprieve from payment (*sursis de paiement*), controlled management (*gestion contrôlée*), general settlement or composition with creditors (*concordat préventif de faillite*), reorganisation or similar Luxembourg or foreign laws proceedings affecting the rights of creditors generally are opened against the Issuer and remain unstayed in effect for a period of 90 consecutive days and/or any receiver (*curateur*), liquidator (*liquidateur*), auditor (*commissaire*), verifier (*expert-vérificateur*), *juge délégué* or *juge commissaire* is appointed in respect of the Issuer and is not discharged within 90 days of such appointment;
- (g) the Issuer admits inability to, pay, its debts as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law;
- (h) an order is made or a resolution is passed for the winding-up or dissolution of the Issuer, or the Issuer has passed a special resolution to have itself wound up or has made an announcement or issued a notice to that effect, or the Issuer ceases or publicly announces an intention to cease to carry on all or substantially all of its business or operations, except in any such case: (i) as a result of a Permitted Cessation of Business; (ii) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation; or (iii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary;
- (i) a final judgment or judgments for the payment of money are rendered against the Issuer and which judgments are not, within 90 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 90 days after the expiration of such stay;
- (j) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs; or

- (k) at any time up to the Final Security Discharge Date, the Trustee declares any other series of Secured Bonds due and repayable or the Issuer fails to pay any amount of interest or principal upon the maturity of any other series of Secured Bonds,

provided that, in the case of paragraphs (c), (d), (e), (f) (to the extent that paragraph (f) relates to a reprieve from payment (*sursis de paiement*) or a general settlement or composition with creditors (*concordat préventif de faillite*)) and (i) above, no such event shall constitute an Event of Default unless the amount of the relevant default, either alone or when aggregated with other amounts of default relative to all (if any) other such events referred to in such paragraphs which shall have occurred (such amounts, in each case, if not in Euro, converted into Euro at the Prevailing Rate on the date of the occurrence of the relevant Event of Default), shall be equal to, or more than, 10% of Total Assets (excluding the proceeds of the Indebtedness or the proceeds of Secured Indebtedness to be incurred) on or prior to the date of occurrence of the relevant Event of Default.

In addition, up to the Final Security Discharge Date, the Security shall become enforceable following an Event of Default or a Further Secured Bond Event of Default, subject to and in accordance with the provisions of Condition 2 and the relevant Bond Security Documents.

10. Covenants

10.1 *Limitations on Incurrence of Indebtedness*

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

- (a) the sum of: (i) the Consolidated Indebtedness (less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Indebtedness (less Cash and Cash Equivalents) incurred since the Last Reporting Date would exceed 60% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); and
- (b) the sum of: (i) the Consolidated Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) as at the Last Reporting Date; and (ii) the Net Secured Indebtedness (excluding the Series B Bonds, the Series C Bonds and the Series D Bonds and less Cash and Cash Equivalents) incurred since the Last Reporting Date shall not exceed 45% of the sum of (without duplication): (i) the Total Assets (less Cash and Cash Equivalents) as at the Last Reporting Date; (ii) the purchase price of any Real Estate Property acquired or contracted for acquisition by the Group since the Last Reporting Date; and (iii) the proceeds of any Indebtedness incurred since the Last Reporting Date (but only to the extent that such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

10.2 *Maintenance of Consolidated Coverage Ratio*

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

10.3 *Maintenance of Total Unencumbered Assets*

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

10.4 *Reports*

For so long as any Series D Bonds are outstanding, the Issuer shall post on its website:

- (a) within 120 days after the end of each of the Issuer's fiscal years, annual reports containing the following information:
 - (i) audited consolidated financial statements prepared in accordance with IFRS; and
 - (ii) the audit report of the independent auditors on the consolidated financial statements; and
- (b) within 60 days after the end of each of the first three fiscal quarters in each fiscal year of the Issuer, consolidated interim financial statements prepared in accordance with IFRS.

10.5 *Certificates*

The Issuer shall deliver to the Trustee promptly following the publication of the reports referred to in Condition 10.4 a certificate addressed to the Trustee by two directors of the Issuer as to the compliance by the Issuer with the covenants set out in Conditions 10.1, 10.2 and 10.3. Such certificate may, in the absence of manifest error, be relied upon by the Trustee (without liability to any person for so relying) and, if so relied upon, shall be conclusive and binding on the Issuer and the Series D Bondholders.

Any certificate addressed to the Trustee by two directors of the Issuer as to the amounts of any defined term or figure in Conditions 10.1, 10.2 and 10.3 (unless expressly stated otherwise) may, in the absence of manifest error, be relied upon by the Trustee (without liability to any person for so relying) and, if so relied upon, shall be conclusive and binding on the Issuer and the Bondholders.

10.6 *Security Undertakings*

The Issuer undertakes that it will transfer to GrandCity the entire net subscription monies received from the issue and offer of the Series D Bonds by means of the GCP Loan (as defined in Condition 2) and, in respect of the period up to the Final Security Discharge Date, assign to the Trustee, for the benefit of the Trustee and the Series D Bondholders, its rights against GrandCity under, and claims for payment of principal and interest with respect to, the GCP Loan.

10.7 *Rating of the Series D Bonds*

The Issuer undertakes that it will use its reasonable endeavours to obtain a rating for the Series D Bonds from a Rating Agency within 90 days after the Closing Date.

11. **Prescription**

Claims against the Issuer for payment in respect of the Series D Bonds shall be prescribed and become void unless made within ten years from the appropriate Relevant

Date in respect of any principal and five years from the appropriate Relevant Date in respect of any interest payable in respect of such Series D Bonds.

12. Replacement of Series D Bonds

If any Series D Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying and Transfer Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Series D Bonds must be surrendered before replacements will be issued.

13. Meetings of Series D Bondholders, Modification and Waiver, Substitution

13.1 Meetings of Series D Bondholders

Subject to the third paragraph of this Condition 13.1, the Trust Deed contains provisions for convening meetings of Series D Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of the Series D Bonds or of these Conditions, the Bond Security Documents or any provisions of the Trust Deed (any such resolution, provided it shall not be a Collective Series Reserved Matter (as defined below), an **"Individual Series Extraordinary Resolution"**). Such a meeting may be convened by the Issuer or the Trustee and shall, save in the case of a meeting convened to consider a Collective Series Reserved Matter pursuant to which the provisions of the immediately following paragraph will apply, be convened by the Issuer if requested in writing by Series D Bondholders holding not less than 51% in principal amount of the Series D Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Series D Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Series D Bondholders whatever the principal amount of the Series D Bonds so held or represented, unless the business of such meeting includes consideration of proposals in relation to the Series D Bonds, *inter alia*: (a) to change the Final Maturity Date or the dates on which the Issuer or Series D Bondholders are entitled to redeem the Series D Bonds pursuant to Condition 6; (b) to reduce or cancel the principal amount of, or interest on, the Series D Bonds or to reduce the amount payable on redemption of the Series D Bonds; (c) to modify the basis for calculating the interest payable in respect of the Series D Bonds; (d) to change the currency of the Series D Bonds or any payment in respect of the Series D Bonds; (e) to change the governing law of the Series D Bonds, the Trust Deed or the Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 13.3 below); or (f) to modify the provisions concerning the quorum required at any meeting of Series D Bondholders or the majority required to pass an Extraordinary Resolution in respect of the Series D Bonds (each, an **"Individual Series Reserved Matter"**), in which case the necessary quorum will be one or more persons holding or representing not less than 51%, or at any adjourned meeting not less than 25%, in principal amount of the Series D Bonds for the time being outstanding. Any Individual Series Extraordinary Resolution duly passed shall be binding on all Series D Bondholders (whether or not they were present at the meeting at which such resolution was passed).

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Trustee to take or refrain from taking enforcement action pursuant to paragraph (b) of Condition 14, (a **"Collective Series Reserved Matter"**) shall only be capable of being passed at a single meeting of the holders of Secured Bonds then outstanding. Any such meeting to consider a Collective Series Reserved Matter may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Secured Bondholders holding not less than 10% in aggregate principal amount of the Secured Bonds for the time being outstanding. The quorum for any meeting convened to consider a Collective Series Reserved Matter will be

one or more persons holding or representing a clear majority in aggregate principal amount of the Secured Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Secured Bondholders whatever the principal amount of the Secured Bonds so held or represented. Any Extraordinary Resolution duly passed at a meeting of the Secured Bonds pursuant to this paragraph shall be binding on all Secured Bondholders (whether or not they were present at the meeting at which such resolution was passed).

Pursuant to the Trust Deed and except in respect of a Collective Series Reserved Matter, an acceleration pursuant to Condition 10 or any enforcement action pursuant to paragraph (a) of Condition 14, no resolution of the holders of the Series D Bonds shall be valid unless passed at separate meetings of the holders of the Secured Bonds of each other series so affected or the Trustee is satisfied that such resolution does not affect the holders of the Secured Bonds of any other series. Further, pursuant to the Trust Deed and except in respect of an acceleration pursuant to Condition 9 or any enforcement action pursuant to paragraph (a) of Condition 14, no request in writing by the holders of not less than 51% in aggregate principal amount of the Series D Bonds shall be valid unless such request has been provided by the holders of not less than 51% in aggregate principal amount of each other series of Secured Bonds so affected or the Trustee is satisfied that such resolution does not affect the holders of the Secured Bonds of any other series.

Subject to the provisions of the immediately preceding paragraph, the Trust Deed provides that: (i) a resolution passed at a meeting duly convened and held by or on behalf of the holder(s) of not less than three-fourths of the persons eligible to vote at such meeting; (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Series D Bonds for the time being outstanding entitled to form a quorum for a meeting that could be convened to consider such resolution; or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three fourths in principal amount of the Series D Bonds for the time being outstanding entitled to form a quorum for a meeting that could be convened to consider such resolution, shall, in each case, be effective as an Extraordinary Resolution of the Series D Bondholders. The Trust Deed also provides that paragraphs (i), (ii) and (iii) shall apply to any meeting of the Secured Bondholders held to consider a Collective Series Reserved Matter or any written resolutions or resolution given by electronic consent in respect of a Collective Series Reserved Matter.

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

No Series D Bondholder may initiate proceedings against the Issuer based on article 98 of the Luxembourg Companies Act 1915.

As long as the Luxembourg Companies Act 1915 requires the consent of the holders of debt securities for: (i) amendments to the corporate objects of the Issuer or the form of the Issuer; (ii) changes to the nationality of the Issuer; and/or (iii) increases in the commitments of the shareholders of the Issuer (together, the “**Luxembourg Law Resolutions**”), the Luxembourg Law Resolutions of the Series D Bondholders may only be taken, and any meetings of Series D Bondholders resolving thereupon must be convened and held, in accordance with the Luxembourg Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Luxembourg Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Series D Bondholders will be binding on all Series D Bondholders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of Extraordinary Resolutions.

13.2 *Modification and Waiver*

The Trustee may agree, without the consent of the Secured Bondholders of any series of Secured Bonds, to: (a) any modification of any of the provisions of the Trust Deed, the Agency Agreement, the Bond Security Documents, the Secured Bonds of any one or more series of Secured Bonds or these Conditions which, in the opinion of the Trustee, is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven, or to comply with mandatory provisions of law; and (b) any other modification (except such modifications set out in (a) to (f) in the first paragraph of Condition 13.1 above) to the Trust Deed, the Agency Agreement, the Bond Security Documents, the Secured Bonds of any one or more series of Secured Bonds or these Conditions, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement, the Bond Security Documents, the Secured Bonds of any one or more series of Secured Bonds or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Secured Bondholders of any series of Secured Bonds. The Trustee may, without the consent of the Secured Bondholders of any series of Secured Bonds, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Secured Bondholders of any series of Secured Bonds will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be binding on the Secured Bondholders of all series and, if the Trustee so requires, shall be notified to the Secured Bondholders of all series promptly in accordance with Condition 16.

13.3 *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Secured Bondholders of any series of Secured Bonds, to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Secured Bonds of all series and the Trust Deed of: (a) any Successor in Business; or (b) any Subsidiary, in each case, as principal debtor under the Trust Deed and Secured Bonds of all series (a "**Substitution**"). Such Substitution shall be subject to: (i) the relevant provisions of the Trust Deed; and (ii) save in the case of Substitution in place of the Issuer of a Successor in Business, the Secured Bonds of each series being unconditionally and irrevocably guaranteed by the Issuer provided that in any such case: (A) the Trustee being satisfied that the interests of the Secured Bondholders of any series of Secured Bonds will not be materially prejudiced by the substitution; and (B) certain other conditions set out in the Trust Deed being complied with. In the case of such a Substitution, the Trustee may agree, without the consent of the Secured Bondholders of any series of Secured Bonds, to a change of the law governing the Secured Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Secured Bondholders of any series. Any such substitution shall be binding on the Secured Bondholders of all series and shall be notified promptly to the Secured Bondholders of all series.

13.4 *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) and the exercise or performance of any right, power, trust, authority, duty or discretion under or in relation to these Conditions, the Trust Deed and the Bond Security Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Trustee shall have regard to the interests of the Series D Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Series D Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of the exercise or performance of its trusts, powers or discretions for individual Series D Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the

jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Series D Bondholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Series D Bondholders.

14. Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to:

- (a) enforce the provisions of the Trust Deed, the Series D Bonds and the Bond Security Documents; and
- (b) at any time after the Security has become enforceable, take action to enforce that Security in accordance with the Bond Security Documents and the Trust Deed,

but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bond Security Documents or the Series D Bonds unless:

- (i) in respect of paragraph (a) above (and subject to the third paragraph of Condition 13.1: (1) it shall have been so directed by an Extraordinary Resolution of the Series D Bondholders or so requested in writing by holders of not less than 51% in aggregate principal amount of the Series D Bonds then outstanding; and (2) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Series D Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing; and
- (ii) in respect of paragraph (b) above: (1) shall have been so directed by an Extraordinary Resolution of the Secured Bondholders (taken together as a single series) or so requested in writing by the holders of at least one-quarter in aggregate principal amount of the Secured Bonds (taken together as a single series) then outstanding; and (2) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Secured Bondholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and the failure shall be continuing.

Following an Event of Default or Further Secured Bond Event of Default, the Security shall become enforceable, subject to and in accordance with the provisions of Condition 2.

15. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Series D Bondholders and to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith. The Trustee may rely, without liability to Series D Bondholders, on a report, confirmation or certificate or any advice of the Issuer, any accountants, financial advisers or financial institution, whether or not addressed to it

and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise and, if so relied upon, such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Series D Bondholders in the absence of manifest error. The Trustee will not be liable to any holder of any series for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Bond Security Documents.

16. Notices

All notices regarding the Series D Bonds will be valid if sent to the address of the relevant Series D Bondholder as specified in the Register. The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Series D Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication, or if published more than once or on different dates, on the first date on which publication is made.

If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

17. Further Issues

17.1 Further Single Series D Bonds

The Issuer may, without the consent of the Series D Bondholders, raise further funds, from time to time, on any date by the creation and issue of further bonds ("**Further Single Series D Bonds**"), including by way of a Retail Bond Issue Event, carrying the same terms and conditions in all respects (or in all respects except for the amount and date of the first payment of interest thereon, issue date and/or purchase price) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Series D Bonds.

17.2 Further Secured Bonds

The Issuer may, without the consent of the Series D Bondholders, raise further funds, from time to time, on any date by the creation and issue of further bonds ("**Further Secured Bonds**") whether in registered or bearer form, which may have terms and conditions which differ from the Series D Bonds but which have the benefit of the Security, provided that:

- (a) the terms and conditions of such Further Secured Bonds relating to the Security shall be on the same terms, *mutatis mutandis*, as Conditions 13, 14 and 17.2 of the Series D Bonds, including in respect of enforcement, modification, waiver, substitution, Collective Series Reserved Matters and issuance of Further Secured Bonds;
- (b) the Issuer shall grant security in favour of the Series D Bondholders and the Further Secured Bondholders by an assignment by way of security, governed by Luxembourg law, of the Issuer's receivables and rights under, and claims against GrandCity for payment of principal and interest under any loan agreement relating to any loan by the Issuer to GrandCity of the net issuance proceeds in respect of any Further Secured Bonds;

- (c) the Trustee shall be allowed through Condition 9(k), which shall be incorporated, *mutatis mutandis*, in any series of Further Secured Bonds, additional cross default or similar rights to accelerate the Further Secured Bonds upon an Event of Default under the Series D Bonds or an event of default under any other series of Further Secured Bonds;
- (d) the Further Secured Bonds will be constituted by a deed supplemental to the Trust Deed;
- (e) the coupon rate shall not exceed 8 per cent. per annum; and
- (f) the maturity date shall be no earlier than 31 March 2018,

and the Trustee shall (at the expense of the Issuer), upon receipt of a certificate from two directors of the Issuer certifying that the terms of the proviso above are satisfied, be obliged to enter into a deed supplemental to the Trust Deed and such Bond Security Documents (including amendments to such Bond Security Documents) as the Issuer shall require in order to comply with the provisions hereof and applicable law, provided that the Trustee shall not be obliged so to enter if in the opinion of the Trustee doing so would impose new or more onerous duties or obligations upon it or expose it to further liabilities or reduce its protections.

17.3 *Further Bonds*

The Issuer, or any other member of the Group, may, without the consent of the Series D Bondholders or, where the Trustee is not acting as trustee in respect of such Further Bonds, any trustee, raise further funds, from time to time, on any date by the creation and issue of further bonds ("**Further Bonds**") whether in registered or bearer form and on such terms as the Issuer may decide, including the granting of security interests separate to the Security. Any Further Bonds will be constituted by a separate trust deed on terms to be agreed by the Issuer and the trustee appointed in relation to the Further Bonds.

For the avoidance of doubt and without prejudice to Conditions 17.1, 17.2 and 17.3 above, the Issuer may only issue further bonds secured pursuant to Conditions 17.1, 17.2 and 17.3 above.

18. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Series D Bonds under the Contracts (Rights of Third Parties) Act 1999.

19. **Governing Law and Jurisdiction**

19.1 *Governing Law*

The Trust Deed, the Agency Agreement and the Series D Bonds and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

The governing law of the Bond Security Documents is described in Condition 2.

19.2 *Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Series D Bonds (including any dispute relating to any non-contractual obligations arising out of or in connection with therewith) and, accordingly, any legal action or proceedings arising out of or in connection with the Trust Deed or the Series D Bonds (including any dispute relating to any non-contractual obligations arising out of or in connection therewith) ("**Proceedings**") may be

brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the Series D Bondholders and, to the extent allowed by law, shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

19.3 *Agent for Service of Process*

The Issuer has irrevocably appointed Law Debenture Corporate Services Limited at its registered office for the time being, currently at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

20. Definitions

In these Conditions, unless otherwise provided:

"Benchmark Yield" means the yield to maturity at the Redemption Calculation Date of direct obligations of the Federal Republic of Germany (*Bund or Bundesanleihen*) with a constant maturity (as compiled and published in the most recent financial statistics which have become publicly available on at least the second business day (but not more than at the fifth business day) prior to the relevant Optional Redemption Date (or, if such statistics are not so published or available, any publicly available source of similar market data selected by an Independent Financial Adviser in good faith)) most nearly equal to the period from the Optional Redemption Date to the Maturity Date; provided, however, that if the period from the Optional Redemption Date to the Maturity Date is not equal to the constant maturity of the direct obligations of the Federal Republic of Germany for which a weekly average yield is given, the Benchmark Yield shall be obtained by a linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from the Optional Redemption Date to the Maturity Date is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used;

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

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

"Capital Market Indebtedness" means any present or future obligation for the payment of borrowed money (including obligations by reason of any guarantee or other liability agreement for such obligations of third parties) which is in the form of, or represented by, bonds, notes or other securities which are capable of being quoted, listed, dealt in or traded on a stock exchange, over-the-counter-market or other recognised securities market;

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

"Cash Equivalents" means short-term, liquid investments and traded securities that are readily convertible to known amounts of cash (or as otherwise defined in International Accounting Standards 7);

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

"Change of Control Notice" has the meaning provided in Condition 5;

"Change of Control Period" means the period commencing on the occurrence of a Change of Control and ending 30 calendar days following the Change of Control or, if later, 30 calendar days following the date on which a Change of Control Notice is given to Series D Bondholders as required by Condition 6.5;

"Change of Control Put Date" has the meaning provided in Condition 6.5;

"Change of Control Put Exercise Notice" has the meaning provided in Condition 6.5;

"Closing Date" means 29 October 2014;

"Consolidated Adjusted EBITDA" means the number set out under the heading "EBITDA (adjusted)" in the Financial Statements;

"Consolidated Coverage Ratio" means the ratio of (A) the aggregate amount of Consolidated Adjusted EBITDA in the Relevant Period to (B) the aggregate amount of Net Cash Interest in the Relevant Period;

"Consolidated Indebtedness" means Indebtedness of the Issuer and any of its Subsidiaries on a consolidated basis determined in accordance with IFRS;

"Consolidated Secured Indebtedness" means that portion of the Consolidated Indebtedness that is secured by any Security Interest on the properties or other assets of the Group;

The **"Date of an Investment Grade Rating Change"** means the day immediately following the day on which a Rating Agency publicly announced an Investment Grade Rating Change;

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

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

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

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

"Final Maturity Date" means 29 October 2021;

"Final Repayment Date" means the earlier of:

- (a) the Final Maturity Date; and

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

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

"Final Security Discharge Date" means the date being the later of:

- (a) the date on which all present and future obligations and liabilities (whether actual or contingent) of the Issuer to the Trustee and the Series B Bondholders (under or in respect of the Series B Bonds and the Trust Deed) and the Series C Bondholders (under or in respect of the Series C Bonds and the Trust Deed) (excluding all obligations and liabilities relating to the Secured Bonds other than the Series B Bonds and the Series C Bonds) have been unconditionally and irrevocably paid and discharged in full; and
- (b) the Date of an Investment Grade Rating Change,

provided that, if the Final Security Discharge Date has not already occurred by the Final Repayment Date, the Final Repayment Date will be deemed to be the Final Security Discharge Date;

"Financial Statements" means the audited consolidated financial statements (including the management report) of the Issuer and/or the consolidated interim financial statements (including the management report) of the Issuer, in each case as published by the Issuer as at the Last Reporting Date and prepared in accordance with IFRS covering the applicable Relevant Period;

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

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

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

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

"Further Single Series B Bonds" means further bonds carrying the same terms and conditions in all respects (or in all respects except for the amount and date of the first payment of interest thereon, issue date and/or purchase price) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Series B Bonds;

"Further Single Series C Bonds" means further bonds carrying the same terms and conditions in all respects (or in all respects except for the amount and date of the first payment of interest thereon, issue date and/or purchase price) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Series C Bonds;

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

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

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

"IFRS" means a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements, as issued by the International Accounting Standards Board;

"Indebtedness" means (without duplication) any present or future indebtedness (whether being principal, interest or other amounts but excluding any indebtedness owed to another member of the Group) for or in respect of: (a) money borrowed; (b) liabilities under or in respect of any acceptance or acceptance credit; or (c) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

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

"Interest Payment Date" has the meaning provided in Condition 4.1;

A **"Investment Grade Rating Change"** shall occur if (i) any rating previously assigned to the Issuer by any Rating Agency is changed from a noninvestment grade rating (Ba1 by Moody's, or BB+ by Fitch or BB+ by S&P, or worse) to an investment grade rating (Baa3 by Moody's, or BBB- by Fitch or BBB- by S&P, or better) or (ii) if a Rating Agency that had not previously assigned a rating to the Issuer assigns an investment grade credit rating to the Issuer;

"Last Reporting Date" means the most recent Reporting Date;

"Net Cash Interest" means all interest accrued to persons who are not members of the Group less the amount of any interest accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including, without limitation, any one-off fees and/or break costs and/or early redemption costs and/or issuance costs);

"Net Indebtedness" means the Indebtedness incurred minus the amount of Indebtedness repaid;

"Net Secured Indebtedness" means the Secured Indebtedness minus the amount of Secured Indebtedness repaid;

"Net Unencumbered Assets" means, on a consolidated basis determined in accordance with IFRS, the value of any real estate property of the Issuer and its Subsidiaries not subject to any Security Interest acquired plus the value of all other assets of the Issuer and its Subsidiaries not subject to any Security Interest acquired, minus the value of such assets which: (i) have been disposed of; or (ii) have become subject to a Security Interest;

"Net Unsecured Indebtedness" means the Unsecured Indebtedness incurred minus the Unsecured Indebtedness repaid;

"Optional Redemption Amount" means an amount equal to the higher of:

- (a) the principal amount of the Series D Bonds to be redeemed; and
- (b) the present value on the Optional Redemption Date of: (i) the principal amount of the Series D Bonds to be redeemed; plus (ii) all remaining scheduled interest payments for the Series D Bonds to the Final Maturity Date discounted with the Benchmark Yield plus 50 basis points (as calculated by an Independent Financial Adviser);

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

"Optional Redemption Notice" has the meaning provided in Condition 7.2 and shall specify:

- (a) the Series D Bonds subject to redemption;
- (b) the Optional Redemption Date; and
- (c) the Optional Redemption Amount at which such Series D Bonds are to be redeemed;

"outstanding" means in relation to the Series D Bonds all the Series D Bonds issued other than:

- (a) those Series D Bonds which have been redeemed in accordance with these Conditions;
- (b) those Series D Bonds in respect of which the date for redemption in accordance with these Conditions has occurred and the redemption moneys (including premium (if any) and all interest payable thereon) have been duly paid to the Trustee or to the Paying and Transfer Agents or Registrar in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the Series D Bondholders in accordance with Condition 16 (Notices) and remain available for payment (against presentation of the relevant Series D Bonds, if required);
- (c) those Series D Bonds which have been purchased and cancelled in accordance with Condition 6 (Redemption and Purchase);
- (d) those Series D Bonds which have become void under Condition 11 (Prescription);
- (e) those mutilated or defaced Series D Bonds which have been surrendered and cancelled in respect of which replacements have been issued pursuant to Condition 12 (Replacement of Series D Bonds);
- (f) (for the purpose only of ascertaining the principal amount of the Series D Bonds outstanding and without prejudice to the status for any other purpose of the relevant Bonds) those Series D Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 12 (Replacement of Series D Bonds);
- (g) any global security to the extent that it shall have been exchanged for another global security in respect of the Series D Bonds of the relevant series or for the Series D Bonds in definitive form pursuant to its provisions;

PROVIDED THAT for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Series D Bonds or any of them, an Extraordinary Resolution in writing or an Ordinary Resolution in writing or an Extraordinary Resolution by way of electronic consents through the relevant clearing systems) and any direction or request by the holders of the Series D Bonds;
- (b) the determination of how many and which Series D Bonds are for the time being outstanding for the purposes of the Trust Deed and Conditions 14 (Enforcement) and 13 (Meetings of Series D Bondholders, Modification and Waiver, Substitution);
- (c) any discretion, power or authority (whether contained in these presents or vested by operation of law) which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Series D Bondholders or any of them; and
- (d) the determination by the Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Series D Bondholders or any of them,

those Series D Bonds (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, any Subsidiary of the Issuer, any holding company of the Issuer or any other Subsidiary of any such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

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

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

"Prevailing Rate" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Financial Adviser in good faith shall prescribe;

"Rating Agency" means Moody's Investors Services Limited ("**Moody's**"), Standard and Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**") or Fitch Ratings Limited ("**Fitch**") or any of their respective successors;

"Real Estate Property" means the real estate property of the Issuer and its subsidiaries;

"Record Date" has the meaning provided in Condition 7.3;

"Redemption Calculation Date" means the sixth business day in London prior to the date on which the Series D Bonds are redeemed in accordance with Condition 6.2(a);

"Register" has the meaning provided in Condition 3.1;

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

"Relevant Date" means, in respect of any Series D Bond, whichever is the later of: (a) the date on which payment in respect of it first becomes due; and (b) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer to the Series D Bondholders in accordance with Condition 16 that, upon further presentation of the Series D Bond, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions;

"Relevant Period" means the respective most recent four consecutive quarters ending prior to the respective date of determination of the Consolidated Coverage Ratio;

"Reporting Date" means an accounts date for which audited consolidated financial statements of the Issuer have been published or consolidated interim financial statements of the Issuer have been published by the Issuer, in each case, prepared in accordance with IFRS;

"Retail Bond Issue Event" means the issue of Further Single Series D Bonds (as defined in Condition 17.1) by way of an offer to the public under the terms of a prospectus to be published in accordance with the provisions of the Prospectus Directive;

"Secured Bonds" means the Series B Bonds, the Series C Bonds, the Series D Bonds and the Further Secured Bonds;

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

"Secured Indebtedness" means that portion of the aggregate principal amount of all outstanding Indebtedness of the Group that is secured by any Security Interest on properties or other assets of the Group;

"Securitised Capital Market Indebtedness" means any Capital Market Indebtedness incurred in respect of or in connection with any securitisation or similar financing arrangement relating to assets owned by the Issuer or its Subsidiaries and where the recourse of the holders of such Capital Market Indebtedness against the Issuer is limited solely to such assets or any income generated therefrom;

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

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

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

"Series B Bondholder" means a person in whose name a Series B Bond is registered in the register of holders of the Series B Bonds;

"Series B Event of Default" means an Event of Default as defined in Condition 10 of the Series B Bonds;

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

"Series C Bondholder" means a person in whose name a Series C Bond is registered in the register of holders of the Series C Bonds;

"Series C Event of Default" means an Event of Default as defined in Condition 10 of the Series C Bonds;

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

"Series D Bondholder" and in respect of a Series D Bond, **"holder"** means the person in whose name a Series D Bond is registered in the Register (as defined in Condition 3.1);

"Shareholders" means the holders of Ordinary Shares;

"Step up Rate" means 0.5% per annum;

"Subsidiary" means any company in which the Issuer holds, directly or indirectly through another Subsidiary, more than 50% of the share capital or Voting Rights;

"Substitution" has the meaning provided in Condition 13.1;

"Successor in Business" means:

- (a) any consolidation, amalgamation or merger of the Issuer with any other corporation (other than a consolidation, amalgamation or merger in which the Issuer is the continuing corporation); or
- (b) any sale or transfer of all, or substantially all, of the assets of the Issuer to another entity (whether by operation of law or otherwise);

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System;

"Taxes" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings (including interest, penalties, surcharges or fines with respect thereto) that are imposed by any government or other taxing authority;

"Tax Redemption Date" has the meaning provided in Condition 6.2;

"Tax Redemption Notice" has the meaning provided in Condition 6.2;

"Total Assets" means the value of the consolidated total assets of the Issuer, its Subsidiaries and any Related Party, as such amount appears in the last Financial Statements of the Issuer prepared in accordance with IFRS, provided that "Total Assets" shall include the proceeds of the Indebtedness or Secured Indebtedness to be incurred;

"Unencumbered Assets" means (without duplication): (i) the value of any real estate property, on a consolidated basis determined in accordance with IFRS, of the Issuer and its Subsidiaries that is not subject to any Security Interest; plus (ii) the value of all other assets of the Issuer and its Subsidiaries that is not subject to any Security Interest (where in the case of both (i) and (ii), the values shall be equal to such amounts that appear on the last Financial Statements of the Issuer prepared in accordance with IFRS);

"Unsecured Indebtedness" means that portion of the aggregate principal amount of all outstanding Indebtedness of the Group that is not Secured Indebtedness;

"United States" means the United States of America (including the states thereof and the District of Colombia) and its territories (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands); and

"Voting Rights" means the right generally to vote at a general meeting of Shareholders of the Issuer or, in respect of any person other than the Issuer, the right generally to vote at a general meeting of the shareholders of that person (in each case, irrespective of

whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any document or agreement shall be to that document or agreement as amended, modified, supplemented, restated and/or novated from time to time.

References in these Conditions to principal in respect of the Series D Bonds shall, unless the context otherwise requires, be deemed to include any premium and other amounts which may be payable by the Issuer in respect of the Series D Bonds.

OVERVIEW OF PROVISIONS RELATING TO THE SERIES D BONDS IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Series D Bonds and in the Global Registered Bond which will apply to, and in some cases modify, the Conditions of the Series D Bonds while the Series D Bonds are represented by the Global Registered Bond.

Exchange

The Global Registered Bond will be exchangeable in whole but not in part (free of charge to the holder) for Series D Bonds in definitive form ("**Series D Definitive Certificates**") only:

- (a) upon the happening of any of the events defined in the Conditions as Events of Default; or
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

Thereupon (in the case of (a) and (b) above) the holder of the Global Registered Bond (acting on the instructions of (an) Accountholder(s) (as defined below)) may give notice to the Issuer, of its intention to exchange the Global Registered Bond for Series D Definitive Certificates on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Global Registered Bond may surrender the Global Registered Bond to or to the order of the Paying and Transfer Agent. In exchange for the Registered Global Bond the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Series D Definitive Certificates in registered form.

For these purposes, "**Exchange Date**" means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and on which banks are open for business in the city in which the specified office of the Paying and Transfer Agent is located and (except in the case of (b) above) in the city in which the relevant clearing system is located.

Eurosystem eligibility

The Series D Bonds are intended upon issue to be deposited with a common safekeeper for Euroclear and Clearstream Luxembourg and registered in the name of a nominee of the common safekeeper in a manner which will allow for them to be eligible as collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem. This does not necessarily

mean that the Series D Bonds will actually be recognised as eligible, either upon issue or at any time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations, as specified by the European Central Bank from time to time.

Notices

For so long as all of the Series D Bonds are represented by the Global Registered Bond and such Global Registered Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Series D Bondholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative accountholders rather than by publication as required by Condition 16 (*Notices*). Any such notice shall be deemed to have been given to the Series D Bondholders on the business day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be).

Whilst any Series D Bonds held by a Series D Bondholder are represented by the Global Registered Bond, notices to be given by such Series D Bondholder may be given by such Series D Bondholder to the Paying and Transfer Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such a manner as the Paying and Transfer Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Accountholders

Subject as provided in the Trust Deed, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as entitled to a particular principal amount of the Series D Bonds represented by the Global Registered Bond (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Series D Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Series D Bonds for all purposes other than with respect to payments of principal, premium (if any) and interest on the Series D Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the nominee of the common safekeeper for Euroclear or Clearstream, Luxembourg (the “**Relevant Nominee**”) in accordance with and subject to the terms of the Registered Global Bond and the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

Cancellation

Upon any such repayment, redemption or purchase and cancellation the principal amount outstanding of the Global Registered Bond and the Series D Bonds held by the registered holder

thereof shall be reduced by the principal amount of such Series D Bonds so repaid, redeemed or purchased and cancelled. The principal amount outstanding of the Global Registered Bond and of the Series D Bonds held by the registered holder thereof following any such repayment, redemption or purchase and cancellation as aforesaid or any exchange as referred to above shall be the outstanding principal amount most recently entered in the schedule to the Global Registered Bond.

Prescription

Claims against the Issuer in respect of principal or premium and interest on the Series D Bonds represented by the Global Registered Bond will be prescribed after 5 years from the Relevant Date (as defined in Condition 20 (*Definitions*)).

Call Option

For so long as all of the Series D Bonds are represented by the Global Registered Bond and the Global Registered Bond is held on behalf of Euroclear and/or Clearstream, Luxembourg, in the event that the Issuer exercises any call option pursuant to Condition 6.2 (*Redemption at the Option of the Issuer*) in respect of less than the aggregate principal amount of the Series D Bonds outstanding at such time, such partial redemptions are to be reflected in the records of Euroclear and Clearstream, Luxembourg as a pool factor.

Redemption for Taxation Reasons

A Series D Bondholder's right under Condition 6.3 (*Redemption for Taxation Reasons*) to elect, after the Issuer has given a Tax Repayment Notice, that its Series D Bonds shall not be repaid by the Issuer under Condition 6.3 (*Redemption for Taxation Reasons*) and that the provisions of Condition 8 (*Taxation*) shall not apply in respect of any payment of interest to be made under such Series D Bonds by the Issuer which falls due after the relevant Tax Repayment Date, may be exercised by the relevant holder giving notice to the Further Bond Principal Paying Agent within the time limits specified by Condition 6.3 (*Redemption for Taxation Reasons*) and in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg, which may include notice being given on such Accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depositary for them to the Paying and Transfer Agent by electronic means, and in a form acceptable to Euroclear and/or Clearstream, Luxembourg.

Change of Control Put Option

The Series D Bondholders' put option in Condition 6.5 (*Redemption at the Option of Series D Bondholders upon a Change of Control*) may be exercised by the relevant holder in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg, which may include notice being given on such accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depositary for them to the Paying and Transfer Agent by electronic means, and in a form acceptable to Euroclear and/or Clearstream, Luxembourg and at the same time presenting or procuring the presentation of the Global Registered Bond to the Registrar for notation accordingly within the time limits set forth in those Conditions.

Euroclear and Clearstream, Luxembourg

Series D Bonds represented by the Global Registered Bonds are exchangeable and transferable only in accordance with, and subject to, the provisions hereof and the rules and operating procedures of Euroclear and Clearstream, Luxembourg.

USE OF PROCEEDS

The net proceeds of the issue of the Series D Bonds, expected to amount to approximately € 476,735,750 after deduction of the fees and other expenses incurred in connection with the issue of the Series D Bonds, will be used by the Issuer to refinance the Series B Bonds and/or for other corporate purposes.

On 20 October 2014 the Issuer invited holders of the Series B Bonds with an aggregate principal amount of € 350 million to tender their Series B Bonds for purchase by the Issuer for cash (**“Series B Bond Tender Offer”**). Pursuant to the Series B Bond Tender Offer, the Issuer intends to pay a cash price equal to 109.5 per cent. of the principal amount of the Series B Bonds accepted by it for purchase pursuant to the Series B Bond Tender Offer, together with all accrued and unpaid interest in respect of those Series B Bonds from (and including) the immediately preceding interest payment date for the Series B Bonds up to (and including) the date of purchase by the Issuer under the Series B Bond Tender Offer. The Issuer has received valid tenders of approximately € 331.83 million in aggregate principal amount of Series B Bonds for purchase pursuant to the Series B Bond Tender Offer. The Issuer has decided to accept for purchase all valid tenders of Series B Bonds in full, requiring a payment of approximately € 371.88 million (including accrued interest) to the relevant holders of the Series B Bonds, which will be made by the Issuer using the net proceeds of the issue of the Series D Bonds, and to utilise the remainder of the net proceeds for other corporate purposes.

DESCRIPTION OF THE ISSUER AND THE GROUP

Formation, Incorporation, Registered Office, Commercial Name, Financial Year

Grand City Properties S.A (the “**Issuer**” and together with its subsidiaries the “**GCP Group**” or the “**Group**”) was incorporated on 16 December 2011 as a public limited liability company (*société anonyme*) pursuant to, and governed by, the laws of the Grand Duchy of Luxembourg for an unlimited duration under the legal and commercial name Grand City Properties S.A. The Issuer is registered with the Luxembourg Register of Trade and Companies (*Registre de Commerce et des Sociétés Luxembourg*) (the “**RCSL**”) under number B 165.560. The articles of incorporation of the Issuer (the “**Articles of Incorporation**”) were published in the official gazette of the Grand Duchy of Luxembourg, *Mémorial C, Recueil des Sociétés et Associations* (the “**Mémorial**”), (number 287) on 2 February 2012. The Articles of Incorporation were most recently amended on 4 December 2013 and published in the *Mémorial*, on 17 January 2014, number 155. The Issuer has its registered office at 24, Avenue Victor Hugo, L-1750 Luxembourg, Grand Duchy of Luxembourg. The telephone number of the Issuer’s registered office is +352 287 787 86 and its fax number is +352 287 787 84.

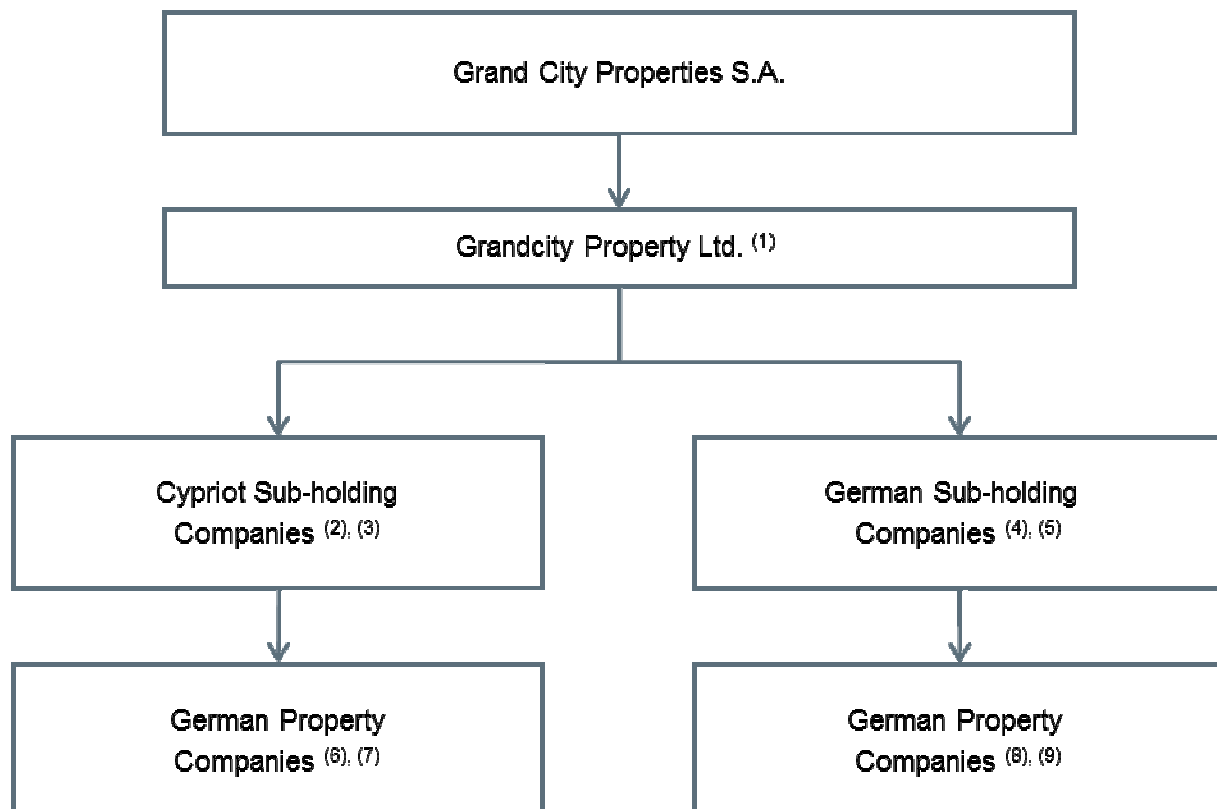
The shares of the Issuer have been registered for trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange in the Entry Standard Segment since May 2012. Neither the Open Market nor the Entry Standard are regulated markets mentioned in the list issued by the European Commission pursuant to Directive 2004/39/EC of 21 April 2004 on markets in financial instruments (“**MIFID**”).

The financial year of the Issuer is the calendar year.

Group Structure

The Issuer is the holding company of the GCP Group, which consists of approximately 250 companies in Luxembourg, Cyprus and Germany, of which 170 are German companies. Its primary role within the GCP Group is to function as a management and finance holding company. The business (with respect to the Group’s property portfolio) is conducted primarily by the subsidiaries of the GCP Group.

The chart below shows the current structure of the GCP Group in a simplified form.



The entities referred to below are those which individually (directly or indirectly) hold properties accounting for at least 2% of the market value of the GCP Group's total investment property as of 30 June 2014.

(1) Grand City Properties S.A. holds 94.8% in Grandcity Property Ltd.

(2) Companies held 100% by Grandcity Property Ltd.

(3) Mindoz Investments Limited, Sedoy Investments Limited, Deprimus Limited, Svenol Trading Limited, Yafin Trading Limited, Losita Ltd., Pesoria Limited, Sparol Ltd., Humerlo Limited

(4) Companies held 94% and above by Grandcity Property Ltd.

(5) GCP Holdings GmbH, GCP Real Estate Holdings GmbH

(6) All companies fully controlled.

(7) Alemory 102. Grundstücks GmbH, Alemory 112. Grundstücks GmbH, Alemory 43. Grundstücks GmbH, Alemory 119. Grundstücks GmbH, Alemory 64. Grundstücks GmbH, Cato zweite Immobilienbesitz und -verwaltungs GmbH, Alemory 80. Grundstücks GmbH, KPL Immo GmbH, TH Zwei Terra GmbH

(8) All companies fully controlled.

(9) Alemory 39. Grundstücks GmbH, Alemory 41. Grundstücks GmbH

Business Overview

The Issuer is among the leading specialist real estate companies focused on investing in and managing turnaround opportunities in the German real estate market. As of October 2014, the Group's portfolio comprised approx. 42,000 units located in densely populated areas with a focus on North Rhine-Westphalia, Germany's most populous federal state, Berlin (Germany's capital) and other densely populated areas. In addition, the Group manages a portfolio of over 20,000 units owned by third parties.

As at 30 June 2014, the Issuer assessed the total market value of its real estate portfolio (being its investment property including advanced payments) at € 1.87 billion (compared to € 1.38 billion as at 31 December 2013).

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

History and Recent Development

The Issuer was incorporated in December 2011 and became the holding company of the GCP Group in 2012, but the history of the Group's business dates back to 2006.

In 2006, Grandcity Property Ltd. (formerly named Adminond Trading & Investments Limited), a limited liability company incorporated under the laws of the Republic of Cyprus ("**GrandCity**") was established. Until the incorporation of the Issuer, the business of the Group was conducted with GrandCity acting as the parent company. In 2007, GrandCity acquired 770 units in Germany. From 2007 until 2011, the portfolio of GrandCity increased to approx. 8,750 units.

After the incorporation of the Issuer in December 2011, the Issuer purchased 94.80% of the shares in GrandCity in 2012, becoming the parent company of the GCP Group in its present structure. In May 2012, the shares of the Issuer were listed on the Open Market of the Frankfurt Stock Exchange in the Entry Standard segment. In July 2012, the Issuer received gross proceeds of €15 million (5.5 million shares) from a capital increase of approximately 10% of the then existing number of ordinary shares outstanding. In October 2012, the Issuer issued a convertible bond (Series A Bonds) with a principal amount of €100 million. At the end of 2012, the Group's portfolio comprised 12,000 units.

In February 2013, the Issuer issued shares of approximately 15% of the then existing number of ordinary shares outstanding and received €35.7 million (8 million shares) in gross proceeds. In the same month the rating agency Standard & Poor's (S&P) Rating Services assigned to the Issuer the rating of BB(-). In June and July 2013, the Issuer issued its Series B Bonds due in 2020 with a principal amount of €200 million. In the same year, 99.7% of the convertible bonds issued in 2012 (Series A Bonds) were converted. Eventually, in December 2013, the Issuer received gross proceeds of €175.5 million (27 million shares) from another capital increase of approximately 30% of the then existing share capital. At the end of 2013, the property portfolio of the Group consisted of 26,000 units.

In February 2014, S&P assigned to the Issuer the improved rating of BB+ with a stable outlook for its long-term corporate credit rating due to the improved financial risk profile. In the beginning of

2014, the Group acquired all shares in a company providing property management services for over 20,000 units owned by third parties. In February 2014, Grand City Properties S.A. issued the Series C Bonds, being secured convertible bonds with a principal amount of €150 million. In April 2014, the Issuer increased the aggregate principal amount of its Series B Bonds by €150 million to €350 million and, in June 2014, the Issuer increased the aggregate principal amount of the Series C Bonds by €125 million to €275 million. Since 31 December 2013, the Group has acquired approx. 16,000 additional units, increasing its property portfolio to approx. 42,000 units as of October 2014 (including the acquisition of approx. 7,000 units since 30 June 2014).

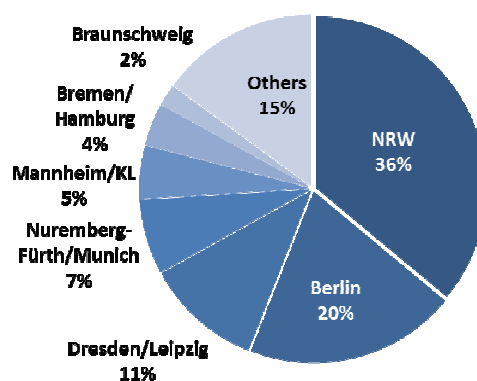
GCP Group's Portfolio

As of October 2014, the Group's real estate portfolio comprised approx. 42,000 units (compared to 26,000 units as at 31 December 2013). As at 30 June 2014, the Issuer assessed the total market value of its real estate portfolio (being its investment property including advanced payments) at € 1.87 billion (compared to € 1.38 billion as at 31 December 2013). The Group's portfolio predominantly consists of properties held through fully consolidated subsidiaries of the Issuer.

The Group's portfolio is located mainly in North Rhine-Westphalia (one of Germany's most populous federal states), and in Berlin (the country's capital). The following map provides an overview of the major locations of the Group's portfolio as at October 2014:

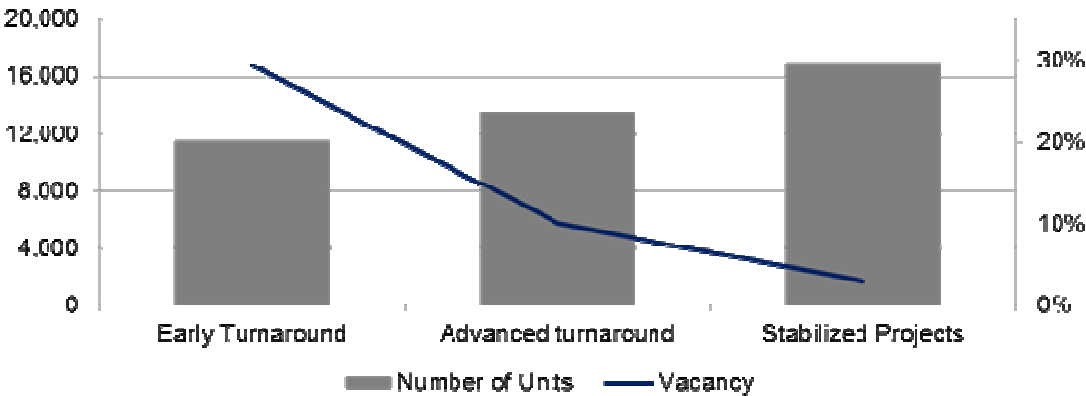


The Group holds 36% of its portfolio in North Rhine-Westphalia, 20% in Berlin, 11% in Dresden/Leipzig, 7% in Nuremberg-Fürth/Munich and has significant holdings in other major cities e.g. Mannheim, Bremen and Hamburg. The Group also seeks to expand in additional German cities. The Groups believes that the current regional distribution structure enables it to benefit from economies of scale, whilst providing the Group with a diverse and risk averse portfolio. The following chart provides an overview on the regional distribution of the Group's property portfolio by value as of October 2014:



The Issuer has grouped its investment property into three stages allowing for effective management and constant monitoring on the progress of its turnaround and repositioning activities: stabilised properties which have lower vacancy rates than 5%; advanced turnaround properties with vacancy rates between 5% and 15% and early turnaround properties, which generally, when acquired, provide vacancy rates higher than 15% and allow for more valuation upside. Applying this definition, as of October 2014, approx. 40% of the total units were in the stabilised stage, approx. 32% of the total units were in the advanced turnaround stage and approx. 28% of the total units are in the early turnaround stage. The Issuer believes that the current spread of the Group’s portfolio throughout the various stages provides on the one hand stable cash flow and on the other, embeds further growth and value creation potential in the existing portfolio through active asset management, tenant management and targeted modernisation measures.

The following table provides an overview of the properties (referred to as units grouped) into each respective turnaround stage, the respective number of units and turnaround stage and the percentage of vacant square meters (sqm) as of October 2014.



The Group’s stabilized portfolio ratio is growing continuously, and the portion of stabilized units has increased from 33% as of 31 December 2013 to 40% as of October 2014. Over the same period, the early turnaround portfolio ratio, and the portion of units in early turnaround has increased from 23% to 28%, through the acquisitions of new properties within the first nine month of 2014, offset by the successful turnaround process of previously acquired properties. Such transition of units to later turnaround stages result in more recurring and constant cash flows through higher revenues, lower costs and higher profit margins while the Issuer believes that properties in the stabilized turnaround stage still provide a substantial upside potential for rent increases.

The following chart shows the changes in the allocation of units to the different turnaround stages over the last years:

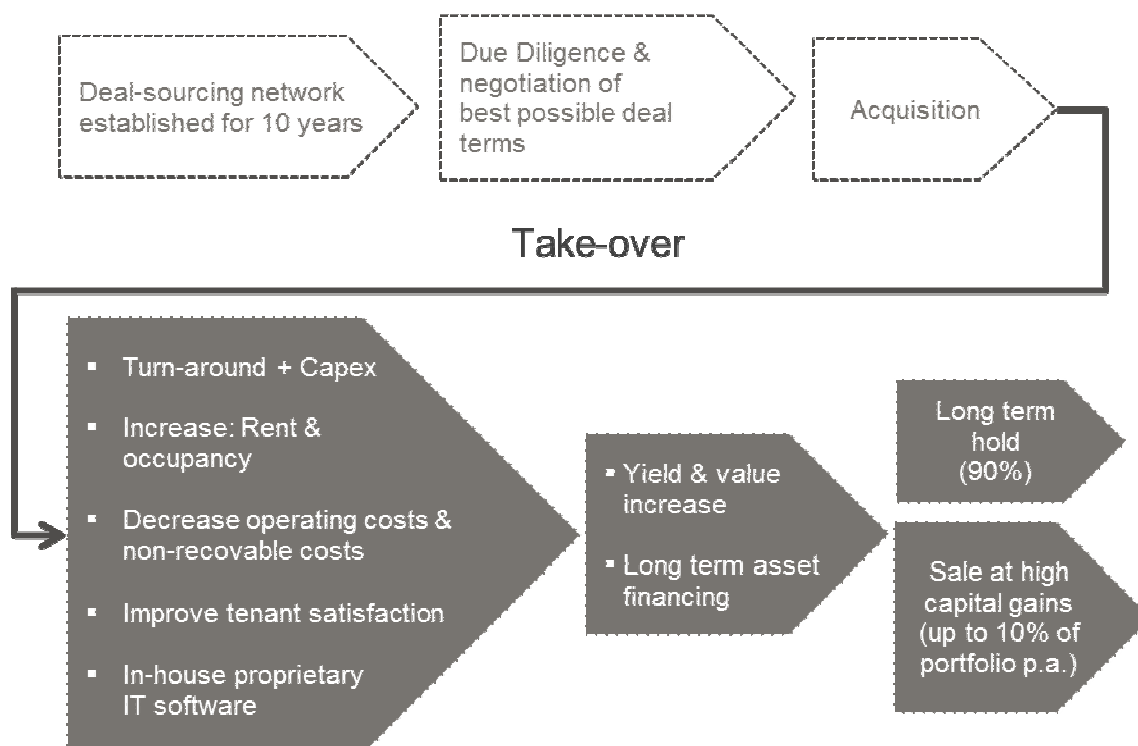


As of October 2014, the Group's total portfolio consists of 81% residential and 19% commercial units (breakdown according to fair value), which are typically rented at affordable rent levels. As of October 2014 the Group generated an average in-place rent of € 5.1 per sqm per month. The vacancy rate as of October 2014 was 13.5%.

Business Operations

The Group's business model is mainly focused on the acquisition of real estate properties with strong underlying fundamentals which are undermanaged and/or underperforming, and turning them around through intensive tenant management and targeted modernisation. This enables the Issuer to create significant value in its portfolio through rental increases and property revaluations. This is complemented by the selected sale of assets on an opportunistic basis.

The following chart provides an overview on the business model of the Group:



The GCP Group takes a broad view of asset management as being all areas and activities involved in implementing its business model.

With approximately 400 employees at the date of this Prospectus, the GCP Group covers the full spectrum of the real estate value chain. Whereas the Group has its operational headquarters in Berlin, the Group's asset management, sales, and marketing activities are organised locally to better capture regional demand and necessities.

Property Management

The GCP Group believes that its property management is a key factor for the successful repositioning of underperforming real estate assets. Its property management business consists of staff located in the regional offices as well as directly in the properties. As at the date of this Prospectus, the GCP Group provided its property management activities for more than 60,000 units, of which over 20,000 are owned by third parties. The property management comprises, among others, facility management, rent management (including rent collection and rent increase) technical support control and supervision.

Supply Management and Rental Expense Management

Through centralised supply management, the Issuer seeks to improve purchasing and technical quality management and to implement strict cost related disciplines. All technical services (including construction management for modernisations and maintenance) and operational expenses (such as consumables, external service providers and energy) are typically awarded through country wide tender processes, which can result in higher cost transparency, increased quality, and material cost reduction through higher volumes per tender. The services provided to the Group are constantly monitored by the Group's regional on-site staff which allows the quality and the costs of the services provided by suppliers to be measured.

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

Rent Management

The Group's rent management activities generally aim to optimise the rent levels on an on-going basis according to current market conditions. The information is processed through an in-house developed proprietary IT software. The Group's rent management involves the analysis of the market rent and the purchasing power of its customers, as well as the monitoring of statutory or contractual rent restrictions imposed by German tenancy law or subsidies. The Group's rent

management strategy aims at analysing the potential for rent increases for single units rather than whole properties. The GCP Group seeks to increase rents to market levels and, agree higher rents for newly signed lease contracts or newly refurbished units.

Rent Collection

Rent collection is an internalised process and so the Group's rent collection managers are rapidly alerted to outstanding rents. The Group's overall strategy to optimise the collection of rents is to maintain high tenant satisfaction (which reduces defaults in rent payments) and, in the event of a default, to trace defaulting tenants immediately. The rent collection managers are supported by the Group's own call centre, by local in-house collectors based in the regional offices, by the legal department and by reputable debt collection agencies. The enforcement strategy may include legal proceedings, but also arrangements with the tenants for payments to be made in instalments or the termination of the lease contract.

Regional Offices and Customer Services

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

The technical support for service and maintenance is organised by centralised call centres, operating 24 hours a day, on seven days a week, which are instructed to follow-up on every service call and tenant request. In addition, the regional offices provide their own technical staff which take the requests, examine and verify the tenant's requests and remedy the issue. The regional offices are fully integrated into the Group's management platform, which provides the Group with regional market knowledge, facilitates effective cost control and is an important tool for increasing occupancy rates as well as optimising tenant structure and tenant satisfaction.

Sales and Marketing

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

Sales

Sales activities aim to reduce the number of vacant units within the Group's portfolio. As part of its sales activities, the GCP Group pays significant attention to the generation and processing of

customer leads. Through its CRM system, all relevant customer data is sent to the regional sales representatives who have applications for smart phone/handheld devices fully integrated into the CRM system. The Group's sales representatives are instructed to follow-up on every lead and to regularly update the information in the CRM system on its progress with letting each unit.

The tracking and evaluation of customer leads provides the Issuer with important data relating to location and customer expectations. This helps the GCP Group analyse the market and allows on-going adjustment of its marketing measures and distribution channels, as well as allowing for the control of related costs. In addition, the evaluation of customer expectations allows the Issuer e.g. to adjust unit sizes to market demands.

Marketing

The Group seeks to actively market its real estate units as good quality living space at affordable rents. Marketing activities are usually tailored to specific properties and regions. Marketing activities are widely spread across the Group's websites (which provide search engines for vacant units), specially designed advertising on internet portals with high traffic rates, local newspapers, and print material (including brochures and flyers). The GCP Group uses show units in some of its properties as a marketing tool to attract future tenants by showing the potential of the relevant units. Marketing campaigns targeting new tenants also include the granting of incentives such, as vouchers for furnishing or recreational activities.

Customer Retention Activities

The GCP Group considers customer retention an important part of its general objective to provide good quality living at affordable prices. The Group's retention activities aim at increasing tenant satisfaction and improving the image of the respective neighbourhood. Part of its retention focused approach is the high availability of local representatives which can react to customer requests. Other retention methods include modernisation and refurbishment (such as renovation of façades and staircases as well as establishment of outdoor and indoor playgrounds for children (see "*Construction Management*")) and the hosting of family friendly festivals and events for existing tenants. The GCP Group also offers tenants the opportunity to take an active role in the improvement process of the property they live in.

Construction Management

The Group's turnaround activities include various investments in targeted modernisation and maintenance projects, which are organised by the Group's construction management team in its operational headquarters in Berlin together with engineers on site. Properties which are acquired in an early turnaround stage according to the Group's definition could require targeted modernisation or refurbishment. The construction management team's role includes instruction

and monitoring of third-party suppliers to implement the modernisation measures. On-going maintenance includes necessary repairs in on-going leases and is handled through the regional offices, which liaise with the headquarters on potential maintenance activities and supervise maintenance measures outsourced to third parties.

Acquisition Management

The Group adheres to strict investment criteria which limit its acquisition activities to properties which the Group believes have a high potential to create significant value once acquired. The main components of the Group's acquisition activities include: (a) constant market screening and permanent expansion and care of the Group's established sourcing network, and (b) the due diligence evaluation of said properties as well as the execution of acquisitions. During the due diligence process for properties, the Group develops a specific plan for each property, including (a) the comprehensive analysis of the relevant macro- and micro-economic location factors; (b) the potential for substantial reduction of vacancy rate and operational cost; (c) the potential for future rent increases; (d) the capital expenditure necessary for modernisation and refurbishment measures; and (e) the capability for integration into the existing management platform.

Over the years, the GCP Group has built up a wide-ranging sourcing network within the German real estate and financing industry which enables access to information on portfolios for sale which generally match its investment criteria. The GCP Group has established close relationships with some of the leading German banks, other reputable financial institutions, insolvency administrators and important market players. These relationships provide the GCP Group with access to multiple investment opportunities, often before they are widely promoted or publicised. The GCP Group believes it has established a relationship of trust and has acquired the status of a privileged potential buyer with many of the banks and financial institutions involved in the GCP Group's acquisitions over the years. For its acquisitions the GCP Group is applying the following specific criteria:

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

Generally, the Issuer aims to hold onto properties in order to realise the identified upside potential by its turnaround and repositioning measures. In certain cases, the Issuer might also sell properties on an opportunistic basis.

Support Functions

The Group has a centralised in-house developed proprietary IT system that connects all departments and plays a significant support role for all asset management activities. It enables the Group to access all relevant financial and operational data relating to the properties on portfolio level on a daily basis. Its integrated customer relationship management also assists by providing data on existing and prospective tenants. The IT system is synchronised with the other property management software, which allows it to generate a wide range of reports from different data sources (for operational and accounting purposes) and thus facilitates the smooth integration of newly acquired properties.

The Group manages its liquidity and debt in its finance department. This department monitors compliance with obligations and undertakings under existing loan agreements and other financing instruments, (e.g. the bonds issued by the Issuer). The finance department aims to optimise the financing structure of acquisitions and tailor bank loans to the specific needs of the Issuer. In addition, it monitors maturities, interest rate developments, interest hedging possibilities and capital investment possibilities for available liquidity and steadily screens the Group's financing structure to identify areas for improvement.

Employees

As at the date of this Prospectus the Group employs approximately 400 employees.

Market Overview

The business activities of the GCP Group are influenced by various demographic, economic and political factors. GCP's portfolio lies in densely populated regions in Germany with a focus on the federal states of North Rhine-Westphalia ("**NRW**"), Berlin, Bavaria and other densely populated cities and regions. Thus the development of the real estate market in Germany, and particularly in those densely populated regions is a deciding factor for the business of the GCP Group and the future development thereof. The real estate market environment is important in shaping the future development of housing prices, rent levels, turnover and vacancy rates.

The market for real estate is essentially influenced by the population's development and economic means on the demand side and developments of housing stock and diversity on the supply side. The development of the population and its economic situation is based on demographics and macro-economic factors such as the rate of natural population change, net migration balance, amount of households, consumer prices level, unemployment rate, economic development, income level and inflation.

Factors affecting the supply side of real estate markets are developments in the available housing stock, vacancy levels, construction costs, housing diversity in terms of size, locations, renovation level and homeownership rate. The real estate markets are greatly influenced by both the current state of the different variables, and forecasted future developments.

While the Group's portfolio is spread across Germany, the main focus of the property portfolio in terms of size and location is in the federal states of NRW, Berlin and Bavaria, and other densely populated cities and regions such as Dresden, Leipzig and Mannheim (for a regional breakdown of the Group's property portfolio see the section "Business - Property Portfolio"). Correspondingly, the following market description focuses on the core regions and cities, alongside the general market conditions in Germany.

Demand

Demographics in Germany, NRW, Berlin and Bavaria

On 31 December 2013, Germany had a total population of 226 inhabitants per square kilometre whereby the population fluctuates greatly between the federal states. The city state Berlin (3,837), Hamburg (2,312) and Bremen (1,568) are the most densely populated federal states in Germany. Other densely populated non-city states where the majority of the GCP Group's portfolio is located, are: Munich (4,531), Nuremberg (2,677), Mannheim (2,047), Leipzig (1,787) and Dresden (1,617) (Source: Own calculations, based on data of the: (1) Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*; (2) Federal Statistical Office and the statistical Offices of the Länder, Germany 2014, www.regionalstatistik.de, Theme: Territory)

In 2005 Germany's population count was 82.5 million. In past years, due to a negative natural population change, the population has decreased and reached 80.8 million in 2013. Source: (1) Statistisches Bundesamt, *Statistisches Jahrbuch 2013*, p. 27, 34; (2) Data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*). Offsetting the decreasing population is a positive net migration balance in Germany. Since the mid 1980's and except for 2008 and 2009, Germany's net migration balance is positive, with an increasing trend since 2010: overall migration balance increased 119% in 2011 compared with 2010, and a further 32% and 15% in 2012 and 2013 respectively (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*). Still, official forecasts predict a decrease in population. However, these forecasts are based on an assumption of positive annual migration balance of 100,000-200,000, with actual figures being over the top limit since 2011 and reaching 429,000 in 2013. (Sources: Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*; *Statistisches Jahrbuch 2013*, p. 45, 48).

The trend of decreasing population is also present in NRW, Germany's most populated federal state. With 17.6 million in 2013, the population in NRW decreased since 2007 0.4% annually, despite a positive annual 0.1% net migration balance. However, when taking into account domestic inner-state migration to the big cities in NRW, the targeted market for the GCP Group, data indicate to a population increase. In the four biggest cities in NRW - Cologne, Düsseldorf, Dortmund and Essen, population count has increased 0.2% annually since 2007, with an annual net migration balance of 0.4% in total. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). Looking again at the state level, a decrease of 2.6% in population is forecasted until 2025. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). According to an alternative forecast, NRW's population is expected to decrease only by 1.5% until 2025 (Source: Market Consideration - North Rhine-Westphalia by Jones Lang LaSalle, February 2013, p.7).

Berlin experienced opposite effects with a growing population. Berlin's net migration in 2011 was about 39,400 and increased in 2012 to about 41,300. (Source: Data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). Between 2007 and 2013 Berlin's population increased 0.03% annually, with a net annual migration balance of 0.7%. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). Until 2025, forecasts predict a population decrease in Berlin of only 0.4% compared with 2.2% in the whole of Germany. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). Alternative forecasts indicate a 6.8% increase from 2011 to 2025. (Source: *Berliner Senatsverwaltung für Stadtentwicklung und Umwelt: Bevölkerungsprognose für Berlin und die Bezirke 2011 - 2030, p.3; Amt für Statistik Berlin Brandenburg, Pressemitteilung Nr. 32 vom 11. Februar 2014*).

Bavaria's population in 2013 represents with almost 12.6 million 16% of Germany's population. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). The population in Bavaria increased between 2007 and 2013 0.1% annually, supported by a positive annual 0.4% net migration balance. In 2012 Bavaria was the destination to 25% of the total national net migration balance. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). Looking forward, the positive population change is expected to continue. Bavaria's population is forecasted to increase 1% until 2025, compared with a total 2.2% decrease in the whole of Germany. Within the state of Bavaria, data indicate a stronger population increase and migration trend in the big cities of Bavaria, GCP Group's target locations. In Munich and Nuremberg population count has increased 0.8% annually since 2007, with an annual net migration balance of 0.9% in total. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*).

The development of the housing market is even more dependent on the development of private households than on population trends (Source: *Market Consideration – North Rhine Westphalia by Jones Lang LaSalle, February 2013, p.7*). Although Germany's population has increased between 1991 and 2012 only by about 0.3%, the amount of households increased over the same period by 15.3%. (Sources: Own calculations based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung; Statistisches Jahrbuch 2013, p. 49*). The number of households is forecasted to increase by another 1.5% until 2030 in relation to 2012 (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Variable: Vorausberechnete Privathaushalte*). The forecasted increase in the amount of households is affected by a forecasted trend of decreasing household size. In 2004 71% of households in Germany were 1-2 persons households. By 2012 this ratio has increased to 75%. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). The trend is forecasted to continue, with the 1-2 persons households ratio expected to reach 81% of total households in 2030. (Source: Own calculations, based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Variable: Vorausberechnete Privathaushalte*). The average household size in 2012 was 2.01 persons per household and is expected to decrease to 1.88 until 2030. (Sources: The Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Variable: Vorausberechnete Privathaushalte; Statistisches Jahrbuch 2013, p. 48-49*).

From 1991 to 2012, the number of households in NRW increased by 12.2%, by 15.8% in Berlin, and by 23.3% in Bavaria. (Source: Own calculations based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*). In 2012 the average household size in NRW was 2.05 persons per household with 39.1% single-households. In Berlin the average household size was 1.73, with 54.4% single-households, and the average household size in Bavaria was 2.06 persons per household with 59.7% single-households (Source: *Statistisches Jahrbuch 2013, p. 49*). The trend of decreasing household size is also expected to continue in NRW, Berlin and Bavaria. Total number of households is forecasted to increase between 2012 and 2030 by 2.2% in NRW, 1.9% in Berlin, and 5.7% in Bavaria, compared with a 1.5% increase overall in Germany (Sources: Own calculations based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, *Thema: Bevölkerung*).

Macro-Economic Factors

Within the Eurozone, Germany has proven to be a strong and stable economy, offering good conditions for the real estate market. Germany's gross domestic product ("GDP") increased in 2013 exceeding € 2.7 trillion for the first time (Source: Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Regional economic accounts of the Laender). According to the European Commission the unemployment rate in Germany in August 2014 was 4.9%, compared to 11.5 % in the Eurozone (Source:

Unemployment statistics of the European Commission: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics).

Despite the debt crisis in Europe, Germany kept a solid financial profile in 2012 with a sustainable debt level (net) of 56.1% of GDP (Eurozone: 72.3%), a low budget surplus of 0.19% of GDP (Eurozone: deficit of 3.0%) and a S&P credit rating of AAA with a stable outlook, which is reflected in the lowest yield on ten year government bonds within the Eurozone (Source: *IMF World Economic Outlook Database October 2013*).

Within Germany, NRW's economy is the largest of the federal states in terms of GDP, contributing 22% to Germany's total GDP in 2013 (Source: Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Regional economic accounts of the Laender). In the past 30 years, NRW's economic structure underwent a change from heavy industry to a mix of manufacturing industries and services, and recently service companies generate most workplaces (Source: *Market Consideration - North Rhine-Westphalia by Jones Lang LaSalle, p.10*). Next to being the capital of Germany as well the biggest city in Germany in term of population, Berlin holds a diverse economic structure with an industrial sector, small and medium enterprises and a dynamic service sector with innovative high-tech businesses. The well-developed infrastructure and large number of qualified potential employees support that economic advantage (Source: <http://www.berlin.de/wirtschaft/wirtschaftsstandort/index.de.php>). Berlin had in 2013 a growth in GDP per capita of 2.6% from € 29,865 to € 30,642, compared with the German average of 2.5%. Overall between 2007 and 2013 Berlin's GDP has grown 20.4%, the strongest growth of all federal states in Germany, with the overall German average of 12.7% (Source: Own calculations based on data of the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Regional economic accounts of the Laender). Bavaria has accounted for 18% of Germany's GDP in 2013 and is the federal state with the second largest GDP in Germany (Source: Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Regional economic accounts of the Laender). Bavaria's economic structure is characterized by a high industry density, fourth highest in the world, and ranks third in the world offering industrial location quality (Source: *Eine vbw Studie, erstellt von der Institut der deutschen Wirtschaft Consult GmbH, as of April 2013, p.1*).

Another crucial indicator is the development of the consumer price index ("**CPI**"). The CPI is a measure of changes over time in prices of consumption goods and services acquired or used by household (Source: *website of the European Central Bank*). The CPI in Germany increased from 2010 to August 2014 by 7.0%, which reflects a price development of less than 1.9% a year (Source: Own calculations based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: Preise).

Supply

Housing Stock in Germany, NRW, Berlin and Bavaria

Although the overall amount of apartments for residential real estate due to constructions is steadily increasing, supply is not meeting demand created by the increasing amount of households. Gaps between supply and demand may lead to increase in housing prices, which on turn may give additional incentive to the supply side.

The amount of households increased from 2004 to 2011 by 3.4%, respectively, the stock of housing increased by 2.8%. The surplus of the housing stock over the amount of households in 2004 was approximately 239,000. As the stock of housing increased by a lower ratio, this surplus decreased to approximately 35,000 housing units. (Sources: Own calculations based on (1) data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*; (2) data of the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Building and Housing). Thus, as of 2011 the developments in the housing market seemed to have reduced the gap between the available supply and demand, which may lead to increasing prices if expectation for future building activity would be lower than those of the household increase (own assumption). Building permits issuance rate has gradually increased in recent years, reaching approximately 241,000 in 2012 and 270,000 in 2013. (Sources: The Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, (1) Theme: Building and Housing; (2) http://www.statistikportal.de/Statistik-Portal/de_inhalt08.asp). The permits rate indicates a 0.6%-0.7% annual future increase in the stock of housing. The rate is calculated on the 2011 stock. (Source: Own calculations based on data of the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Housing, environment). Respectively, the amount of households is forecasted to increase by 0.2% in 2014 and going forward at a gradually decreasing rate (Source: Own calculations based on data of the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*). However, the number of permits may not coincide with the actual amount of added housing, as planned units may not all be successfully built, some new housing may replace existing housing, and due to a housing being removed from stock by cause of aging or damage.

In NRW as of 2004 available housing stock is lower in comparison to the amount households, in an amount of approximately 88,600. In 2011 supply has still not met demand. The number of household increased 2.4% and the amount of housing increased 3.0% over the period. (Sources: Own calculations based on data of: (1) the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Building and Housing; (2) the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: *Bevölkerung*).

In Berlin, the number of households increased between 2004 and 2011 by 5.8% while the stock of housing increased by 1.3%. A deficit in the stock of housing increased from approximately 11,500 to approximately 95,800. Building permits in Berlin are at a rate of 0.5% of the 2011 stock in 2012 and 0.7% in 2013, compared with an expected 0.3% increase in the amount of households in 2014 and 0.2% in 2015. Looking at the later part of the period, the number of building permits in Berlin has increased from approximately 5,500 in 2010 to approximately 12,500 in 2013, and the ratio of construction completions had picked up in 2010 and 2011 and reach an annual amount of over 4,000 units. (Sources: Own calculations based on data of: (1) the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Building and Housing; (2) the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: Bevölkerung; (3) the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, http://www.statistikportal.de/Statistik-Portal/de_inhalt08.asp). Nevertheless, current measures may not suffice in keeping up with rising demand. Estimates of the German Federal Institute for Research on Building, Urban Affairs and Spatial Development indicate a current annual demand of over 16,000 units (Source: *Residential property market Berlin - 1st half of 2014* by Jones Lang LaSalle, p.5).

In Bavaria, the number of households increased between 2004 and 2011 by 6.4% while the stock of housing increased 4.7%. A surplus of approximately 60,400 in the stock of housing turned into a deficit of approximately 32,200. Building permits in Bavaria are at a rate of 0.9% of the 2011 stock in 2012 and 2013, compared with an expected 0.5% increase in the amount of households in 2014 and 0.4% in 2015. (Sources: Own calculations based on data of: (1) the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, Theme: Building and Housing; (2) the Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: Bevölkerung; (3) the Federal Statistical Office and the statistical offices of the Länder, Germany, 2014, www.regionalstatistik.de, http://www.statistikportal.de/Statistik-Portal/de_inhalt08.asp).

Housing market

The low home ownership rate of an average of 46% in Germany in 2010 compared to the European average reflects a relatively larger demand for rental apartments. (Source: *Statistisches Jahrbuch 2013*, p.149; *Residential Market Report Germany 2013* by Jones Lang LaSalle, p.11) The home ownership rate in 2010 in NRW and Berlin was even below the German average with 43% and 15%, respectively, and in Bavaria the rate was 51% (source: *Statistisches Jahrbuch 2013*, p.149).

Lower supply generally leads to increasing rent prices. In 2010, gross cold rent prices in NRW, Berlin and Bavaria were above the German average gross cold rent prices of 6.37 €/sqm with 6.42€/sqm in NRW, 6.74€/sqm in Berlin and 6.75€/sqm in Bavaria (Source: *Statistisches*

Jahrbuch 2013, p.149). Furthermore, in the first half of 2014 the prices of newly offered net rents in Berlin has increased to 8.65€/sqm, 7.7% increase year over year. In spite of repeated increases in the past the trend is expected to hold on due to continuing demand (*Source: Residential property market Berlin - 1st half of 2014 by Jones Lang LaSalle, p.5*). In NRW there has been a marginal decrease in rents between 2006 and 2008 and since their low in 2009 they have been rising again. Hence, rents stayed stable over the past decade and even experienced a slight upward trend (*Source: Market Consideration - North Rhine-Westphalia by Jones Lang LaSalle, February 2013, p.17*).

According to the Federal Statistical Office, the increase in net rents for all residential units in Germany has been below the rate of inflation over the last five years. Between 2010 and August 2014, consumer prices grew by an annualized 1.9% while rents increased by only 0.8% annually. The index of additional service charges (water supply, waste disposal etc.) rose at 1.2%. Meanwhile, on-going maintenance costs recorded a significant price increase of an annual 2.5% (*Source: Own calculations, based on data of the: (1) Federal Statistical Office, Wiesbaden 2014, www.destatis.de, Thema: Preise*).

Also affected by decreasing supply is the vacancy rate. Markets with low vacancy are usually characterised by high demand and high prices. In 2011, the vacancy rates in Berlin with 3.5%, NRW with 3.6% and Bavaria with 3.7% were below the German average of 4.4% (*Source: Residential Market Report Germany 2013 by Jones Lang LaSalle, p.14*).

Corporate Purpose

As set out in Article 3 of its Articles of Incorporation, the purpose of the Issuer is the acquisition, sale, administration, and renting of any real estate property, both in the Grand Duchy of Luxembourg and abroad. It may further acquire (through contributions, firm purchases or options) patents, service marks, trademarks licenses, know-how and other industrial, commercial or intellectual property rights and generally hold, license, sublicense, sell or dispose of the same, in whole or in part, for such consideration as the Issuer may think fit. The Issuer may also subcontract the management and development of those rights, trademarks and licenses and obtain and make any registration required in this respect.

The Issuer can also take whatever action necessary to protect rights derived from patents, trademarks, service marks, licenses, know-how and other industrial, commercial or intellectual property rights, licenses, sublicenses and similar rights against infringement by a third party. The Issuer can furthermore provide or cause to provide know how, development consulting advice and operating services, promotion, representation and all operations of such nature. The Issuer may enter into any transactions pertaining directly or indirectly to the taking of participating

interests in any enterprises in whatever form. It may participate in the creation, development, management and control of any company or enterprise.

The Issuer may borrow in any form and may grant to the companies in the Group or to its shareholders any support, loans, advances or guarantees, within the limits of the law of 10 August 1915 on commercial companies as amended (the “**Luxembourg Company Law**”). Within the limits of its activity, the Issuer can grant mortgages, loans (with or without guarantees), and act as security for other persons or companies, within the limits of relevant law. The Issuer may take any measures to safeguard its rights and enter into any transactions whatsoever which are directly or indirectly connected with its purposes and which are liable to promote its development.

Board of Directors, Senior Management and Other Bodies

General

The Issuer is administered and managed by a board of directors (“**Board of Directors**”; each member of the Board of Directors, a “**Director**”). The Board of Directors is vested with broad powers to perform all acts of administration and management in the Issuer’s interest. All powers not expressly reserved by the Luxembourg Company Law or by the Articles of Incorporation to the general meeting of the Issuer’s shareholders fall within the competence of the Board of Directors.

The daily management of the Issuer (as well as the representation of the Issuer in relation to this management) may be delegated to one or more directors, officers, managers or other agents, associate or not, acting alone or jointly (the “**Daily Manager**”). The nomination, revocation and powers of the Daily Manager shall be determined by the Board of Directors. On 25 November 2013, the Board of Directors appointed Mr Christian G. Windfuhr as Daily Manager of the Issuer (for further details see “*Senior Management*”). The Board of Directors shall choose amongst the Directors a chairperson and may choose one vice-chairperson. It may also choose a secretary who need not be a member of the Board of Directors. The chairperson of the Board of Directors shall have a casting vote.

The shareholders shall determine the number of Directors, their remuneration and the term of their office.

The Directors of the Issuer shall be elected by the general meeting of the Issuer’s shareholders for a term not exceeding six years and shall be eligible for re-election upon the expiry of that term. The Directors may be dismissed with or without any cause at any time and at the sole discretion of the general meeting of the Issuer’s shareholders.

In the event of a vacancy in the office of a Director due to death, retirement or otherwise, the remaining Directors may co-opt a Director, by a majority vote, to fill such vacancy until the next general meeting of the Issuer's shareholders (co-optation).

Members of the Board of Directors

The following table sets out information with respect to each of the members of the Board of Directors, including their positions within the Issuer at the date of the Prospectus.

Name	Position
Mrs Simone Runge-Brandner	Chairperson
Mr Daniel Malkin	Member
Mr Refael Zamir	Member

The business address of the Directors is 24, Avenue Victor Hugo, L-1750 Luxembourg.

The members of the Board of Directors hold the following positions in administrative, management or supervisory bodies outside the Group which are significant with respect to the Issuer:

Name of Director	Position	Entity
Mrs Simone Runge-Brandner		
	Managing Director	SIMRES Real Estate S.à r.l., Luxembourg
Mr Daniel Malkin		
	Managing Director	SIMRES Real Estate S.à r.l., Luxembourg
	Managing Director	Falcon Fund Management, Luxembourg

Senior Management

On 25 November 2013, the Board of Directors resolved to delegate the daily management of the Issuer to Mr Christian Windfuhr, as Daily Manager (*administrateur-délégué*) of the Issuer, under the endorsed denomination (*Zusatzbezeichnung*) Chief Executive Officer (CEO), with immediate effect and for an undetermined period, with individual power of signature in accordance with the Articles of Incorporation of the Issuer. His business address is 24, Avenue Victor Hugo, L-1750 Luxembourg.

Mr Christian Windfuhr does not carry out any activity (other than those which relate to the Group) which are significant with respect to the Issuer.

Conflicts of Interests

To the best knowledge of the Issuer, no potential conflicts of interest exist between any duties owed by the members of the Board of Directors and/or the Senior Management to the Group and the private interests and/or other duties of such persons.

Advisory Board

The Board of Directors of the Issuer has established an advisory board by a resolution adopted on 23 April 2013. The task of the advisory board is to provide expert advice and assistance to the Board of Directors. The Board of Directors decides on the composition, tasks and term of the advisory board as well as the appointment and dismissal of its members. The advisory board has no statutory powers under the Luxembourg Company Law or the Articles of Incorporation of the Issuer, but applies rules which have been adopted by the Board of Directors. However, the Issuer considers the advisory board to be an important source of guidance for the Board of Directors when making strategic decisions, raising capital and in fostering contact with the business community, governmental authorities, financial institutions, analysts, and investors. The current members of the advisory board are as follows:

Name	Position
Mr Yakir Gabay	Chairman of the Advisory Board
Mr Claudio Jarczyk	Vice-Chairman of the Advisory Board
Mr Markus J. Leininger	Member

Audit Committee

By resolution adopted on 14 May 2013, the Board of Directors established an audit committee. The members of the audit committee are Mr Markus J. Leininger, Mr Reshef Ish-Gur as well as Mr Christian G. Windfuhr. The audit committee operates on the basis that the Board of Directors decides on the composition, tasks and term of the audit committee as well as the appointment and dismissal of its members. The audit committee of the Issuer has no statutory powers under Luxembourg Company Law or the Articles of Incorporation of the Issuer, but applies rules which have been adopted by the Board of Directors. The Issuer considers the establishment of the audit committee an important element in ensuring that the Group's accounting processes and the preparation of its financial statements are adequate. The responsibilities of the audit committee relate to the integrity of the financial statements, including reporting to the Board of Directors on its activities and the adequacy of internal systems controlling the financial reporting processes

and monitoring the accounting processes. The audit committee shall provide guidance to the Board of Directors on the auditing of the annual financial statements of the Issuer and, in particular, shall monitor the independence of the auditor, the additional services rendered by the auditor, the issuing of the audit mandate to the auditor, the determination of auditing focal points and the fee agreement with the auditor.

Corporate Governance

The Issuer is not subject to any compulsory corporate governance code of conduct or respective statutory legal provisions. Section 161 of the German Stock Corporation Act (*AktG*) does not apply because the Issuer is a joint stock corporation under the laws of the Grand Duchy of Luxembourg (*société anonyme, S.A.*) and not a German Stock Corporation. The Ten Principles of Corporate Governance of the Luxembourg Stock Exchange do not apply because the Shares of the Issuer are not listed on a regulated market operated by the Luxembourg Stock Exchange nor does the UK Corporate Governance Code or the Irish Corporate Governance Annex apply.

However, the Issuer strives to put a high emphasis on good corporate governance by having high standards of transparency. This is particularly the case with the implementation of the advisory board and the audit committee and with the Issuer ensuring its Board of Directors and its Senior Management are comprised of senior executives with vast experience and skills in the areas relevant to the business of the GCP Group.

Share Capital

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

As at the date of this Prospectus, the Issuer has a subscribed share capital of €11,542,500, divided into 115,425,000 fully-paid ordinary Shares having a par value of €0.10 each.

The Issuer's Articles of Incorporation provide for an authorised capital (including the subscribed capital) of €20,000,000 (i.e. the corporate share capital of the Issuer may be increased from its present amount to €20,000,000 by the creation and issuance of new shares with a par value of €0.10 each).

Shareholding Structure

The table below sets out the information known to the Issuer with respect to the shareholding structure of the Issuer as at the date of this Prospectus. The shareholdings may have changed since the date on which the Issuer obtained knowledge of the shareholding.

Shareholder	Direct ownership of the Issuer in%
Other	58.60
Edolaxia Ltd.	33.66
Merrill Lynch International	3.42
Odey Asset Management	3.02
Zanelo Ltd.	1.30
Total	100

Edolaxia Ltd. and Zanelo Ltd. (the “**Principal Shareholders**”) hold 34.96% of the voting rights of the Issuer. The Principal Shareholders are controlled by Mr Yakir Gabay (the “**Founder**”). Thus, the Founder currently controls 34.96% of the voting rights in the Issuer. If there was low shareholder attendance at the general meeting of the Issuer’s shareholders, the Principal Shareholders could adopt and implement resolutions to be adopted by the general meeting of the Issuer’s shareholders which require a simple majority or even higher majority requirements solely through the exercise of his own votes. Furthermore, the Principal Shareholders could prevent a general meeting of the Issuer’s shareholders from adopting resolutions, including resolutions which require a qualified majority of the votes cast.

To the best knowledge of the Issuer, as at the date of this Prospectus, there are no arrangements the operation of which may at a subsequent date result in a change of control in the Issuer.

Legal and Arbitration Proceedings

During the last twelve months, there have been no governmental, legal or arbitration proceedings brought against or affecting the Issuer, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the Issuer and/or the GCP Group’s financial position, profitability or results.

Material Contracts

The following section provides an overview of material contracts to which the Issuer or any member of the GCP Group is a party.

Loan Agreements

The GCP Group has entered into various bank loan agreements primarily for the purpose of property financing, with an aggregate total amount of approximately € 523 million (including accrued interest) outstanding as at 30 June 2014.

The loan agreements have no material maturity before 2017 and maturities range until 2041 and beyond. The loan agreements bear interest at fixed rates from 1.84% to 4.18% p.a. or rates to be adjusted on the change in six-month EURIBOR with a possible maximum of 3.65% p.a. or variable rates of three or six month EURIBOR plus margin. The margin rates depend, among other things, on the quality of the financed property, the total term and the loan-to-value ratio, and range from approximately 1.00% to 2.5% p.a.

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

As at the date of this Prospectus, a considerable portion of loan agreements of entities of the GCP Group with banks provide for standard change of control clauses enabling the respective lender to terminate the loan agreement in case of a change of control without the lender's consent. Under loan agreements with an aggregate nominal amount of approximately €160 million the respective lender may terminate the loan agreement if (a) the Issuer is no longer (directly or indirectly) the majority shareholder of the respective borrower, or (b) the Founder no longer holds (directly or indirectly) at least 25% of the shares in the Issuer or another shareholder obtains control over the Issuer, or (c) the property management of the respective property is no longer performed by a member of the GCP Group.

Material loan agreements with contractual nominal amounts exceeding €25 million are described in more detail below as at 30 June 2014.

Lender	Borrowing subsidiary of the GCP Group	Contractual nominal loan amount	Outstanding nominal loan amount (including accrued interest)	Final maturity (year)
		€ million (rounded)	€ million (rounded)	
Berlin- Hannoversche Hypothekenbank AG	Alemory 88. Grundstücks GmbH Alemory 89. Grundstücks GmbH Alemory 90. Grundstücks GmbH Alemory 91. Grundstücks GmbH Alemory 92. Grundstücks GmbH Alemory 93. Grundstücks GmbH Alemory 94. Grundstücks GmbH Alemory 95. Grundstücks GmbH Alemory 96. Grundstücks GmbH	53	50	2017
Berlin- Hannoversche Hypothekenbank AG	TH Zwei Terra GmbH TH 407 Terra GmbH	57	62	2021
Berlin- Hannoversche Hypothekenbank AG Landesbank Berlin AG	Alemory 100. Grundstücks GmbH Alemory 101. Grundstücks GmbH Alemory 102. Grundstücks GmbH	28	27	2021
Landesbank Baden-Württemberg	Alemory 39. Grundstücks GmbH	57	57	2020
Corealcredit Bank AG	Alemory 40. Grundstücks GmbH Alemory 41. Grundstücks GmbH	44	33	2018

Series C Bonds

The Issuer has issued the Series C Bonds, being convertible bonds with an aggregate principal amount of €275 million, a term of five years and a denomination of €100,000 each. The Series C Bonds were issued in two stages. On 24 February 2014, the Issuer issued Series C Bonds with an aggregate principal amount of €150 million. On 19 June 2014, the Issuer issued further Series C Bonds with an aggregate principal amount of €125 million. The Series C Bonds carry an interest rate of 1.50% per annum payable semi-annually in arrears on 24 February and 24 August each year and are listed on the Open Market (*Freiverkehr*) of Frankfurt Stock Exchange (ISIN XS1036325527).

Trust Deed

The Series C Bonds are governed by English law and are constituted by and subject to the provisions of a trust deed dated 15 October 2012 (as amended and restated by a supplemental trust deed dated 15 May 2013, a second supplemental trust deed dated 3 June 2013, a third

supplemental trust deed dated 14 June 2013, a deed of replacement of trustee dated 19 June 2013, a fourth supplemental trust deed dated 24 July 2013, a fifth supplemental trust deed dated 24 February 2014, a sixth supplemental trust deed dated 15 April 2014, a seventh supplemental trust deed dated 19 June 2014 and as supplemented, amended and/or restated from time to time) (the "**Trust Deed**"). The Trust Deed also constitutes the Series B Bonds (see "*Series B Bonds*") and previously also constituted convertible bonds issued in October 2012 (which were converted into shares and/or redeemed in full by end of October 2013). The Trustee (being Prudential Trustee Company Limited) is appointed as trustee.

The Issuer covenanted with the Trustee to ensure the fulfilment of its obligations under the Series C Bonds including, in particular, the obligation to repay the principal amount and all interest when due and to issue and to deliver ordinary shares in the event of a conversion of Series C Bonds in accordance with the Trust Deed. In addition, the security for the Series C Bonds (see "*Series C Bonds*" - *Security*") was granted in favour of the Trustee for the benefit of the Trustee and the holders of the Series C Bonds.

Undertakings and Events of Default

The Issuer has agreed to certain customary undertakings and obligations in respect of the Series C Bonds. A breach of such customary undertakings and obligations may lead to an event of default. The material undertakings (which are subject to customary exemptions to allow the Issuer to carry on its business in the ordinary course) include the following: (a) not to issue any shares or pay up any securities by way of a capitalisation of profits or reserves; (b) not to grant conversion rights over existing securities that were issued without conversion rights without adjusting the conversion price of the Series C Bonds; (c) not to modify the rights attached to the shares of the Issuer; (d) not to reduce the Issuer's stated share capital and capital reserves; (e) to issue shares upon the exercise of conversion rights; (f) to procure that the net debt will not exceed 70% of the portfolio value of the Issuer at any time and 65% of the portfolio value for a period of more than twelve months; (g) to transfer to GrandCity the net subscription monies received from the issue of the Series C Bonds by way of an intercompany loan and to assign the repayment claims to the Trustee; (h) not to open, maintain or hold any interest in and procure that GrandCity does not open, maintain or hold any interest in other bank accounts than charged bank accounts, except such accounts are also charged in favour of the Trustee; and (i) not to allow any subsidiaries of the Issuer to create or permit to exist any restriction or consensual encumbrances on its ability to: (i) make or pay dividends or any other distributions on its share capital to the Issuer or any of the Issuer's other subsidiaries or grant to the Issuer or any of the Issuer's other subsidiaries any other interest or participation in itself; or (ii) (A) pay any indebtedness owed to the Issuer or any of the Issuer's other subsidiaries; (B) make loans or advances to the Issuer or any of the Issuer's other subsidiaries or (C) transfer any of its properties or assets to the Issuer or any of the Issuer's other subsidiaries.

Upon an event of default, the Trustee may give notice to the Issuer that the Series C Bonds have become due and repayable at their principal amount together with accrued interest. The Trust Deed provides that the following events (amongst others) will be deemed to be an event of default in respect of the Series C Bonds: (a) any failure of the Issuer to pay the principal or interest on the Series C Bonds when due and such failure continues for 14 days (in respect of principal) or 21 days (in respect of interest); (b) any failure of the Issuer to comply with any one or more of its undertakings in respect of the Series C Bonds; (c) if: (i) any indebtedness of the Issuer becomes due prematurely because of an event of default (however described); (ii) the Issuer fails to repay indebtedness when due; (iii) any security given by the Issuer for any indebtedness is enforced; or (iv) the Issuer defaults in making any payment due under any guarantee; (d) if a distress or similar procedure is levied or enforced on or against substantial part of the assets of the Issuer unless such proceeding is not discharged or stayed; (e) if any step is taken to enforce any security granted by the Issuer or any subsidiary and such step is not stayed; (f) if bankruptcy, insolvency or similar proceedings are opened against the Issuer and remain unstayed; (g) if the Issuer admits inability to pay its debts as they fall due; (h) the winding-up or dissolution of the Issuer; or (i) if a final judgement for the payment of moneys is rendered against the Issuer.

Except for the failure to pay principal or interest due in relation to the Series C Bonds, none of the above matters shall constitute an event of default unless the amount of the relevant default, either alone or when aggregated with other amounts of default relative to all (if any) other such events which shall have occurred, shall be equal to, or more than, 10% of consolidated gross assets of the Issuer.

The Trust Deed also contains a cross default clause relating to events of default under the Series B Bonds or any future bonds issued under the Trust Deed. This means that, if an event of default occurs in relation to the Series B Bonds (or, when issued, the Series D Bonds), such matter will be an event of default in relation to the Series C Bonds as well. The occurrence of an event of default in respect of either the Series B Bonds and/or the Series C Bonds (and/or the Series D Bonds, when issued) will enable the Trustee to enforce the Security (if still outstanding) for the benefit of the holders of all series of secured bonds under the Trust Deed.

Security

Under the Trust Deed, the Issuer and GrandCity granted security for the Series C Bonds in favour of the Trustee for the benefit of the Trustee, the holders of the Series B Bonds, the holders of the Series C Bonds and the holders of any further bonds. If an event of default occurs under any of the Series C Bonds and/or the Series B Bonds, the Trustee is entitled to enforce the Security. The security documentation consists of the following agreements:

Charge over Shares in GrandCity Property Ltd

Pursuant to a share charge agreement dated 20 June 2013 (as amended by an addendum dated 24 February 2014), the Issuer pledged and charged all its shares in GrandCity in favour of the Trustee. The share charge agreement is governed by Cypriot law.

The Issuer has agreed to customary representations and warranties in the share charge agreement. The Issuer remains entitled to exercise its voting and other rights attached to the charged shares, provided that such exercise of rights is not inconsistent with any provision of the Trust Deed.

Pledge over Bank Accounts of the Issuer

Pursuant to a pledge agreement dated 15 October 2012 (as amended and restated on 15 May 2013, 19 June 2013, 24 February 2014, 15 April 2014, 19 June 2014 and to be further amended and restated on or around the Closing Date, the Issuer has agreed, and will, on or around the Closing Date further agree, to pledge its bank accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch, in favour of the Trustee. The Issuer has undertaken to extend the pledge on any future accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch.

The Issuer has agreed to customary representations and warranties in the pledge agreement. The pledge agreement is governed by Luxembourg law.

Assignment of Claims against GrandCity

Pursuant to loan agreements dated 15 October 2012, 3 June 2013, 24 July 2013, 24 February 2014, 15 April 2014, 19 June 2014 and the loan agreement to be dated on or around the Closing Date, the Issuer has lent the net subscription monies received in connection with the issue of the Series C Bonds and the Series B Bonds to GrandCity and, in the case of the Series D Bonds, will lend the net subscription monies of the Series D Bonds to GrandCity pursuant to the loan agreement to be dated on or around the Closing Date.

Pursuant to a receivables security assignment agreement dated 15 October 2012 (as amended and restated on 15 May 2013, 19 June 2013, 24 February 2014, 15 April 2014, 19 June 2014 and to be further amended and restated on or around the Closing Date, the Issuer and GrandCity have agreed and, on or around the Closing Date, will further agree, to assign to the Trustee any and all present and future receivables, claims, rights, title or monies to the Issuer, under the above loan agreements as well as under all other (including future) loan agreements. The receivables security assignment agreement is governed by Luxembourg law.

The Issuer and GrandCity have agreed not to change or amend the loan agreements or any other agreement relating to the assigned claims without the prior written consent of the Trustee if that

change or amendment would have a material adverse effect on the rights and interests of the Trustee.

Pledge over Bank Accounts of GrandCity

Pursuant to a pledge agreement dated 15 October 2012 (as amended and restated on 15 May 2013, 19 June 2013, 24 February 2014, 15 April 2014, 19 June 2014 and to be further amended and restated on or around the Closing Date, GrandCity has agreed and will, on or around the Closing Date, further agree, to pledge its bank accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch, in favour of the Trustee. GrandCity has undertaken to extend the pledge on any future accounts with Bank Hapoalim (Switzerland) Ltd., Luxembourg branch. GrandCity has agreed to customary representations and warranties. The pledge agreement is governed by Luxembourg law.

Furthermore, GrandCity has agreed to charge its bank accounts with Bank of Cyprus Public Co Ltd (ex Laiki Bank Public Co Ltd network) in favour of the Trustee under a floating charge agreement dated 20 June 2013 (as amended on 24 February 2014). The floating charge agreement is governed by Cypriot law.

GrandCity has agreed to customary representations and warranties in the pledge agreement and the floating charge agreement.

Conversion, Conversion Price and Adjustment of the Conversion Price

Each Series C Bond entitles its holder to convert the bond into ordinary shares of the Issuer in accordance with the conditions of the Series C Bonds (as set out in the Trust Deed). The conversion right may be exercised at any time from 6 April 2014 to close of business on the date falling ten days prior to 24 February 2019 (or such other date fixed for redemption). The conversion price has been fixed at €9.72 per ordinary share (although it is subject to adjustment on the occurrence of certain events).

Redemption

Unless converted or redeemed earlier (as set out below), the Series C Bonds will be redeemed for 106.65% of their principal amount on the final maturity date (being 24 February 2019).

The Issuer may redeem all but not some of the Series C Bonds then outstanding at any time on or after 11 March 2017 at their accreted principal amount together with accrued but unpaid interest to such date if, on each of not less than 20 dealing days in any period of 30 consecutive dealing days, the parity value on each such dealing day exceeds 130% of the accreted principal amount of a Series C Bond on such dealing day. Further, the Issuer may redeem all but not some of the Series C Bonds in the event conversion rights, purchases (and corresponding

cancellations) and/or redemptions have been effected in respect of 80% or more in aggregate principal amount of the Series C Bonds originally issued. The Issuer may also redeem all but not some of the bonds in the event the Issuer would be obliged to pay additional taxes as a result of changes in Luxembourg tax law.

The holders of the Series C Bonds are entitled to demand redemption of the Series C Bonds in the event of: (a) a change of control in the Issuer; or (b) in the event that the number of shares comprising the free float is, for any period of at least thirty consecutive dealing days commencing on or after 24 February 2014, less than 15% of the total number of the issued and outstanding shares of the Issuer. In this context, "free float" means the aggregate number of ordinary shares held by collective investment schemes or mutual funds, pension funds and persons that own (directly or indirectly), alone or together with any other persons acting in concert with them, ordinary shares representing less than 7.5% of the total number of issued and outstanding ordinary shares.

Series B Bonds

The Issuer has issued the Series B Bonds, being bonds with an aggregate principal amount of €350 million due 2020 and a denomination of €1,000 each. The Series B Bonds were issued in three stages. On 3 June 2013, the Issuer issued Series B Bonds with an aggregate principal amount of €100 million. On 24 July 2013, the Issuer issued further Series B Bonds with an aggregate principal amount of €100 million. On 10 April 2014, the Issuer issued further Series B Bonds with an aggregate principal amount of €150 million. Since 26 May 2014, all three tranches of Series B Bonds have formed part of the same single series of bonds (ISIN XS0937063310). The Series B Bonds carry an interest rate of 6.25% per annum payable semi-annually. The final maturity date of the Series B Bonds is 3 June 2020. Since 19 August 2014, the Series B Bonds have been listed at the Prime Standard for Corporate Bonds of the Frankfurt Stock Exchange.

On 20 October 2014 the Issuer invited holders of the Series B Bonds to tender their Series B Bonds for purchase by the Issuer for cash under the Series B Bond Tender Offer. Pursuant to the Series B Bond Tender Offer, the Issuer intends to pay a cash price equal to 109.5 per cent. of the principal amount of the Series B Bonds accepted by it for purchase pursuant to the Series B Bond Tender Offer, together with all accrued and unpaid interest in respect of those Series B Bonds from (and including) the immediately preceding interest payment date for the Series B Bonds up to (and including) the date of purchase by the issuer. In total, the Issuer has received valid tenders of approximately € 331.83 million in aggregate principal amount of Series B Bonds for purchase pursuant to the Series B Bond Tender Offer. The Issuer has decided to accept for purchase all valid tenders of Series B Bonds in full, requiring a payment of approximately € 371.88 million (including accrued interest) to the relevant holders of the Series B Bonds.

Trust Deed

The Series B Bonds are governed by English law and are constituted by and subject to the provisions of the Trust Deed, which also constitutes the Series C Bonds (see “*Series C Bonds*” - *Trust Deed*”).

Under the Trust Deed, the Issuer has agreed to pay any monies due under the Series B Bonds to the Trustee. The Issuer covenanted with the Trustee to ensure the fulfilment of its obligations under the Series B Bonds including, in particular, the obligation to repay the principal amount and all interest when due. The security for the Series B Bonds (see “*Series B Bonds*” - *Security*”) was granted in favour of the Trustee for the benefit of the Trustee and the holders of the Series B Bonds.

Undertakings and Events of Default

The Issuer has agreed to customary undertakings and obligations in respect of the Series B Bonds which are the same as those it has agreed to in respect of the Series C Bonds (see “*Series C Bonds*” – *Undertakings and Events of Default*”). However, as the Series B Bonds are not convertible, the Issuer has not agreed to undertakings regarding anti-dilution protection or conversion protection.

The conditions of the Series B Bonds (as set out in the Trust Deed) provide for certain events of default on which the Security becomes enforceable. Such events of default are materially the same as for the Series C Bonds (see “*Series C Bonds*” – *Undertakings and Events of Default*”). Except for the failure to pay principal or interest due in relation to the Series B Bonds, no such event shall constitute an event of default unless the amount of the relevant default, either alone or when aggregated with other amounts of default relative to all (if any) other such events which shall have occurred, shall be equal to, or more than, 10% of consolidated gross assets of the Issuer.

The Trust Deed also contains a cross default clause relating to events of default under the Series C Bonds or any future bonds issued under the Trust Deed. This means that, if an event of default occurs in relation to the Series C Bonds (or, when issued, the Series D Bonds), such matter will be an event of default in relation to the Series B Bonds as well. The occurrence of an event of default in respect of either the Series B Bonds and/or the Series C Bonds (and/or the Series D Bonds, when issued) will enable the Trustee to enforce the Security (if still outstanding) for the benefit of the holders of all series of secured bonds under the Trust Deed.

Security

The Series B Bonds are secured in favour of the Trustee and for the benefit of the Trustee and the holders of the Series B Bonds by the same security as the Series C Bonds (see “*Series C Bonds - Security*”).

Redemption

Unless redeemed earlier (as set out below) or purchased by the Issuer under the Series B Tender Offer, the Series B Bonds will be redeemed at their principal amount on the final maturity date (being 3 June 2020).

The Series B Bonds may be redeemed completely but not partially at the discretion of the Issuer (in each case together with accrued but unpaid interest): (a) between the third and the fourth year from their issue at 102.5% of the principal amount; (b) between the fourth and the sixth year from their issue at 101.5% of the principal amount; or (c) from the sixth year after their issue at 100% of the principal amount. In addition, the Series B Bonds may be redeemed wholly or in part if 80% or more of the initial principal amount has been repurchased and cancelled or otherwise redeemed. The Issuer may also redeem the Series B Bonds in the event the Issuer would be obliged to pay additional taxes as a result of changes in Luxembourg tax law.

The holders of the Series B Bonds are entitled to request redemption of the Series B Bonds at 101% of the principal amount in the event of a change of control (where a change of control is defined as: (a) the acquisition of more than 50% of the voting rights in the Issuer by any person or persons (subject to limited exceptions), individually or jointly; or (b) the right to appoint and/or remove the majority of the members of the Board of Directors of the Issuer by one or more shareholders).

Statutory Auditors

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

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

At the date of this Prospectus, KPMG Luxembourg S.à r.l., a private liability company established under the laws of Luxembourg and having its registered office at 9 allée Scheffer, L-2520 Luxembourg, registered with the RCSL under number B 149133 (“**KPMG Luxembourg**”) is the approved statutory auditor (*réviseur d’entreprise agréé*) of the Issuer. Its mandate expires at the annual general meeting of the shareholders of the issuer to be held in 2015. KPMG Luxembourg is registered as a corporate body with the official table of company auditors drawn up by the Luxembourg Ministry of Justice, is a member of the Institute of Auditors (*l’Institut des Réviseurs*

d'Enterprises) and is approved by the CSSF in the context of the law dated 18 December 2009 relating to the audit profession.

The IFRS Consolidated 2013 Financial Statements and the IFRS Consolidated 2012 Financial Statements have been audited by the statutory auditor of the Issuer, KPMG Luxembourg, which provided an unqualified auditor's report for each of these statements.

Rating

As at the date of this Prospectus, the Issuer, the Series B Bonds and the Series C Bonds are individually assigned a "BB+" rating with a stable outlook by S&P. The Issuer has undertaken in the Conditions of the Series D Bonds that it will use its reasonable endeavours to obtain a rating for the Series D Bonds from a Rating Agency (as defined in the Conditions of the Series D Bonds) within 90 days after the Closing Date (as defined in the Conditions of the Series D Bonds). The Issuer will announce any rating it receives from a Rating Agency for the Series D Bonds to the bondholders as soon as practicable following the receipt of such a rating (which will include details of the rating and the identity of the Rating Agency). The credit rating opinions awarded by S&P range from the highest rating "AAA", which is defined as "extremely strong capacity to meet financial commitments" to the lowest rating "D", which is defined as "Payment default on financial commitments" (*Source: website Standard & Poor's*). S&P define a "BB" rating as follows: "An obligation rated BB is less vulnerable to non-payment than other speculative issues. However, it faces major on-going uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories."

TAXATION

The following summary is of a general nature only. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Series D Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Taxation of the Issuer

The Issuer will be considered a fiscal resident of Luxembourg from a Luxembourg tax law perspective and should therefore be able to obtain a residence certificate from the Luxembourg tax authorities.

The Issuer will be liable for Luxembourg corporation taxes. The current standard applicable rate in Luxembourg city, including corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and solidarity taxes, is currently 29.22 per cent. Liability for such corporation taxes extends to the Issuer's worldwide profits including capital gains, subject to the provisions of any relevant double taxation treaty. The taxable income of the Issuer is computed by application of all rules of the Luxembourg income tax law of 4 December 1967, as amended (*loi concernant l'impôt sur le revenu*), as commented and currently applied by the Luxembourg tax authorities.

Under certain conditions, dividends received by the Issuer from qualifying participations and capital gains realised by the Issuer on the sale of qualifying participations may be exempt from Luxembourg corporation taxes under the Luxembourg participation exemption. The Issuer may further deduct from its taxable profits interest payments made to the holders of the Series D Bonds.

A fixed registration duty (*droit fixe spécifique d'enregistrement*) of € 75 is payable at the moment of the amendment of the Articles.

It is not compulsory that the Series D Bonds be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Series D Bonds, in accordance therewith, except that, in case of use of the Series D Bonds, either directly or by way of reference, (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of a fixed or an ad valorem registration

duty of 0.24% calculated on the amounts mentioned in the Series D Bonds. Indeed, a 0.24% registration duty could be levied on any notarial or other public deed making a precise reference to a loan or obligation of sum of money. In practice such kind of registration is rarely ordered.

Under certain conditions, the Issuer could be exempt from wealth tax (*impôt sur la fortune*) on certain assets. However, the Issuer will in any case be liable for the minimum wealth tax of 62.50 EURO per annum.

Taxation of the holders of the Series D Bonds

Withholding tax

Non-resident Holders of the Series D Bonds

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005 (the “**Laws**”) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of the Series D Bonds, nor on accrued but unpaid interest in respect of the Series D Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Series D Bonds held by non-resident holders of the Series D Bonds.

Under the Laws implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the “**Savings Directive**”) and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or certain Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Where withholding tax is applied, it is currently levied at a rate of 35 per cent.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Series D Bonds are currently subject to withholding tax of 35 per cent.

The Council of the European Union adopted certain amendments to the Savings Directive, which will, upon implementation, amend or broaden the scope of the requirements described above.

The Luxembourg draft bill N° 6668, which was submitted to Parliament on March 18, 2014, is purporting to abolish the withholding tax principle to introduce an automatic exchange of information regarding the payment of interest or similar income. The entry into force of this reform is expected for January 1, 2015.

Resident Holders of the Series D Bonds

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the “**Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of the Series D Bonds, nor on accrued but unpaid interest in respect of Series D Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Series D Bonds held by Luxembourg resident holders of the Series D Bonds.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent.

Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Series D Bonds coming within the scope of the Law would be subject to withholding tax of 10 per cent.

Income Taxation

Holders of the Series D Bonds who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

A holder of Series D Bonds who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Series D Bonds are attributable, is subject to Luxembourg income tax in respect of the interest paid or accrued on, or any other income derived from, the Series D Bonds. An individual Luxembourg resident holder of Series D Bonds, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest or any other income received, except if withholding tax has been levied on such payments in accordance with the Law.

Under Luxembourg domestic tax law, gains realised by an individual holder of Series D Bonds, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, on the sale or disposal, in any form whatsoever, of Series D Bonds are not subject to Luxembourg income tax, provided this sale or disposal took place at least six months after the acquisition of the Series D Bonds. An individual holders of Series D Bonds, who acts in the course of the management of his private wealth and who is a resident of Luxembourg for tax purposes, has further to include the portion of the gain corresponding to accrued but

unpaid interest in respect of the Series D Bonds in his taxable income, except if: (a) withholding tax has been levied on such payments in accordance with the Law; or (b) the individual holders of the Series D Bonds has opted for the application of a 10 per cent. tax in full discharge of income tax in accordance with the Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than an EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the Council Directive 2003/48/EC of 3 June 2003.

The withholding tax or self-applied tax is the final tax liability for the Luxembourg individual resident taxpayers receiving the interest payment in the framework of their private wealth.

Gains realised by a corporate holder of Series D Bonds or by an individual holder of Series D Bonds, who acts in the course of the management of a professional or business undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Series D Bonds are attributable, on the sale or disposal, in any form whatsoever, of Series D Bonds are subject to Luxembourg income tax.

A Luxembourg holder of Series D Bonds that is governed by the law of 11 May 2007 on family estate companies, as amended by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, will not be subject to any Luxembourg income tax in respect of interest received or accrued on the Series D Bonds, or on gains realised on the sale or disposal, in any form whatsoever, of Series D Bonds.

Holders of Series D Bonds will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Series D Bonds.

Gains realised by a non-resident holder of Series D Bonds, who does not have a permanent establishment or fixed place of business in Luxembourg, to which the Series D Bonds are attributable, on the sale or disposal of Series D Bonds are not subject to Luxembourg income tax.

Wealth Tax

A corporate holders of Series D Bonds, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Series D Bonds are attributable, is subject to Luxembourg wealth tax on such Series D Bonds, except if the holder of Series D Bonds is governed by the law of 11 May 2007 on family estate companies, as amended, by the law of 17 December 2010 on undertakings for collective investment, as amended, by the law of 13 February 2007 on specialised investment

funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended.

An individual holder of Series D Bonds, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on Series D Bonds.

Other Taxes

Under present Luxembourg tax law, in the case where a holder of the Series D Bonds is a resident for tax purposes of Luxembourg at the time of his death, the Series D Bonds are included in his taxable estate, for inheritance tax purposes and gift tax may be due on a gift or donation of Series D Bonds, if the gift is recorded in a Luxembourg deed.

EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities. The Savings Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. The Luxembourg draft bill N° 6668, which was submitted to Parliament on March 18, 2014, is purporting to abolish the withholding tax principle to introduce an automatic exchange of information regarding the payment of interest or similar income. The entry into force of this reform is expected for January 1, 2015.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission has published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Series D Bonds (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Series D Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Series D Bonds.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Series D Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc, J.P. Morgan Securities plc and Deutsche Bank AG, London Branch (together, the “**Managers**” and each a “**Manager**”), have, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 28 October 2014, severally, and not jointly, agreed to subscribe or procure subscribers for the Series D Bonds at the issue price of 95.564 per cent. of the principal amount of Series D Bonds. The Issuer has agreed to pay the Managers a placement fee, will reimburse the Managers in respect of certain of their expenses, and has also agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Series D Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

No action has been, or will be, taken in any country or jurisdiction that would, to the best of the Issuer’s knowledge, permit a public offering of the Series D Bonds, or the possession or distribution of this Prospectus or any other offering material relating to the Series D Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Series D Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus nor any circular, prospectus, form of application, advertisement or other offering material relating to the Series D Bonds may be distributed in or from, or published in, any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Series D Bonds by it will be made on the same terms.

United States of America

The Series D Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Series D Bonds (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the Offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells the Series D Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Series D Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Series D Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Series D Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Series D Bonds in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Series D Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Series D Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Series D Bonds referred to in (a) to (c) above shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an **offer of Series D Bonds to the public** in relation to any Series D Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Series D Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Series D Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and
- the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

GENERAL INFORMATION

Authorisation

The creation and issue of the Series D Bonds has been authorised in principal by resolution of the Board of Directors of the Issuer dated 19 October 2014. The resolutions of the Board of Directors of the Issuer dated 24 October 2014 ratified the approval of the final total amount and further pricing information of the Series D Bonds. A third meeting of the Board of Directors of the Issuer, which will take place on the Closing Date, will approve the issuance of the Series D Bonds based on these terms.

Listing and Admission to Trading

Application has been made to the Irish Stock Exchange for the Series D Bonds to be listed on the Official List and to be admitted to trading on the Main Securities Market. The total expenses related to the admission of the Series D Bonds to trading on the Irish Stock Exchange's regulated market are expected to amount to approximately € 5,000.

Matheson is acting solely in its capacity as listing agent for the Issuer in relation to the Series D Bonds and is not itself seeking admission of the Series D Bonds to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market for the purposes of the Prospectus Directive.

Indication of Yield

On the basis of the issue price of the Series D Bonds of 95.564 per cent. of their principal amount, the yield on the Series D Bonds is 2.70 per cent. on an annual basis. The yield is calculated as of the Closing Date on the basis of the issue price of the Series D Bonds. It is not an indication of future yield.

Significant Change in the Financial or Trading Position

Since 30 June 2014, save as disclosed in the "*Description of the Issuer and the Group - Business Overview - History and Recent Development*" section of the Prospectus, there has been no significant change in the financial or trading position of the Issuer or the Group.

Trend Information

There has been no material adverse change in the prospects of the Issuer since 31 December 2013.

Clearing Systems and Security Codes

The Series D Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number (ISIN) is XS1130507053 and the Common Code is 113050705. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

Documents on Display

For the duration of the validity of this Prospectus, copies of the following documents referred to in this Prospectus, including the Prospectus, will be available free of charge for inspection by physical means during regular business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of the Issuer at 24, Avenue Victor Hugo, L-1750 Luxembourg, Grand Duchy of Luxembourg:

- (a) the most recent version of the Articles of Incorporation of the Issuer;
- (b) the 2013 IFRS Consolidated Financial Statements;
- (c) the 2012 IFRS Consolidated Financial Statements;
- (d) the 2014 IFRS Condensed Consolidated Interim Financial Statements (unaudited);
- (e) the Prospectus;
- (f) the Trust Deed;
- (g) the Conditions of the Series D Bonds and the documents mentioned therein.

This Prospectus, any supplement thereto as well as the documents incorporated by reference will be also available on the Issuer's website at www.grandcityproperties.com/en/downloads.html.

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