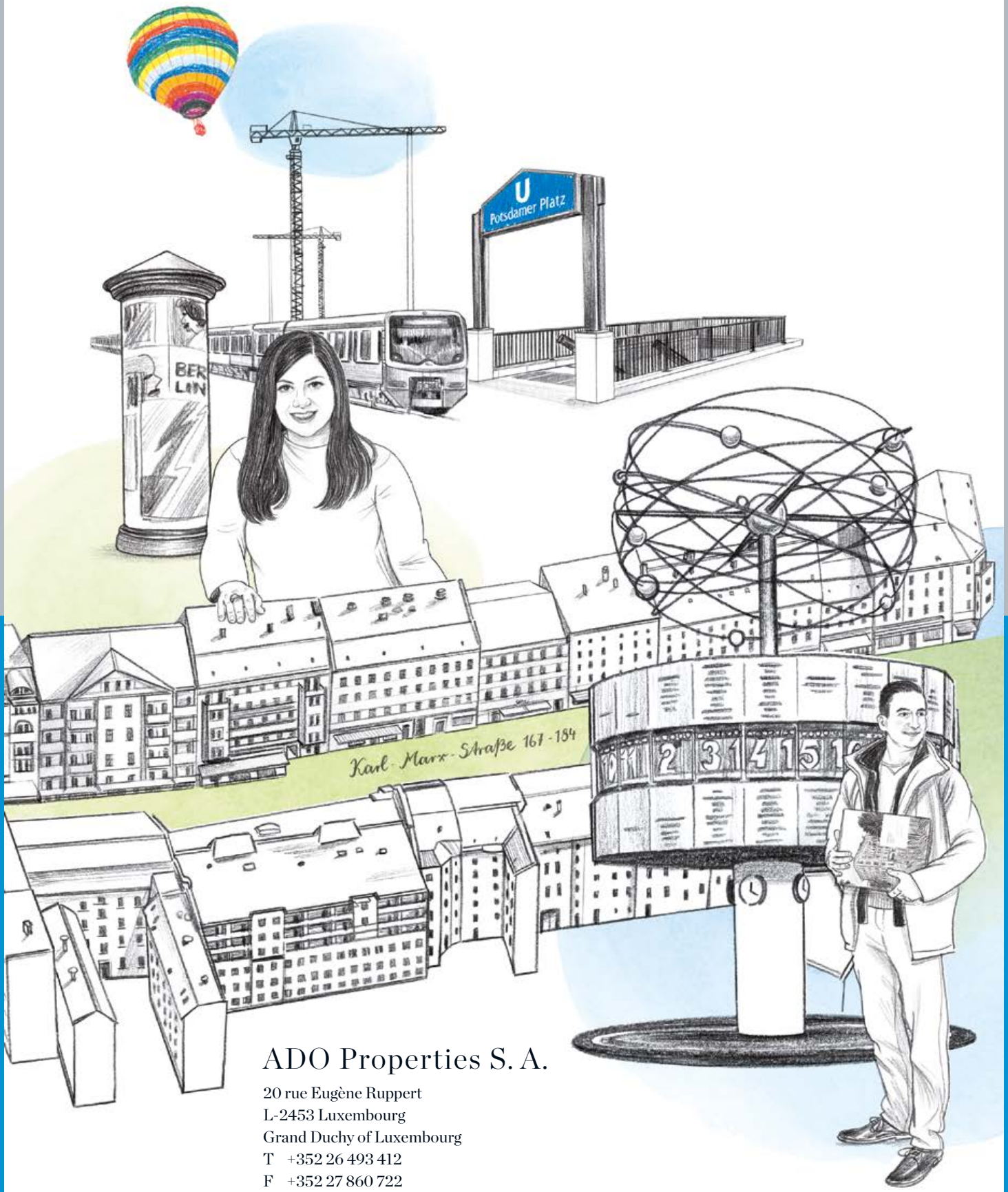

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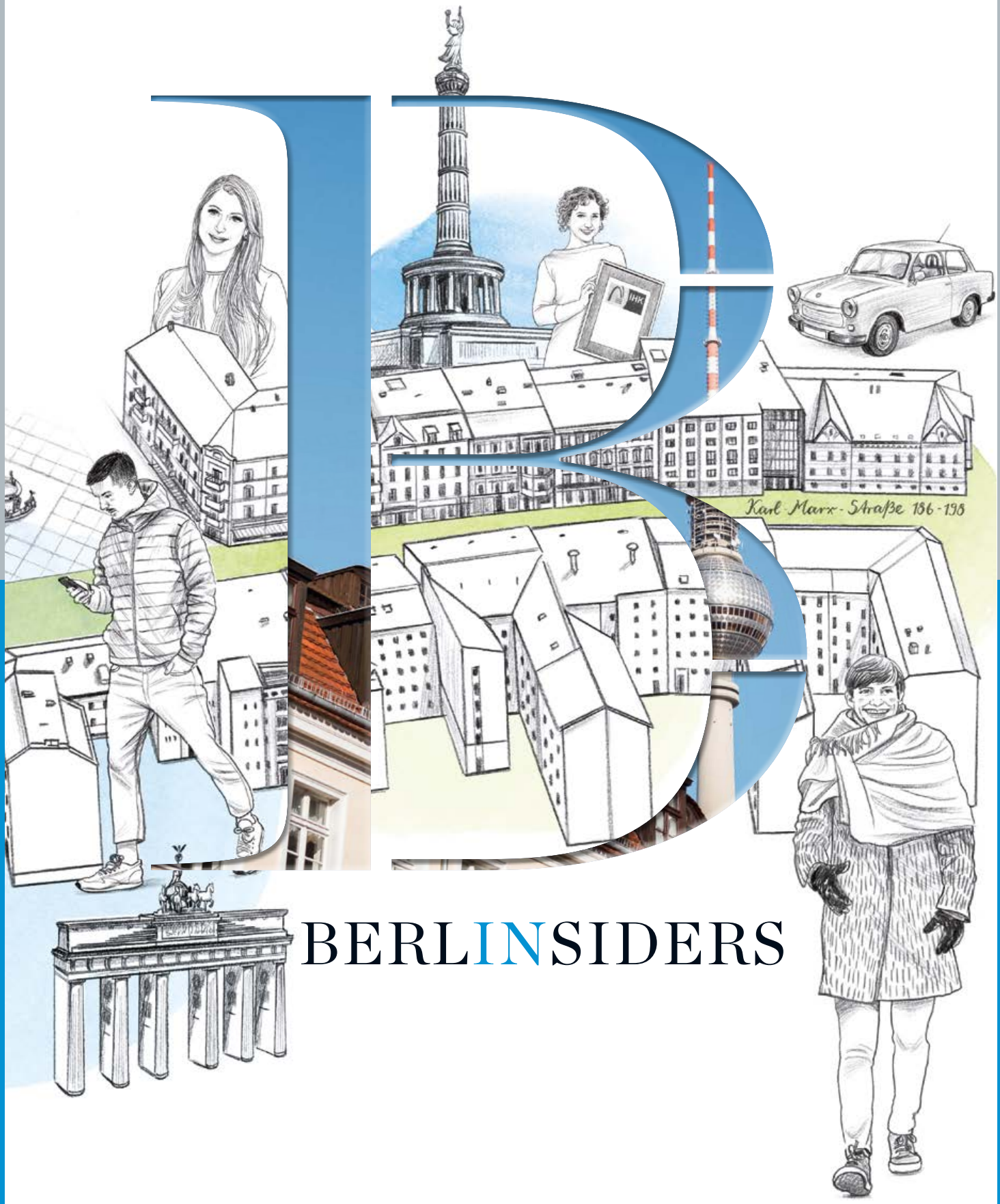
ADO

ANNUAL REPORT 2016



BERLINSIDERS

"Berlin is the place to be! This trend is as strong as ever ...

... and ADO grows as Berlin grows."

Florian Goldgruber
CFO

KEY FIGURES 2016

BALANCE SHEET

In EUR thousand	**Dec 31, 2016**	Dec 31, 2015
Book value of properties	2,318,653	1,501,532
LTV	31.4%	43.6%
EPRA NAV	1,591,345	843,621
EPRA NAV (in EUR per share)	36.08	24.10

RESIDENTIAL

	Dec 31, 2016	Dec 31, 2015
Monthly in-place rent (EUR per sqm)	6.11	5.82
Total vacancy rate	2.5%	4.0%
Number of units	17,701	14,856
Rental growth	6.0%	7.3%

TYPICALLY BERLINERISCH: THE ADO MISSION

PROFIT AND LOSS STATEMENT

In EUR thousand	**Dec 31, 2016**	Dec 31, 2015
Income from rental activities	89,810	65,799
EBITDA from rental activities	63,388	48,492
EBITDA margin	74.9%	78.6%
Total EBITDA	66,627	49,975
FFO 1 from rental activities	43,513	30,714
AFFO from rental activities	34,671	26,652
FFO 2 (incl. disposal results)	46,752	32,197

ADO
looks back at 10 years of continuous growth.

At ADO, we believe in Berlin. We know Berlin. We are Berlin. As the only Prime Standard-listed real estate company focused solely on the German capital, we outperform other real estate providers in the city. We offer top-quality housing with a passionate commitment to our tenants and cross-generational responsibility for the neighborhoods they live in. We are committed to ongoing economic success and the interests of our shareholders. Our teams embody the best local and cosmopolitan sides of the capital. **Our focus is our strength.**

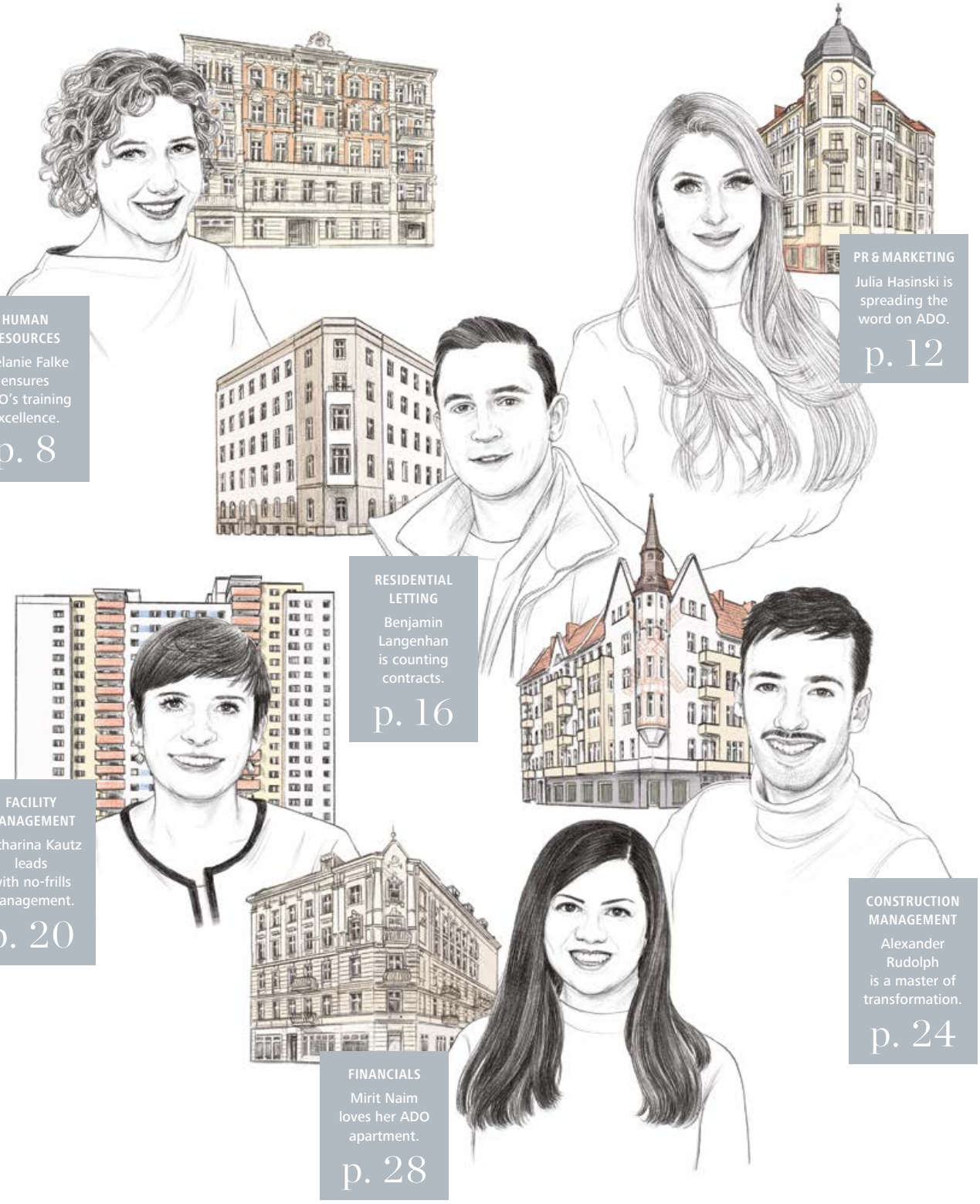
CONTENT

"ADO's corporate culture is simple: Communication, transparency, passion, excellence. Our best assets are not just the buildings we own, but the team who drives us forward."

Eyal Horn
COO

CITIZENS OF ADO
OUR DIVISIONS

WELCOME TO BERLIN: MEET THE CITIZENS OF ADO!



HUMAN RESOURCES
Melanie Falke ensures ADO's training excellence.
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Julia Hasinski is spreading the word on ADO.
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Benjamin Langenhan is counting contracts.
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Katharina Kautz leads with no-frills management.
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Alexander Rudolph is a master of transformation.
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FINANCIALS
Mirit Naim loves her ADO apartment.
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IT

MANAGEMENT TEAM (LEFT TO RIGHT):

Florian Goldgruber, Rabin Savion, Eyal Horn

"Berlin is East, West and everything in between; it's one dish with many flavours."

Rabin Savion
CEO

Y OF GROWTH

DEAR READERS,

ADO is not just a real estate company: We are a community and a very particular team of real estate specialists. On the corridors of ADO, you will hear born-and-bred Berliners just as much as Russian, Turkish, Polish, Hebrew or English in accents from across the world. We speak the languages Berlin speaks and we call this mix that is never just one thing: "Berlinerisch". It is multicultural and cosmopolitan; it is young, open and friendly. It embraces many dreams and many lifestyles.

ADO and Berlin belong together. Nothing reflects this more than the team that makes up ADO. In this report, we invite you to meet six of our employees. They stand for another 294 ADO Citizens with equally captivating stories.

We are convinced that ADO is, first and foremost, about human power. This is why, as a company, we invest in training, in transparency and in each employee to unfold his or her individual potential. We are proud that this corporate culture has enabled us to grow exponentially without ever affecting the spirit that permeates our corridors. We are especially delighted that our training is recognized as one of the best in the sector: Last year, ADO received the "Award for Excellent Training Quality" by Berlin's Chamber of Commerce and Industry.

ADO is Berlin in a nutshell. Add our employees' unique mix of professionalism and passion for Berlin, and you will know what makes up the unrivalled understanding of Berlin real estate that drives our success.

So, we invite you to look at our BERL**IN**SIDERS team behind the figures that showcase our performance in 2016: With a rate of 6 %, we again recorded an exceptional like-for-like rental growth. ADO now holds a total number of 18,700 units across Berlin, with a monthly in-place rent of EUR 6.11 per square meter, compared to 15,739 units and a monthly in-place rent of EUR 5.82 per square meter at the end of 2015.

In December 2016, our independent appraiser CBRE set the value of our investment portfolio at about EUR 2.3 billion, an increase of about EUR 580 million compared to the second quarter of 2016 resulting from new acquisitions of EUR 260 million and the appreciation of our portfolio.

We will continue our strategy of investing into quality, previously mismanaged properties with strong reversionary potential, in the high-growth districts of Berlin. Germany is a safe haven for investors, with solid GDP growth, low unemployment rate and low interest rates. The capital Berlin is benefitting from a continuing improvement process – growing economic activity continues both to lower unemployment rates and raise household incomes by significant degrees. The fundamentals of Berlin are solid and getting stronger each year; and Berlin keeps moving. It continues to attract newcomers of all ages – from students to sophisticated entrepreneurs, and from professionals to young-at-heart retirees who appreciate the city's cosmopolitan culture. The resulting population growth drives an ongoing housing shortage in Berlin which will remain for many years to come. The macro-economic outlook stays very positive.

Berlin continues to attract people who want and speak all kinds of "Berlinerisch" – and we are proud to understand them all!

We are grateful to our investors and appreciate the trust they place in us. We are the BERL**IN**SIDERS.

EUR
2.3
billion
property value

100%
pure-play
Berlin

36.08
EPRA NAV
(EUR per share)

RABIN SAVION
Chief Executive Officer

FLORIAN GOLDGRUBER
Chief Financial Officer

EYAL HORN
Chief Operating Officer

Meet the

CITIZENS OF ADO

ADO does not just invest in properties. It invests in people. The Citizens of ADO bring you Berlin in a nutshell – whether it's the glitzy side of Charlottenburg, the down-to-earth North and South, or the multicultural streets of Kreuzberg and Neukölln. With this home advantage, no wonder that ADO has an unparalleled understanding of Berlin's residential real estate.This is what gives ADO the edge as the best partner for urban housing in today's coolest city of Europe. Here are our favorite spots!

Typically Berlinerisch	*Our favorite district*	*Our favorite local food*	*Our best place to have fun*
 **MELANIE FALKE, 34** Head of Human Resources	**FRIEDRICHSHAGEN, TREPTOW-KÖPENICK** *"Reminds me of my student days. Saturday morning breakfast with a view onto Lake Müggelsee. Then a walk. What could be better?"*	**CONDITOREI & CAFÉ GERCH** Fürstenwalder Allee 22 12589 Berlin-Friedrichshagen *"Try their chocolate-cherry cake! It's out of this world! I go into mourning whenever they close for holidays."* www.conditoreigerch.de SEE MAP, PLACE NO. 1	**T-Hall Berlin** Trachenbergring 85 12249 Berlin-Marienfelde *"I love climbing – it's all about strategy. My favourite hall has just moved: Luckily, they'll reopen this spring."* www.diekletterhalle.de SEE MAP, PLACE NO. 1
 **JULIA HASINSKI, 28** Head of PR & Marketing	**CHARLOTTENBURG** *"Or should I say Charlottengrad? There is always something going on there!"*	**Mimino Royal** Fasanenstraße 14 10623 Berlin-Charlottenburg *"The program even includes Jewish songs and old Russian music! And they do Olivier Salad almost as good as my Mum!"* www.mimino-berlin.com SEE MAP, PLACE NO. 2	**SATURDAY MARKET** Karl-August-Platz Pestalozzistraße 85 10625 Berlin-Charlottenburg *"My Saturday routine: Buy flowers on the market, then a "Charlottenburger". It's the tastiest burger ever!"* SEE MAP, PLACE NO. 2

BENJAMIN LANGENHAN, 30
Consultant, Residential Letting

Steglitz-Zehlendorf

"I am not a Mitte guy; I love the Southwest of Berlin."

EIERSCHALE

Podbielskiallee 50
14195 Berlin-Zehlendorf

"I recommend their Sunday morning brunch with Live-Jazz and the beer garden in summer!"

www.berliner-eierschale.de

SEE MAP, PLACE NO. 3

SCHLOSSSTRASSE, STEGLITZ

"When I want to hang out with friends, it's here between the Kreisel and Walter-Schreiber-Platz – Berlin's second largest shopping area!"

SEE MAP, PLACE NO. 3

KATHARINA KAUTZ, 41
Head of Facility Management

FROHNAU

"This feels like home when you want to stop "running". It's green. It's calm. And still near to Prenz'lberg for shopping and entertainment!"

Nalibeau Sushi Haus

Waldseeweg 5
13467 Berlin-Hermsdorf

"For me it's Sushi or Thai! This is a great place to have next door!"

www.sushi-haus-berlin.de

SEE MAP, PLACE NO. 4

PRENZLAUER BERG

"Ideal for a Saturday morning shopping stroll: Start at Schönhauser Allee, then down Kastanienallee. My sister and I go all out here!"

SEE MAP, PLACE NO. 4

ALEXANDER RUDOLPH, 29
Project Leader,
Construction Management

Neukölln

"Schiller Kiez is my place. It's dirty, it's loud, it's always changing – and utterly authentic!"

AL ANDALOS

Sonnenallee 40
12045 Berlin-Neukölln

"I have no words: Simply utterly, stupefyingly tasty!"

SEE MAP, PLACE NO. 5

Tempelhof

"I have a special relationship to Tempelhofer Feld because I wrote my diploma thesis on it. I like all the things that have evolved there – the impromptu gardening plots, for example. And it's a great place to go running."

SEE MAP, PLACE NO. 5

MIRIT NAIM, 29
Group Financial Manager

KREUZBERG

"I love coming home in the evening: I can see Victoria Park right outside my window!"

SAIGON GREEN

Kantstraße 23
10623 Berlin-Tiergarten

"This is a great Vietnamese place: Try the shrimp and herb salad!"

www.saigon-berlin.de

SEE MAP, PLACE NO. 6

Monkey Bar, Bikini Haus

(on the top floor of the 25hours Hotel)
Budapester Strasse 40
10787 Berlin-Tiergarten

"You can watch the monkeys in Tiergarten Zoo from the balcony – and they even have some Israeli food."

www.25hours-hotels.com/en/bikini/restaurant/monkey-bar.html

SEE MAP, PLACE NO. 6

BEST

ADO Property – District Spandau – Hakenfelder Straße
(see map, property no. 1)

"We don't just look at people's paperwork. We look at people. And we invest in developing our team: I look at it like a marathon, not a sprint!"

OF TALENT-MANAGER

...LIKE A MARATHON

"Climbing," she says when asked about how she likes to spend her spare time. "I enjoy climbing. It's about strategy, not strength, you know. It's all in the head." Melanie Falke oozes professionalism: Dressed in a grey business suit, upright posture, she answers every question with care and consideration. Her office is decorated with strategy plans and notes on ADO's upcoming personnel agenda: "Recruitment process", "Big Data", "Employer Branding", "Training", "Health Management", "Onboarding"...

Melanie is looking after ADO's Human Resources – a challenging task as the company has more than quadrupled in size since she started 3.5 years ago and finally became head of department. Soon, she will be joined by another colleague to keep up with the workload. "We are recruiting all the time," she says.

Today, the number of ADO employees stands at almost 300, including the facility management and trainees. Despite the company's fast growth Melanie insists: "We put a lot of effort into recruitment, and we don't just look at people's paperwork and CVs. We look at people." Whilst formal qualifications are relevant, "this is not necessarily what makes people succeed here", she says. ADO's personnel strategy is about development: "We look at it like a marathon." Motivation is key, she goes on: "You can learn almost everything, but you will succeed if you love being part of this team and simply enjoy working here."

"YOU HAVE TO HAVE FUN!"

Indeed, the career paths of many ADO employees are anything but straightforward. There's the archeologist turned real estate agent, the geographer who now works in construction management, and the master painter who heads the facility management. "ADO appreciates diversity", says Melanie, "and here this is not just talk."

HR plus

Melanie Falke trained in real estate management before getting her degree in economics and HR.

Melanie Falke
Head of Human Resources

Talk
Checking the trainees' weekly learning reports is part of Melanie's duties.

Languages spoken on the corridors of the company include German, English, Polish, Russian and Hebrew – combined with the Berlin accent that is true only to born-and-bred Berliners. "We are local, and we are cosmopolitan," Melanie explains. "Just like Berlin! This makes ADO what it is!"

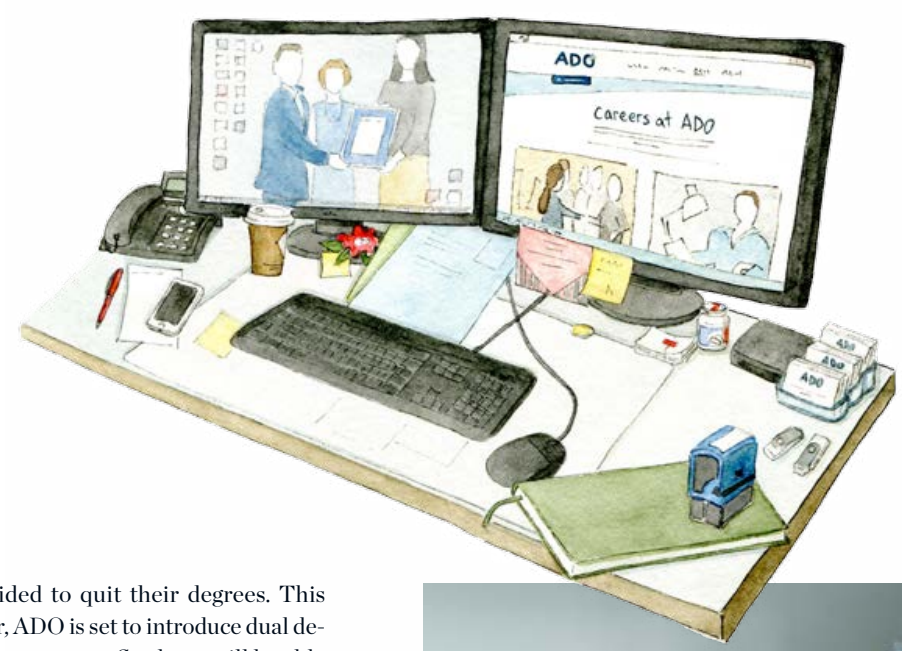
The 34-year-old came to HR via real estate herself: Born in Berlin, she first trained with a housing association before she studied business administration, specializing in personnel management. Her background helps her a lot today: "It's a great asset especially when I look after our trainees," Melanie says. "I know what the trainees are talking about and what kinds of experiences they are faced with."

Melanie points at her computer screen saver – and a big smile enters her face: "I am unashamedly proud of this", she says. The background photo shows her holding a certificate. In 2016, ADO received the "Award for Excellent Training Quality" by Berlin's Chamber of Commerce and Industry.

Me and my work – it's all about enabling people to grow!

PROVEN EXCELLENCE: ADO TRAINING

Today, ADO trains 17 young people, aged 19 upwards. Over the past years, Melanie has developed partnerships with public stakeholders to further expand the opportunities ADO offers its trainees. Since 2015, she has implemented "Your Turn", a scheme of shortened traineeships especially addressed at students who have failed to complete or just



decided to quit their degrees. This year, ADO is set to introduce dual degree programs: Students will be able to combine their ADO traineeship with a degree course in business economics and real estate management at the HWR Berlin School of Economics and Law.

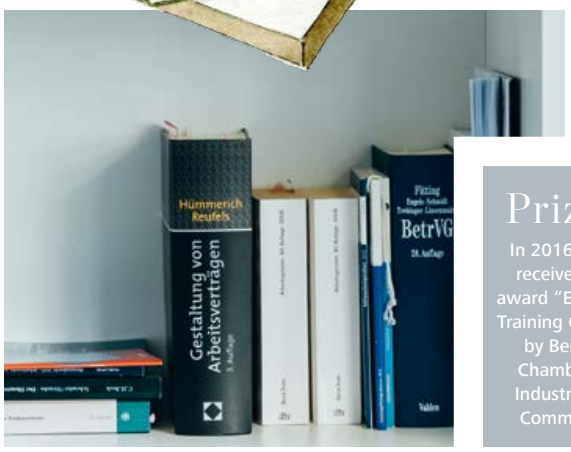
A call comes in from a trainee asking for a meeting. "I relish seeing people grow and unfold their potential," says Melanie before she leaves to discuss the weekly training contents with her young colleague. Shortly, he will move on to his next big step: As part of their education, ADO trainees are asked to manage a bundle of 800 properties in teams of two. "We do encourage our trainees to accept responsibilities," says Melanie.

Which teachers have inspired her most throughout her own training years? "It was always the ones who allowed me to do things myself – even if it was difficult at times", she says. Again, she takes a moment to think: "To be invited to reflect on my own performance was vital, too. How did I communicate? How did I handle the situation? You learn a lot this way."

Her trainee later comments: "You really do feel that her door is open, and you feel safe asking her anything."

Time for a break. Melanie takes out a small silver-coloured tin. "You just have to try this", she says. Suddenly, her calm is gone, and she reveals another side of her. We are talking about: cake. One of Melanie's favourite relaxation pastimes is exploring the cafes and patisseries of Berlin.

Again, her approach is utterly strategic: Listing her most loved "food oases", she lays a cake trail half across the capital. Her favourite spot is in Friedrichshagen and overlooks Lake Müggelsee. She points at the little tin on her table: "Chocolate-cherry cake from Café Gerch. Just picture yourself having this on a lazy Saturday while looking at the lake", she says. "I simply had to go yesterday because they are closing for a three-week holiday."



Prized

In 2016, ADO received the award "Excellent Training Quality" by Berlin's Chamber of Industry and Commerce.

EXTER

ADO Property – District Kreuzberg – Kottbusser Damm / Lenaustraße
(see map, property no. 2)

“What I love about my job? The responsibility, the creativity, the fact that I can decide things, the freedom to live my ideas!”

BERLIN IS JUST "IT"

"I live in Charlottenburg – or should I say Charlottengrad?" she laughs when asked for her favorite part of Berlin. Julia Hasinski just loves toying with clichés. With long blond hair, 5-inch heels and a Chihuahua on her side, she is used to being seen as the stereotypical Ku'damm-diva in Berlin. "I have heard this a lot," she admits, "but then, you know, I love surprising people."

NAL MESSENGER

The 28-year old joined ADO in January 2016, initially as a project manager. She was immediately tasked to coordinate the preparation of ADO's first annual report following the company's stock market launch half a year earlier. "Talk about being shoved into cold water: I literally started my very first day briefing the creative agency", she recalls. Julia threw herself into the project. And less than six months later, the 2015 Annual Report of ADO Properties received a total of 99 out of 100 possible points from the judging panel of the League of American Communication Professionals (LACP) in the Real Estate category – a score that secured its place as the best report in Germany. At the same time, it was ranked 21st among the Top 100 reports worldwide. Today, Julia keeps the "LACP Platinum Vision Award" on her office wall.

Julia Hasinski

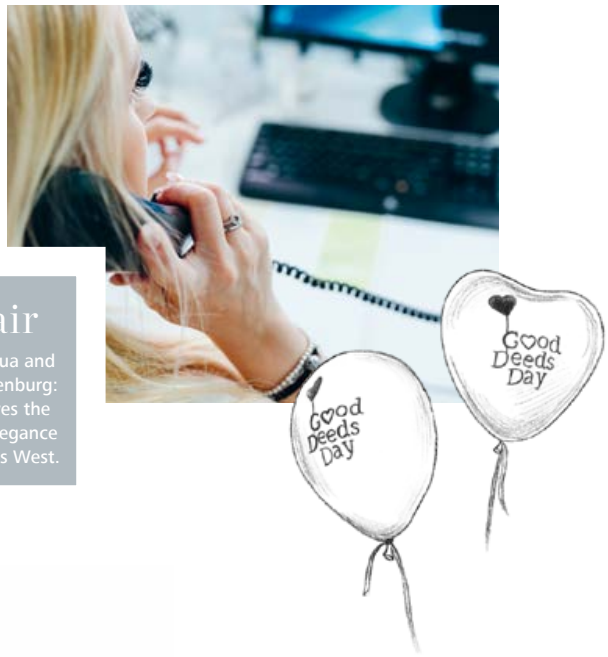
Head of PR & Marketing

Start-up

Julia Hasinski is a Marketing entrepreneur. She left her own start-up to join ADO just over a year ago.

Flair

Chihuahua and Charlottenburg: Julia loves the casual elegance of Berlin's West.



Me and my work – organizing our team events is a big part!

She came a long way, quite literally: Born in 1988 in a small city in Birobidzhan, the Jewish Autonomous Region in Russia's Far East bordering China, Julia's family moved to Moscow when she was a child. Years later, they moved again, now to Germany, and Julia spent her secondary school years in Bielefeld in Eastern Westphalia. "That was tough", she remembers. Julia was the first foreigner in her grammar school class; later, she and a few other Russian-born children regularly met in a certain corner of the break room. "The other kids called us "Ostblock", the Eastern Bloc."

Today, Julia speaks German without even the trace of an accent – as well as English or Russian whenever ADO's business requires it. She moved to Berlin after finishing school, and topped her degree in business economics with special training in marketing and communication management.

Is Berlin home now? "Oh yes," she says. "I cannot imagine living anywhere else. I love the hype of this place; there's a certain superficiality in the air, that I actually enjoy. Munich is a tad snobby, Berlin is just "it"", she says.

Meet

Words and numbers: ADO's PR & Marketing and finance experts during a joint brainstorming session.

THE ADO FAMILY

Julia today heads all of ADO's PR & Marketing activities. Besides handling the company's corporate publishing and public relations, a big part of her work is focused on nurturing the corporate culture: "We see ourselves as a family just as much as a company. That's why there is no formal "Sie" here. To keep that informal atmosphere, we have different unique events for the whole team throughout the year."

Over the past 12 months, she has organized a whole bundle of corporate events – including ADO's "Good Deeds Day", a global charity day initiated by Shari Arison, in support of a Berlin primary school. Other highlights were ADO's 10-Year Anniversary Party, which is still being talked about on the company's corridors, and the ADO Challenge, an annual team-building event for all employees. And in 2016, ADO celebrated the end of the year with a theme party called "Venetian Masquerade", staged at the Orangery of Charlottenburg Palace. "People came in fancy dresses, wigs and masks. It was incredible!"

Julia's chihuahua changes position on her desk. "He's called Louis," Julia explains, "Of course, that stands for Louis Quatorze, the Sun King", she laughs. What does she enjoy about her work? "The responsibility, the creativity, the fact that I can decide things, the freedom to live my ideas, the independence I have at ADO", she says. "I could not be an employee if it was any different", she says.

ENTREPRENEURIAL SPIRIT

Julia not only brings an entrepreneurial spirit to her work. She actually left her own company to join ADO. In what is another quintessentially "Berlin" story, she goes back to 2011: Only 22 at the time, she set up a small IT start-up with her then boyfriend. Today, the company no longer operates out of her home, her boyfriend has become her husband, and the start-up is a successful business.

She decided to leave the company when her husband and she got married, she continues – and reveals a soft side: "For a couple, a joint company can be a real stumbling block on the road to happiness," she says. "I always told my husband, I want my marriage to be based on harmony, not business."

So how would Oskar, her husband, describe her? Julia literally bellows with laughter at this question. She cuddles Louis before she answers: "Let me think, what would he say? Probably: very organized, energetic, dedicated – and very loud!"

RENT

ADO Property – District Kreuzberg – Großbeerenstraße / Obentrautstraße
(see map, property no. 3)

"When you present an apartment for rent, you really need to bring out what it offers also in terms of location and near-by services."

CITIZENS OF ADO
LETTING

INDIANA JONES & TEAM GREEN

The first apartments he checked out were "Altbauten". Quite literally. Benjamin Langenhan trained as a prehistoric archeologist before finding his way into real estate. He remembers digging in Brandenburg: "An Iron-Age settlement, 1.500 BC. We found arrowheads, fireplaces, and even a complete horse skeleton!" And he muses: "I suppose I rent out apartments today, and then, I also looked at what kinds of homes people had." Of course, Indiana Jones also played a part in his first career choice, he admits.
Ultimately, Benjamin missed dealing with people, he says. In 2012, he decided to train as a real estate agent with ADO. Since 2015, he belongs to "Team Green", one of two teams in the rental department.

AL EXPERT

"We take care of the entire rental process," he explains, "from drafting exposés and taking photos of the apartments on offer, via communicating with would-be tenants, to conducting viewings and, of course, concluding the contracts."

THE WOLF OF BERLIN

What does he like about his job? Benjamin frankly admits: "I am all for a bit of solid competition. And I want to get ahead." One of his favorite movies is "The Wolf of Wall Street", Martin Scorcese's story of notorious 1990's stockbroker Jordan Belfort. "It's business! Leave your emotions at the door!", says a film quote tacked to Benjamin's office door. Despite the appearances, his desk neighbour Frederick, one of ADO's trainees, stresses: "Benjamin is actually very kind. He looks after us well."

Benjamin coaches the would-be real estate agents in his team. Especially exposés can be a challenge, he says. "When you present an apartment for rent, you really need to bring out what it offers also in terms of location and near-by services," he explains. "Different people want different things in different locations. You need to do your research on each spot – and then translate the results into words that are not cliché." And not just words: Benjamin has also spearheaded the production of video clips to market apartments.

Pitch

Benjamin Langenhan prepares for an apartment viewing with would-be tenants. Understanding clients' expectations is key.

Benjamin Langenhan
Consultant, Residential Letting

Me and my work – it's about finding out what people want!

GREEN VS. BLUE

He still remembers his first viewing. "Initially, it can be quite overwhelming to give this speech to possibly dozens of people." By now, he reckons he has conducted up to 200 viewings all over Berlin. Team Green manages about 25 rentals per week. "Of course, we're in a healthy rivalry with Team Blue", he grins. Last year, both groups came out even, with 737 rental contracts each!

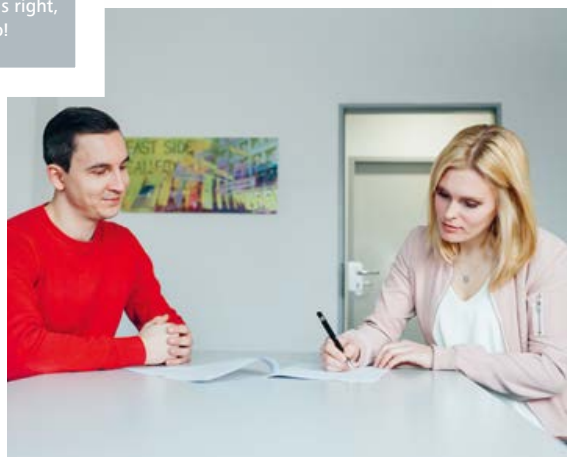
Today, Benjamin meets a young woman interested in a large 3-room-Altbau in Schöneberg. "Modernized, typical Berlin Altbau, Wilhelminian style, restored hard- and softwood floors, high stucco ceilings, original brass door handles ...", he recites while he shows his client around. Later, he successfully concludes yet another contract.

What would his own dream apartment look like? "I like it in the South-West of Berlin", he says. "And then: probably a newly-built one. Large bathroom, large living-room, large windows, an American kitchen – big and open ..." Does the archeologist-turned-rental agent keep any reminders of his first career? Benjamin takes a moment, before he reveals: "Yes, there's a replica of a knight's sword right above my sofa in the living room. It's massive!"

ADO Property – District Schöneberg – Großgörschenstraße

Dream

Berlin's young professionals very much go for refurbished Altbau apartments – especially when the location is right, too!



LOYAL

ADO Property – District Schöneberg – Feurigstraße
(see map, property no. 4)

"You really have to trust your own people. Without trust, none of this works. I am really glad that we nourish that kind of culture at ADO."

MOPS AND MANAGEMENT

"Of course, I was glaring at him the whole time", she bursts into laughter as Mike, one her of team leaders, winds up his description of her: "Kathi? I would not be where I am today without her", he had opened his comments on her – and continued: "She is incredibly helpful, huge fun, but most of all: She is fair. She is our boss, but she is one of us."

LEADER

Katharina Kautz (41) – or Kathi, as her entire 105-strong team calls her – is still laughing. It's 7 o'clock in the morning, and she has joined Mike's group on a cold winter morning in Neukölln. The nine men and six women, tasked with cleaning about 30 houses today, share a quick coffee and fruit, which are supplied fresh every week by ADO. Kathi heads ADO's facility management which involves organizing the cleaning and maintenance rota for all of ADO's just under 19,000 rental properties in Berlin. Despite the mammoth task, she has made it a rule for herself to meet her teams personally at least once a week. An entire head shorter than Mike, the slender 41-year old now discusses staffing levels, upcoming recruitments, supplies and the progress on yet another new staff room in the neighborhood.

Katharina Kautz
Head of Facility Management

Above all, however, she listens: In 2016, Kathi implemented a new management structure focussing on self-organization within each team. Rather than reporting directly to her, the janitors are now allocated to team leaders at six different locations. Duty rosters are no longer organized centrally, and experienced cleaners mentor the on-boarding of newcomers. The new flexibility makes it easier to adapt to ADO's fast growth, Kathi says. Just now, she is phasing in new cleaning teams for a series of recently acquired properties.

Clean
Katharina Kautz and her team make sure that the tenants of ADO's almost 19,000 apartments live in clean and safe surroundings.

GRASS-ROOTS RESPONSIBILITY

Grass-roots responsibility and self-reliance have improved both spirit and performance in her department, Kathi continues: "Why should I get involved when people really know how to solve many problems?" And, again in the broadest of Berlin dialect, she adds: "You really have to trust your own people. Without trust, none of this works. I am really glad that we nourish that kind of culture at ADO."
Mike tells her that two colleagues have volunteered to clean the new quarters after hours. He then consults her on how to approach a staffing problem. Kathi gives a few words of advice and then: "Come back to me if you need me."

Team

Kathi meets with the cleaners of ADO's South Berlin unit at their team quarters in Neukölln. The group headed by Mike Pommerenck is one of six maintenance teams across Berlin.

As the janitors stock up on cleaning supplies, Mike proudly shows the newly-furbished team quarters: a large table fit for meetings, big mail boxes to collect messages to and from tenants. He points at the fitted kitchen: "I got this at a great discount and put it up myself", he beams. Kathi again laughs: "All I had to do was keep tabs on the budget." An understatement: As she shows off the quarters under construction in the neighborhood, she points out safety and hygiene regulations, comments on plans for the shower area, and highlights the design of the staff lockers. She also elaborates in detail on the washing machines that will be put up shortly for the daily cleaning of swobs and floorcloths.

Three cleaners are passing by, pushing the heavy cleaning trolley. By the end of their shift they will have gone through 240 mops. "We could really do with another wheel on this trolley," they point out to Kathi, "It would make maneuvering a lot easier." A quick chat, then Kathi sums up a list of things. "Let me sort that," she reassures them. "You can always talk to her," says Mike. "Simply always."

"I love my job. Really. I just love everything about it, whether it is sorting lightbulbs or managing the team", says Kathi, "And if you had told me ten years ago that I would be in charge of a hundred people today, I would have laughed at you."

Me and my work – I love everything about it!

NO-FRILLS LEADERSHIP

Born and bred in Berlin-Pankow, Kathi first joined ADO in 2007 – as an office worker in the technical department. In 2013, she took over the facility management, with a team of only 12 to begin with.

By background, she is a tradeswoman: After starting out as a kindergarten teacher – "My mother really wanted me to do that but I hated it" – she trained as a painter and decorator and ultimately qualified as a master craftswoman.

"That's probably why I get along with all the cleaners: I have worked on buildings sites. Now I am a manager but I don't talk like one," she says. Again, her Berlin dialect comes through in every syllable: "And I am not really a woman who sits on the sofa pondering how to paint her fingernails. I just see what needs to be done and do it."

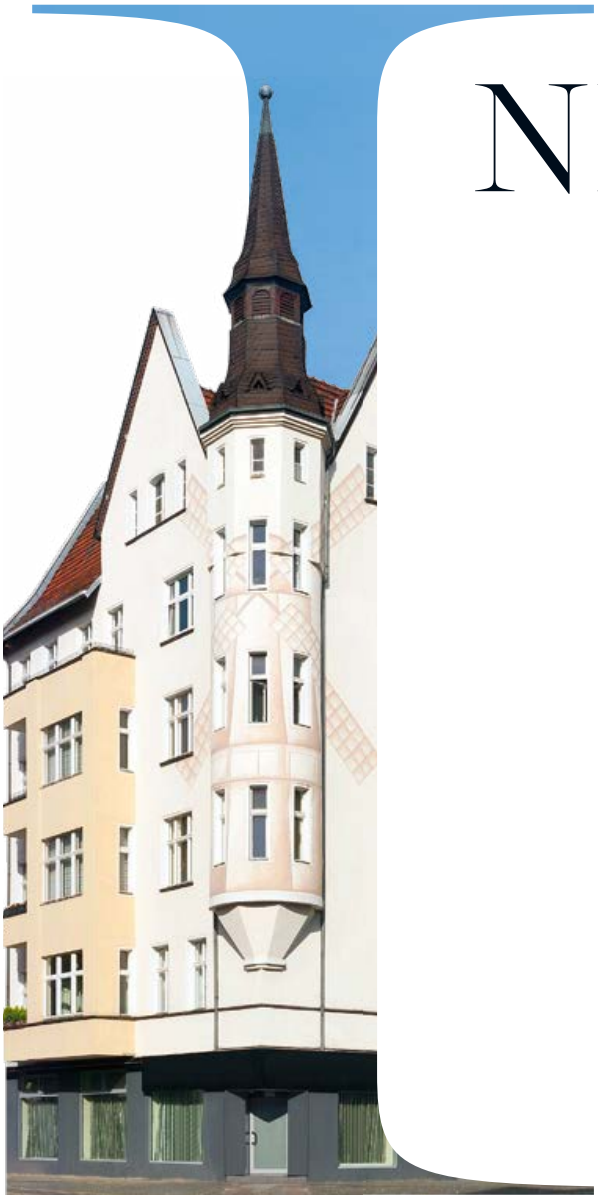
She watches as a decorator moves his ladder to finish another corner of the new staff room. "I just love painting walls", she sighs – and laughs: "But I mostly do that at home now."

Home now is Frohnau where she shares a typical "Altbau" with her husband Christian – also an ADO employee – and her 15-year-old son Malte. If they feel like going out, they often make it to the Sushi House in nearby Hermsdorf. But her favorite spot is the 100m²-garden that goes with her apartment. "I grow potatoes, cucumbers, beans, cherries, strawberries, gooseberries, herbs ... You name it," she raves. "In the summer, my husband is in charge of the barbecue. But I can't wait to get my hands dirty."

Care

Maintaining the properties requires specialist materials and expertise. Experienced colleagues mentor the new members of the team.

INNOVA



ADO Property – District Wedding – Müllerstraße / Transvaalstraße
(see map, property no. 5)

"It is really amazing to see the transformation: Sometimes you start out with an apartment which does not even have a bath – and in the end, it just looks incredible!"

TOR AT HOME

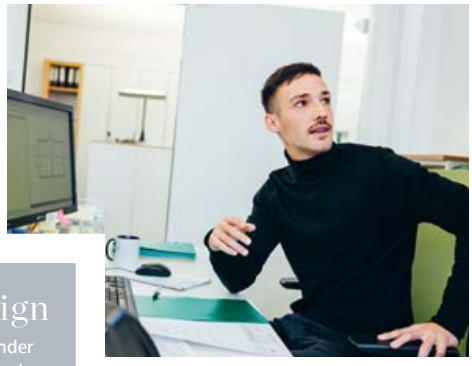
CITIZENS OF ADO
CONSTRUCTION

A PASSION FOR CHANGE

"It's dirty, it's loud, it couldn't care less, it's changing – it's exactly what I like!" Alexander Rudolph loves one area above all others in Berlin: Neukölln. The 29-year-old lives in one of the streets that still tell the story of Berlin. Altbau next to Altbau. The ground is cobbled. Below Alexander's apartment is a corner pub wonderfully known for – absolutely nothing. You can play darts. You can smoke.

But, of course, that is only one side of Neukölln. If there is anybody to give the insider's tour of Neukölln, it is probably Alex. He is part of ADO's construction management team, and he works where he lives – in Neukölln and Kreuzberg. Almost half of his time is spent outdoors, checking on newly-acquired properties which are being modernized before being let again to new tenants.

"I have seen everything here," Alex reports. "Apartments without bath, apartments just left stranded by a tenant who could not pay the bill, apartments with wallpapers that go back to the 1950s ..."



Design
Alexander Rudolph plans and oversees the overhaul of ADO's newly-acquired properties in Kreuzberg and Neukölln.

CINDERELLAS TO PRINCESSES

Alex's job involves turning the Cinderellas of Berlin's housing market into princesses: Whenever ADO acquires a new property in his area, he takes stock of its conditions, documents damages, and then plans its overhaul: Can the floorboards be salvaged? Should the layout be changed to accommodate extra rooms, would the bathroom fit modern utilities? He conducts feasibility studies, assesses costs, and ultimately tenders the required work out to builders which he then goes on to supervise during the construction process.

"It is really amazing to see the transformation," he says. Today, he stops by Treptowerstraße, where ADO is working on three apartments, all in the same building. The ground floor apartment is finished – with polished floorboards, glossy white wooden doorframes, and a bathroom now boasting anthracite-gray floor tiles and shiny faucets. On the first floor, the builders are just adding the final touches. "Be careful, the paint isn't dry yet," warns Alex. On the top floor, it's an altogether different story, although the floor plan is exactly the same.

Alexander Rudolph
Project Leader, Construction Management

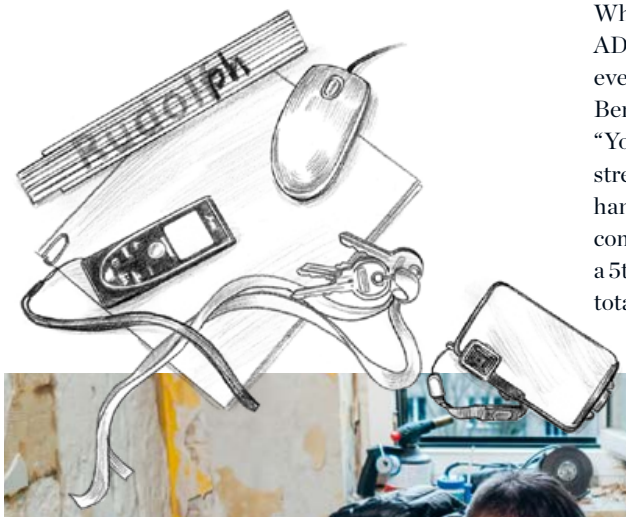
The builders are yanking out dark wood paneling which a former tenant had used to suspend the ceiling in the corridor. It's dusty. One room holds a pile of old materials that will soon give way to new furnishings.

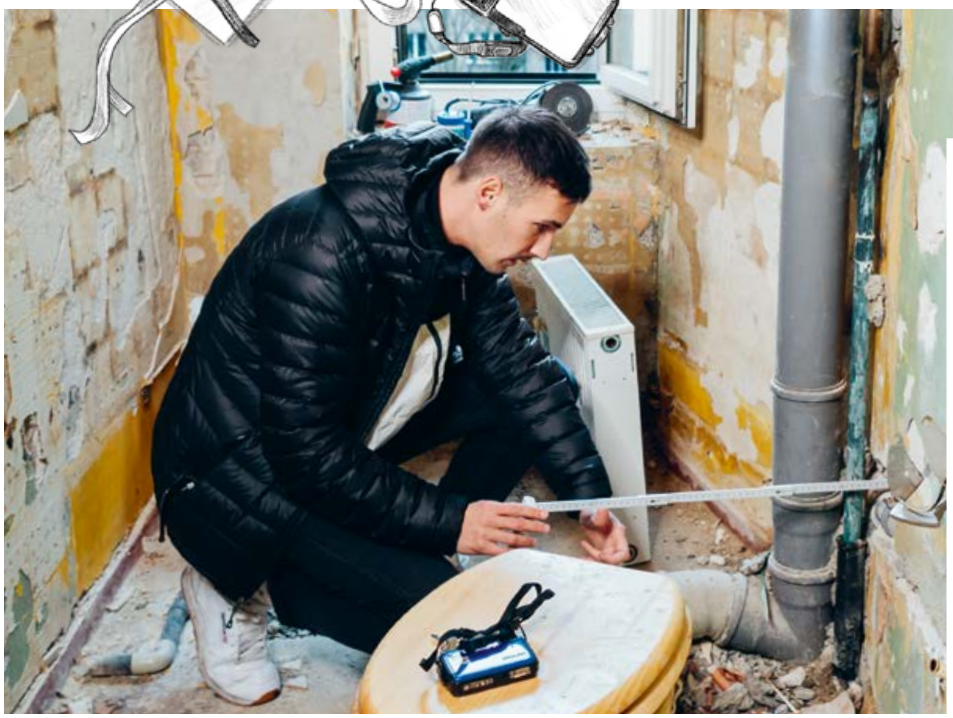
Me and my work – I love working and living in Neukölln!

CITIZEN DEVELOPMENTS

Alex is a geographer by training. He grew up in Kiel and, as a student, tried to find a way to move to Berlin. In the end, he picked a Berlin topic for his diploma thesis, and researched how Tempelhof's Air Field has been transformed by citizens and their ad-hoc developments – "all the things that were never planned by any authority." When out and about for ADO, he loves discovering ever new perspectives of Berlin – even in Neukölln: "You think, you know a street like the back of your hand, and – Bang! – you come into an apartment on a 5th floor and it again looks totally different", he says.

Berlin is about change: "I really like that about my job", he says. And when he sits at his desk drumming up new designs for old apartments, it's sometimes a bit like a computer game, he says. "You are constantly building things, then you are reconsidering. Your surroundings are unique. And you are always adapting to new circumstances and new developments. This is often what it feels like. I love it."





Check

Alexander assesses and documents the condition of an apartment in Treptowerstraße before the renovation starts. Always needed: Folding rule and digital distance measurer. In many old apartments, bathroom and kitchen need to be redesigned from scratch.

Work

Before the apartment can be overhauled, builders need to tear out a suspended ceiling put in decades ago by a former tenant.

ADO Property – District Lichtenberg – Löwenberger Straße

UM

ADO Property – District Neukölln – Hermannstraße / Selchower Straße
(see map, property no. 6)

“Berlin is for ADO
what New York is for “Sex and the City”!
We could not be in any other city!”

BERS PRO

Transfer
Mirit Naim grew up in Tel Aviv and moved to Berlin in 2015 to look after ADO's financial reports.

WINTER COATS

"Don't ask me whether I like Berlin in the winter. Ask me whether I like Berlin in the summer!" Mirit Naim is a summer person. Born and raised near Tel Aviv, she certainly took a leap of faith when she moved to Berlin just over a year and a half ago. "I never even owned a winter coat until I came here", she laughs. "But do I love Berlin? Absolutely!"

At first glance, it appears hard to believe that Mirit is the numbers person at ADO. Energetic and with a laughter that resonates down the corridor, she is everything but the cliché bookkeeper. "Most of my work revolves around the cycle of the financial reports here. And my schedule is always not enough!", she sighs – and laughs again. Besides taking care of the reports, she also acts as treasurer for the ADO public company and handles the budget of the ADO group at large, she explains.

GOOD DEEDS

The 29-year-old, who holds a dual degree in accounting and psychology, was recruited in Tel Aviv, where she initially worked at ADO's auditor office. Today, a few souvenirs in her office still reflect the link to her home country. There's a photo of a group of students sponsored by TAGLIT, an international non-profit organization, founded in 2000, which has supported about half a million young Jewish people from all over the world with grants to travel to and explore Israel. Besides an annual "Good Deeds Day" in aid of local charity projects, ADO donates annually to TAGLIT's cause. Next to the picture is a globe – a present by Mirit's brothers when she left: "We believe you can conquer the world", the inscription says.

Mirit Naim
Group Financial Manager

Me and my work – my schedule is always not enough!

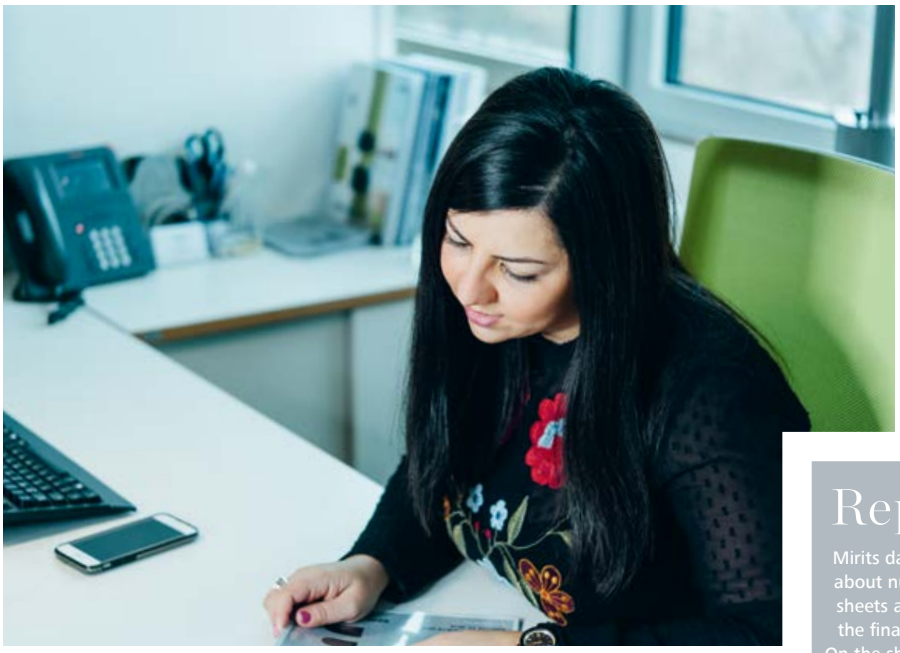
How did she settle in to Berlin? ADO helped in more ways than one, she says: Mirit not only works for ADO. She also lives in an ADO apartment. "It's amazing", she raves: "Bergmannkiez, a beautiful Altbau, and I am looking right out at Victoria Park". To get to know the city, Mirit literally walked it. Over the past 20 months, she has explored Mitte, Kreuzberg, Charlottenburg and many other areas on foot. "I cannot imagine that there has ever been a wall in this vibrant city", she says.

BERLIN, ADO – AND "SEX AND THE CITY"

"In many ways Berlin reminds me of Tel Aviv", she goes on. "I love the energy, the many languages, the multicultural side-by-side, the constant buzz in these places", she says. "And ADO is both in a nutshell: You simply cannot image ADO anywhere other than Berlin. Berlin is for ADO what New York is for "Sex and the City"! And vice versa!"

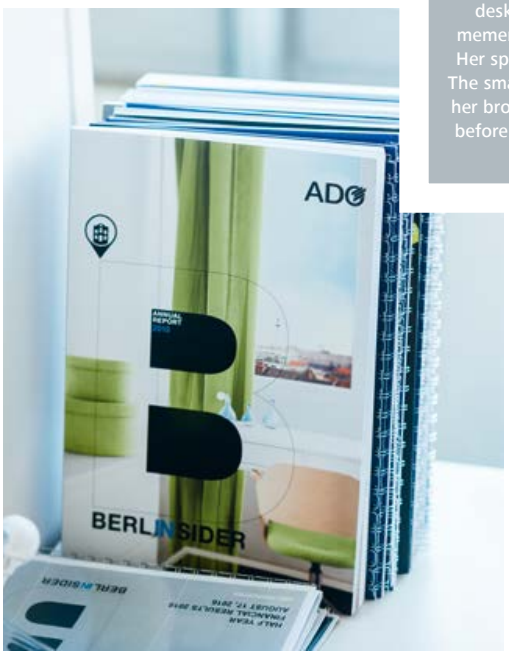
Mirit adopts a more serious tone: "From an operational point of view, this is what makes ADO successful. If you look at the people working here, you see very quickly that they understand Berlin. Authenticity is part of our brand – like a graffiti in Neukölln or a faded hallway painting in an Altbau in Schöneberg or Kreuzberg which we would never dream of taking out."

So is there anything she does not like in Berlin? "Well...", she stretches her answer. "Sometimes, I like things to get done even faster. Germany is sooooo very organized...," she laughs. "And I am not that much into the traditional food. But that's not really a problem. In Berlin, after all, you can get everything!"



Reports

Mirits daily work is all about numbers, excel sheets and preparing the financial reports. On the shelf next to her desk, she keeps mementos of home. Her special treasure: The small globe which her brothers gave her before she moved to Berlin.



MORE INFORMATION ABOUT "GOOD DEEDS DAY" – We want to give back to the community! Since 2011, the ADO team comes together for an annual "Good Deeds Day". In 2016, we helped a school in Berlin to create an environmentally friendly playground.

BERLIN

"Whether you are a hipster, a cool, sophisticated youngster or anything from a student to a professional, you can find your place in Berlin."

Shlomo Zohar
Executive Vice Chairman

erisch

The ADO team

Almost 300 Citizens of ADO reflect the many sides of Berlin. They have an unrivaled expertise of the city.

At ADO, we love Berlin. The way it embraces the earthy and elegant, the showy and shabby, the local and the cosmopolitan. The way it combines passion and energy with a solid "I couldn't care less". The way it never wants to be anything other than – Berlin.

As Citizens of ADO, we understand Berlin because we "are" Berlin: The spirit of diversity and development that drives Berlin also drives ADO. We are more than a company determined to achieve the best possible results for our investors. We are a community of BERLINSIDERS who love playing a leading role in the constant reinvention of this city.

Charlottenburg or Neukölln? Currywurst or cocktail? "Icke" or international? At ADO, we speak all kinds of Berlinerisch. After all, it makes us the best for finding the perfect home – for any kind of Berliner.

YOU WANT TO KNOW MORE ABOUT ADO?
Meet the tenants of ADO!

BOAR

BOARD OF DIRECTORS (LEFT TO RIGHT):

Moshe Lahmani, Shlomo Zohar

ADO Property – District Charlottenburg-Wilmersdorf – Düsseldorfer Straße

"To be a leading business group creating advanced and sustainable living environments in Germany, Israel and around the world, for us and generations to come – this is our vision."

Moshe Lahmani
Chairman

D OF DIRECTORS

DEAR READERS,

2016 was another year of financial success and strategic progress in line with our long-term objectives and work plan. We are pleased to present our shareholders with ADO's 2016 financial results which, more than ever, confirm our strategic focus on the German capital, which is based on the interconnected growth of both Berlin and the ADO.

Our financial and operational accomplishments resulted in strong share price growth: We recorded a 60% increase since our public offering in July 2015. This, we feel, reflects strong investor confidence in our strategy and operations.

With a population growth nearly double that of 2015, and an ever urgent demand for housing in Berlin, ADO continued to capitalize on the city's potential and expanded its position on the city's real estate market. We leveraged Berlin's growth conditions into active presence in the capital markets throughout the year with two capital increases in April and September. The total number of 9.1 million newly placed shares resulted in gross proceeds of about EUR 298.5 million.

This new equity paves the way for further growth and continued expansion. With our unique focus and unrivalled expertise of the Berlin real estate market, ADO is well prepared to take our business further without running risks to our solid financing structure.

As of 31 December 2016, our total number of units stands at 18,700. This marks an increase of 2,961 units compared to 2015. The value of our real estate investment portfolio at the end of 2016 amounts to EUR 2.3 billion, an increase of EUR 824 million during 2016. This increase results from additions to the portfolio in an amount of EUR 365 million and value increases prompted by the strong rental development, which was supported by our targeted CAPEX program, and the yield compression in the Berlin real estate market. As a result, our EPRA NAV per share by the end of 2016 was set at EUR 36.08, a strong growth of 50%.

As we enter 2017, the capital markets continue to face a certain level of volatility and uncertainty, due to major macro events such as expected changes to the Quantitative Easing program of the European Central Bank, the impact of Great Britain's Brexit from the EU, the recent elections in the US, and the pending federal elections in Germany. However, we feel certain that our strengths – being a true BERL**IN**SIDER, with a defined portfolio mixture of high-end, Altbau buildings and stable FFO-yield city buildings – provide a natural hedge from this instability.

We are convinced that the positive trends in Berlin's property market coupled with its favorable macro-economic conditions and economic potential will outweigh the factors outlined above over the long run. Given this, ADO is committed to capture this opportunity as we stick to our strategic target of expanding the portfolio to 30,000 units by 2020. We therefore expect further growth and value increases for ADO Properties. With our fully integrated management platform and results-driven corporate culture, our company is well prepared to deliver further attractive returns to our investors.

March 22, 2017

Sincerely yours,

EUR
0.45
per share proposed dividend

approx. EUR
300
million of capital increase in 2016

6%
like-for-like rental growth

MOSHE LAHMANI
Chairman

SHLOMO ZOHAR
Executive Vice Chairman

STOCK M

SHARE INFORMATION

1st day of trading	Jul 23, 2015
Subscription price	EUR 20.00
Price at the end of 2016	EUR 32.01
Highest share price in 2016	EUR 39.78
Lowest share price in 2016	EUR 23.50
Total number of shares	44.1 m
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialized shares
Free float	61.8%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
EPRA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

2016 was the first full year for ADO Properties S. A. as a listed entity on the Frankfurt Stock Exchange. ADO Properties has not only achieved positive results for its shareholders with share price growth from EUR 26.50 to EUR 32.01 by the end of 2016, but could again deliver a clear outperformance compared to the SDAX and the FTSE EPRA / NAREIT Germany.

THE SHARE: KEY STOCK MARKET DATA

ADO shares are traded on the Prime Standard of the Frankfurt Stock Exchange. In 2016 the shares traded in a range of EUR 23.50 to EUR 39.78. ADO shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

SHAREHOLDER STRUCTURE

Total outstanding shares of ADO Properties amount to 44.1 million. Alongside the main shareholder ADO Group Ltd., which holds a 38.2% stake in ADO Properties S.A., the 61.8% free-float shares are held mainly by institutional investors. On April 21, 2016 the Company issued 3,499,999 new shares with institutional investors at EUR 28.50 per share. ADO Group supported the placement of the new shares

ARKET AND THE ADO SHARE

by participating in the capital increase on a pro rata basis. Gross proceeds resulting from the transaction amounted to EUR 99.7 million. The Company used the proceeds to finance acquisitions of further residential portfolios in Berlin. On September 14, 2016 the Company issued 5,600,001 new shares which were placed with institutional investors at EUR 35.50 per share. ADO Group supported the placement of the new shares by participating in the capital increase on a pro rata basis. Gross proceeds resulting from the transaction amount to EUR 198.8 million. The Company intends to use the proceeds to finance the acquisition of further residential properties and portfolios in Berlin and for general corporate purposes.

ANALYST COVERAGE

ADO shares are currently being covered by eleven analysts. Nearly a doubling of coverage compared to the previous year. The target prices range from EUR 31.50 to EUR 45.50 per share with an average target price of EUR 39.20.

0.45
EUR per share proposed dividend

36.08
EPRA NAV (EUR per share)

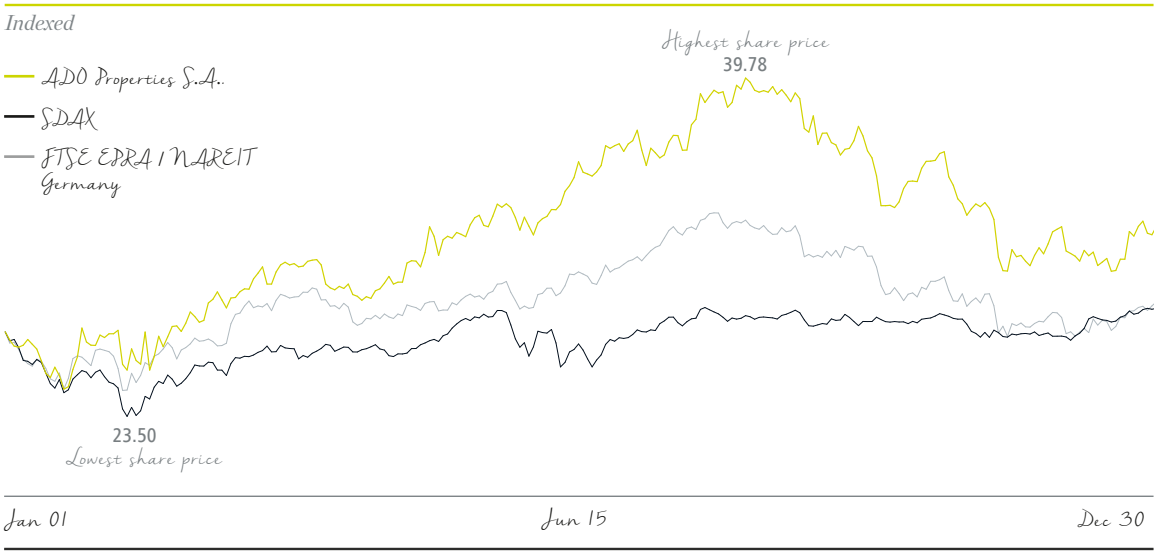
INVESTOR RELATIONS ACTIVITIES

ADO maintains active dialogue with its shareholders and analysts. The Senior Management Team participates in relevant capital market conferences and roadshows to provide direct access to all relevant information for investors. The information provided during these events can be found, accessible for all investors, on the company homepage.

DIVIDEND POLICY

ADO Properties aims to distribute an annual dividend of up to 50% of FFO 1. In respect of the year 2016 the Board of Directors has recommended to pay total dividends of EUR 19.8 million or EUR 0.45 per share subject to the approval of the Annual General Meeting on May 2, 2017 which represents 46% of the total FFO 1 of the year 2016 and an increase of close to 30% compared to last year.

SHARE PRICE DEVELOPMENT



CORPORATE GOVER

GENERAL

ADO Properties S.A.'s ("ADO" or the "Company") corporate governance practices are governed by Luxembourg Law (particularly the Luxembourg Companies Law) and the Company's Articles of Association. As a Luxembourg company listed solely on the Frankfurt Stock Exchange, the Company is not subject to any specific mandatory corporate governance rules. Nevertheless, the Company makes efforts to comply, to the extent possible, with the German corporate governance rules to ensure responsible and transparent corporate management. This is the basis and leading principle underlying our activities.

The governing bodies of ADO are the Board of Directors (the "Board") and the General Meeting of the shareholders. The powers of these governing bodies are defined in the Law of August 10, 1915 on commercial companies and the Articles of Association of the Company. ADO's Board together with the Senior Management Team manages the Company in accordance with the provisions of Luxembourg and German company law. The Board's duties, responsibilities and business procedures are laid down in its Rules of Procedure.

The Board consists of seven members elected by the General Meeting as representative of the shareholders. Four Board members (including the Chairman and the Vice Chairman) are representatives of ADO Group Ltd., the largest shareholder in the Company. Two Board members are independent Board members and one Board member is also acting as the CEO of the Company. Their term of office is four years in accordance with statutory provisions and the Articles of Association. The Board develops the strategic direction of the Company together with the Senior Management and ensures its implementation.

The Senior Management of the Company includes the CEO, CFO and COO and is integral to the management of the Company and its subsidiaries and responsible for the day-to-day management of the business of such subsidiaries. Mr. Rabin Savion is acting both as CEO of the Company and as Board member.

COMMITTEES

The Board's work takes place with plenary sessions and committees. Currently, the Company has established three committees: the Audit Committee, the Nomination and Compensation Committee, and the Investment and Financing Committee.

Audit Committee – The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to the integrity of the financial statements and the adequacy of internal control systems; it makes recommendations for the appointment, compensation, retention and oversight of, and considers the independence of the external auditors. It also performs other duties imposed by applicable laws and regulations of the regulated market or markets on which the shares of ADO are listed, as well as any other duties entrusted to the committee. The Audit Committee reports periodically to the Board on its activities.

NANCE REPORT

Nomination and Compensation Committee – The purpose of the Nomination and Compensation Committee is to review the compensation policy, make proposals as to the remuneration of Executive Directors and Senior Management, and advise on any benefit or incentive schemes. It further assists the Board with respect to matters relating to the nomination of candidates for the Board and the committees. The Nomination and Compensation Committee decides on the qualifications of potential candidates and recommends candidates to the Board for election as directors by the General Meeting of the shareholders, as required.

Investment and Financing Committee – The Investment and Financing Committee resolves on acquisitions and on the general guidelines and policies for implementing the financial strategy, financial risks and the management of credit risk. The Investment and Financing Committee also considers the encumbrance of any assets and shall assist with the raising of external financing by any member of the Group and with the granting of securities, guarantees and indemnities.

GENERAL MEETING OF THE SHAREHOLDERS

The General Meetings are held at the Company's registered office in Luxembourg or any other place in Luxembourg as may be specified in the respective convening notice of the meeting. The Agenda of the Annual General Meeting, the reports and the documents required for the meeting are published on the Company's website. The Company shall ensure equal treatment for all shareholders who are in the same position with regard to participation in and the exercise of voting rights at the General Meeting of the shareholders. Any duly constituted General Meeting of the shareholders represents all the shareholders of the Company. The General Meeting of the shareholders is empowered with the widest powers to order, implement or ratify all acts connected with the Company's operations that are not conferred to the Board.

General Meetings of the shareholders (other than the Annual General Meeting of the shareholders) may be called as often as the interests of the Company demand and be held at the Company's registered office in Luxembourg or any other place in Luxembourg as may be specified in the respective convening notice of the meeting. The Board is obliged to call a General Meeting of the shareholders when a group of shareholders representing at least one-tenth of the issued and outstanding shares requests the convening of a General Meeting of the shareholders in writing, indicating the agenda of the proposed meeting.

In accordance with Law of May 24, 2011, Luxembourg Shareholder Rights Law, the convening notice is to be published at least thirty days before the day of the meeting in the official gazette of Luxembourg (Mémoral C. Recueil des Sociétés et Associations), and a Luxembourg newspaper and in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area, and which is accessible rapidly and on a non-discriminatory basis. If a General Meeting of the shareholders is adjourned for lack of quorum, provided that the convening requirements of the Luxembourg Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30-day period is reduced to a 17-day period. These convening notices must inter alia contain the precise date and location of the General Meeting of the shareholders and the proposed agenda. They must also set out the conditions for attendance and representation at the meeting.

In accordance with the Luxembourg Shareholder Rights Law, shareholders holding individually or collectively at least 5% of the issued share capital of the Company (a) have the right to put items on the agenda of the General Meeting of the shareholders and (b) have the right to table draft resolutions for items included or to be included on the agenda of the General Meeting of the shareholders. Those rights shall be exercised through requests in writing by the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the General Meeting of the shareholders and shall include the electronic or mailing address at which the Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company not later than on the 22nd day prior to the date of the General Meeting of the shareholders.

Each shareholder is entitled to attend the General Meeting of the shareholders, in person or by proxy, and to exercise voting rights in accordance with the Company's Articles of Association. Each share (excluding any shares held by the Company) entitles its holder to one vote.

REMUNERATION

Compensation of the Board members is determined by the General Meeting of the shareholders. The two independent Board members are entitled to receive EUR 50 thousand and an additional EUR 1,500 per attendance at a meeting of the Board or any Committee. The Vice Chairman is entitled to receive a total compensation of up to EUR 500 thousand assuming 100% payout of the respective short-term and long-term incentives. The other three Board members from ADO Group do not receive payments. Mr. Rabin Savion receives only payment for his Senior Management position as CEO.

All Board members are reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending Board and committee meetings. The respective compensation for Board members shall be paid pro rata for the days served as Board members during each respective year and for committee members pro rata temporis on the basis of meetings actually attended. In addition the Company included the Board members and the Senior Management members in a D&O group insurance. The Company has not granted Board members any advances or loans.

The Senior Management and the Vice Chairman Remuneration system provide for a fixed annual salary, a short-term incentive ("STI") and a long-term incentive ("LTI"). The STI is an annual payment dependent on the achievement of certain individual targets (the "STI Targets") and the relevant weighting of each STI Target in relation to the other applicable STI Targets. Unless determined and communicated otherwise to the Senior Management members, the STI Targets shall be composed of (i) Group AFFO per share (weighting of 30%), (ii) Group NOI per share (weighting of 20%), (iii) net cold rent (weighting of 20%), (iv) additional measurable targets to be determined at or near the beginning of each fiscal year by the Board (weighting of 20%) and (v) the discretionary decision of the Board (weighting of 10%) which, save for targets that do not relate to budgeted figures, shall be measured against the respective budget as determined by the Board for the relevant fiscal year. The compound STI Target Achievement shall be capped at 125%. Assuming 100% of all targets are achieved, the STI makes up to 23% of the aggregate total compensation. The LTI is measured against two LTI Targets, each weighted 50%: (i) the development of the NAV per share as targeted by the Board and (ii) the development of the Company's share price in relation to the EPRA GERMANY index, both measured over the LTI period. LTI payments will be settled in shares of the Company and are capped at a compound target achievement of 120%. The LTI without recognition of any development in the fair market value of shares, if granted, assuming 100% of all targets are achieved, constitutes up to 36% of the aggregate total compensation.

The service agreements (the "Service Agreements"), including the fixed salary, STI and LTI, have a fixed term ending on July 23, 2019, or in the case of the CFO on June 30, 2019. They may generally be terminated by either party, subject to six months' prior notice. If the CFO Service Agreement is validly terminated by the Company (with the required six-month notice period) for reasons other than a material breach, the CFO shall be entitled, upon expiry of the notice period, to a severance payment for premature termination. The severance payment shall not exceed the amount of the compensation which would have been owed by the Company to the CFO between the expiry of the notice period and June 30, 2019 (the "CFO Premature Termination Payment"). The CFO Premature Termination Payment shall include the base salary and the target volumes of the STI and LTI due for the respective period. If a Senior Management member's Service Agreement is validly terminated due to a change of control event, an additional payment shall be paid, except in the instance of a material breach of duties on the part of the Senior Management member. The additional payment may not exceed the amount of the payments that would become due and payable for two years of the relevant Service Agreement, including the base salary and the STI and LTI due for the respective period.

The members of the Senior Management are bound by non-compete restrictions in their Service Agreements for a period of six months following termination of their Service Agreement.

CONFLICTS OF INTEREST

In most cases, no Board member shall, solely as a result of being a Board member, be prevented from contracting with the Company, either with regard to his tenure of any office or business or as vendor, purchaser or in any other manner whatsoever, nor shall any contract or other transaction between the Company and any other corporation or entity or in which any Board member is in any way interested be affected or invalidated by the fact that any one or more of the Board members or officers of the Company is or are interested in such contract or transaction or is or are a Board member, officer or employee of such other corporation or entity. Any Board member or officer of the Company, officer or employee of any corporation or entity with which the Company shall contract or otherwise engage in business shall not solely by reason of such affiliation with such other corporation or entity be prevented from considering and voting or acting upon any matters with respect to such contract or other business. In the event that any Board member of the Company shall have any conflicting interest ("intérêt opposé à celui de la société") within the meaning of Article 60bis-18 of the 1915 Companies Act in any transaction involving the Company, such Board member shall make known to the Board such conflicting interest and shall not consider or vote on such transaction, and such transaction and such member's interest therein shall be recorded and reported to the next succeeding General Meeting of the shareholders. These provisions do not apply if the decisions to be taken by the Board concern routine business operations that are to be concluded under arm's length conditions.

Two Board members are independent. The remaining Board members (except Mr. Savion) have a potential conflict of interest insofar as they serve as Board members and as Senior Management in ADO Group Ltd., the largest shareholder in the Company. Additionally, the Senior Management has potential conflicts of interest as they hold options and a non-material amount of shares in ADO Group Ltd.

ISSUANCE & BUY-BACKS OF SHARES

The Company has issued 44,100,000 shares, registered with a single settlement organization in Luxembourg, LuxCSD, and has an unissued authorized capital which amounts to EUR 750 million. The General Meeting of shareholders or the Board may from time to time issue shares in accordance with Chapter II, Section 1 of the Luxembourg Law of April 6, 2013 on dematerialized securities. Pursuant to the Articles of Association, authorization is also given to the Board (or delegates duly appointed by the Board) to issue shares from time to time within the limits of the unissued authorized capital at such times and on such terms and conditions, including the issue price, as the Board or its delegates may in its or their discretion resolve. In particular, without limitation, the Board is authorized to issue shares in favor of Board members, executives, employees, consultants of the Company and the Group, directly or under the terms of option, incentive or similar plans approved by the Board. The Company does not currently hold any of its own shares, nor does a third party on behalf of the Company. According to Article 49-2 of the 1915 Companies Act and without prejudice to the Market Abuse Law and the principle of equal treatment of shareholders, the Company and its subsidiaries as referred to in Article 49bis of the 1915 Companies Act may, directly or through a person acting in its own name but on the Company's behalf, acquire its own shares subject to an authorization given by the General Meeting.

COMPLIANCE

Mr. Florian Goldgruber, the CFO of the Company, is also acting as compliance officer to ensure compliance with standards of conduct and norms prescribed by Luxembourg and German law. The compliance officer also manages the Company's insiders list and informs employees and business partners about the relevant legal framework in relation to insider transactions and regulations.

ACCOUNTING

The Company's statutory auditor (réviseur d'entreprises agréé) is KPMG Luxembourg, Société cooperative ("KPMG Luxembourg"). In addition, KPMG Luxembourg is also auditing the Company's consolidated financial statements prepared in accordance with IFRS EU.

CHANGE IN THE BOARD OF DIRECTORS

Mr. Jörg Schwagenscheidt, who was an independent Board member, resigned from his position with effect from September 1, 2016. Mr. Jörn Stobbe was appointed as an independent Board member.

COMPOSITION OF THE SENIOR MANAGEMENT AND THE BOARD

Board

As of March 21, 2017
Moshe Lahmani, Chairman
Shlomo Zohar, Vice Chairman
Amit Segev
Yaron Karisi
Jörn Stobbe
Dr. Michael Bütter
Rabin Savion, CEO

Senior Management

As of March 21, 2017
Rabin Savion, CEO
Florian Goldgruber, CFO (starting July 1, 2016)
Eyal Horn, COO

COMBINED MANAGEMENT REPORT

FUNDAMENTALS OF THE GROUP

Business Model

ADO is 100% focused on Berlin and the only listed pure-play Berlin residential real estate company. All our 18,700 units (17,700 residential units) are within the city borders of Berlin. We are a residential real estate specialist with a fully integrated asset management platform. Our portfolio is characterized by a high proportion of highly attractive individual buildings, most of them in Central Locations but also larger settlements offering more affordable housing. All our 247 operational employees are based in Berlin bringing us closer to our assets and tenants. This ensures that we are at the heart of new market trends and developments. Our operational focus in combination with our long-standing local sourcing capabilities provide the base from which to drive FFO and NAV per share by further developing our existing portfolio and through accretive add-on acquisitions. We look for value and rental growth in attractive areas offering good prospects. Today, we see demand growing in the whole of Berlin and we continue to grow in all attractive micro-locations. An important feature of our growth strategy is to retain the balance between the outskirts and Central Locations.

39%
in
Central Locations

In a decade of local presence we have established a proven track record of value creation. Our management team, with their in-depth knowledge of the Berlin market, and our efficient, fully integrated and scalable platform are the foundation for future value creation.

Objectives and Strategy

Our strategy is focused on sustainable and continuous growth to be the leading pure-play Berlin residential real estate company with potential to generate above average value

Using our local market knowledge of Berlin, we focus on the modernization, refurbishment and repositioning of our portfolio assets, while constantly screening and anticipating developments in different Berlin sub-markets and districts. This focus allows us to capture additional growth potential and create positive returns on our portfolio acquisitions.

We focus on increasing rents through active asset management and targeted investments to modernize, refurbish and reposition our properties

Our strategy to realize upside potential consists of the following approaches. We pursue regular rent increases up to the market levels within the regulatory and legal limits as well as through tenant fluctuation without CAPEX investment. In addition, we continuously review rent potentials and pursue growth beyond the rent table through targeted CAPEX investments to modernize, refurbish and/or reposition our properties allowing for higher rent levels. Lastly, we reduce portfolio vacancy by active marketing with an approach tailored to the respective micro-location. Our strategy allows and also leads us to choose high quality tenants, which continuously improves our tenant structure by maintaining our portfolio assets at the market standard suitable for the current demand.

Our scalable platform is capable of (i) implementing accretive growth through acquisitions based on significant sourcing capabilities and (ii) exploiting economies of scale derived from our pure-play Berlin portfolio and our existing management operations

Our current platform allows us to add additional units at marginal incremental costs. We intend to focus on further expanding our pure-play Berlin portfolio where our management's in-depth understanding of the local market provides us with attractive acquisition and repositioning opportunities. Before purchasing

assets, we measure any potential acquisition for short- to medium-term accretion potential, potential for increasing rents, as well as potential for condominium conversion or privatization. We believe that there are sufficient acquisition opportunities in the market to support our business plans for the foreseeable future.

We are committed to tenant satisfaction through our business approach

We place our tenants at the center of our operations. We demonstrate high responsiveness to our tenants' needs and actively manage communications with our tenants through in-house and external call lines. Furthermore, we maintain our properties at the market standard suitable for the current demand through ongoing investments. Our business approach leads to better tenant satisfaction as shown by our sustainable high rent collection rate and decreasing vacancy in our properties.

Our sustainable financing strategy targets a conservative LTV ratio of 45%

45%
target LTV

As we see interest rates increasing over time, we have adopted more conservative financing, reducing our long term LTV to around 45%. We believe that although in the short term this may negatively affect our FFO yield on the existing portfolio, it will enable us to ensure disciplined purchasing criteria on new deals. As we are market leaders in Berlin we believe this approach will restrain the increasing market multipliers. As of the reporting date our LTV was 31.4%.

We provide stable dividends with a targeted payout ratio of up to 50% of FFO 1

dividend payout
up to
50%
of FFO 1

Our portfolio and operational excellence combined with our sustainable financing strategy allows us to distribute stable dividends with a targeted payout ratio of up to 50% of FFO 1. The Board of Directors has recommended paying a total dividend of EUR 19.8 million or EUR 0.45 per share for the year 2016 subject to the approval of the Annual General Meeting on May 2, 2017, reflecting an increase of nearly 30% per share compared with year 2015.

Competitive Strengths

FOCUS – Our EUR 2.3 billion portfolio is located solely in Berlin and predominantly in the districts of Berlin with attractive growth prospects

Our portfolio of 17,700 residential units and 1,000 commercial units is 100% located in Berlin with a mix of highly attractive individual buildings in Central Locations and larger settlements offering more affordable housing. The Berlin residential market continuously benefits from a combination of positive net migration, increase in the quality of the work force, decreasing average household size and limited supply of new rental stock, resulting in continued rental growth, which we expect to positively impact our business.

KNOWLEDGE – We benefit from in-depth knowledge of the Berlin market from a decade of local presence and a local network with excellent access to information

We benefit from in-depth knowledge of the Berlin market, especially of the Berlin micro-locations, from a decade of local presence. We have a local network with excellent access to information where we have developed a strong reputation as a reliable business partner and asset manager in Berlin. Our extensive market insights also enable us to identify privatization opportunities while allowing us to build our existing pipeline of assets.

EFFICIENCY – We benefit from an organically grown, efficient, fully integrated, scalable and in-house platform for portfolio management and privatizations, which is led by an experienced management team

Our platform, combined with our in-depth knowledge of the Berlin market and a decade of local presence, makes us well suited to identify portfolio assets that can be improved through targeted capital expenditures. Our management team is experienced in in-house asset management, property and facility management and construction management. Furthermore, we have qualified teams of real estate professionals in all areas of our business operations that have been built without legacy constraints, which allows us to be flexible in adapting to market conditions to sustain further portfolio growth. The concentration of our portfolio in the Berlin market further increases our platform efficiency and allows us to work with a lean and specialized operational setup. Our approach has led to a competitive EBITDA margin of 75% and a track record of decreasing vacancy in our portfolio.

INVESTMENT APPROACH – We had 6% like-for-like rental growth in 2016 (in line with the average of recent years) generated by a targeted investment approach with significant further rental growth potential

6%
like-for-like rental growth

Our management has instituted a clear investment strategy to drive rental growth. Our repositioning and refurbishing of assets through targeted capital expenditures has led to increased rents, resulting in higher returns, and ultimately to our annual like-for-like rental growth of 6.0% in year 2016. We also see significant further rent potential for our assets when looking at current in-place rents vs. actual market rents.

SOLID BALANCE SHEET – Our balance sheet has a conservative LTV ratio and long-term maturity profile at low funding costs

Throughout our history, we have based our conservative financing strategy on the financing of assets through mortgages and have built strong relationships with a range of key lenders in Germany. This financing source has been accessible at attractive terms through the whole cycle we have seen over the last decade. We have a conservative balance sheet with, as of December 31, 2016, a LTV ratio of 31.4%, 2.1% cost of debt and long-term financing with a weighted average maturity of 5.3 years.

The process to extend the maturities of our old loans has been mostly completed. As part of that plan, from the beginning of the year we replaced EUR 147 million of bank loans (including related derivatives), which had an average effective interest rate of 3.5% per annum, with EUR 182.5 million of new loans with an average cost of debt of 1.3% per annum for a 6.5 year term.

Business Performance Highlights

In EUR thousand	**For the year ended Dec 31, 2016**	For the year ended Dec 31, 2015
Income from rental activities	89,810	65,799
EBITDA from rental activities	63,388	48,492
EBITDA margin (%)	74.9%	78.6%
Total EBITDA	66,627	49,975
FFO 1 from rental activities	43,513	30,714
AFFO from rental activities	34,671	26,652
FFO 2 (incl. disposal results)	46,752	32,197
In-place run rent (end of period)	95,160	74,726
Monthly in-place rent (EUR / sqm)	6.11	5.82
Vacancy rate (%)	2.5%	4.0%
Number of residential units	17,701	14,856
LTV (%)	31.4%	43.6%
GAV	1,501,532	2,326,153
EPRA NAV	1,591,345	843,621
EPRA NAV (EUR / share)	36.08	24.10

After the IPO was successfully concluded in July 2015, year 2016 was characterized by a series of significant developments for ADO Properties S. A.'s growth. During the year we raised additional gross proceeds of almost EUR 300 million from the issuance of 9.1 million new dematerialized shares.

18,700
units

On the portfolio side, the Company has achieved substantial growth in 2016. During the year we completed the acquisition of 2,950 residential units and 134 commercial units for a total volume of EUR 365 million. In total, since the IPO in July 2015, we added 4,297 units, all in Berlin. As a result of these acquisitions, our portfolio grew to 18,700 units.

The acquired buildings and units offer a wide range of opportunities to generate value. To achieve this we employ our fully integrated management platform which we have developed into a powerful tool over the last decade. Following the acquisitions, in the last 2 years we increased the capacity of our platform by 126 new employees to ensure that the spirit, culture and commitment which drives ADO is conveyed into the day-to-day management of these units.

Our operations developed in 2016 as planned, achieving 6.0% like-for-like rental growth and a reduction of our vacancy rate to 2.5% by the end of the year. The basis for this operational performance was and is our smart targeted CAPEX program which enabled us to modernize 1,115 units during 2016. Our privatization activities also saw a positive development with 109 units sold during 2016 for an average price per sqm which was 7.6% higher than in the previous year.

Our financial key performance indicators developed very positively. Income from rental activities increased to a total of EUR 89.8 million (2015: EUR 65.8 million). FFO 1 for 2016 improved to EUR 43.5 million, up from EUR 30.7 million in the previous year. Our EPRA NAV increased by 89% to EUR 1,591 million (2015: EUR 844 million).

Portfolio Overview

100% of our portfolio is within the city borders of Berlin. Our past and future acquisition strategy for building our portfolio has not only considered the various districts in Berlin, but also the micro-locations and the quality of the individual assets. We have seen opportunities mainly in inner-city locations, but also in outskirts within the city boundaries of Berlin.

With this annual report we are presenting a new clustering of our portfolio which is based on proximity to the city center, as an indicator of micro-location quality, and construction year, as an indicator of larger settlements in non-Central Locations which were mainly built in the period 1960–1990s. It is based on postcode areas to provide a 100% clear definition. This has resulted in even stricter criteria for the definition of Central Locations, which was reduced by 931 units or 14% compared to our old clustering to only include the most attractive micro-locations. This clustering provides more homogenous clusters and therefore better insights into the portfolio characteristics and prospects. As a result, we divide the portfolio into five clusters, however we remain dedicated to our detailed real estate approach, targeting our portfolio on a building by building and unit by unit level.

29%
reversionary potential

In general we see massive demand for living space in all of our portfolio, which is driven by the continuous increase of the Berlin population. Rent growth in these locations is poised to pick up strongly in the years to come. We continue to search for and see further opportunities in the whole of Berlin: in Central Locations as well as in the outskirts, as demonstrated by the acquisitions signed during the year. We see significant reversionary potential in our portfolio, amounting to 29%, mainly in the Central Locations districts as our current average new letting rent per sqm is between 16%–69% higher than our current existing average rent.

PORTFOLIO OVERVIEW – NEW PORTFOLIO CLUSTERING (*)

	Central	S-Bahn Ring	S-Bahn Ring (1960–1990)	City Ring	City Ring (1960–1990)	**TOTAL**
Property value (in EUR m)	917	272	339	148	650	**2,326**
Number of units	5,507	1,613	2,988	825	6,768	**17,701**
Avg. in-place rent (EUR / sqm)	6.53	6.36	6.55	6.74	5.48	**6.11**
Avg. new letting rent (EUR / sqm) (**)	11.04	9.65	8.92	7.97	6.35	**7.91**
Occupancy (sqm)	96.8%	97.4%	97.4%	97.8%	98.0%	**97.5%**

(*) All values except the property value are for the residential portfolio only.
Including condominium units with a fair market value of EUR 47 million which are held at a book value of EUR 40 million.

(**) Based on the last three months.

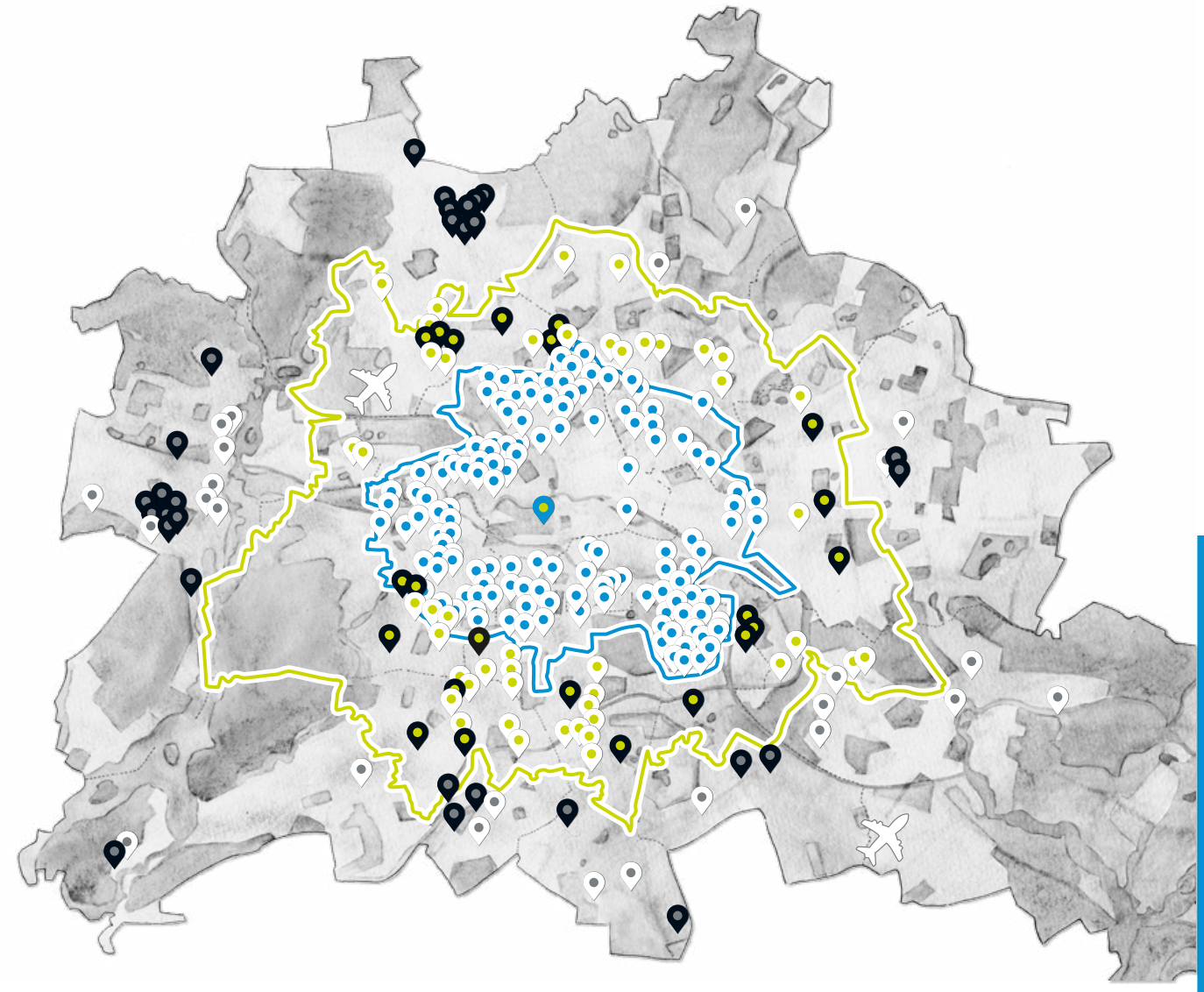
PORTFOLIO OVERVIEW – PREVIOUS PORTFOLIO CLUSTERING (*)

	Central Locations	North	East	South	West	**TOTAL**
Property value (in EUR m)	1,063	346	224	316	377	**2,326**
Number of units	6,438	3,145	1,731	2,501	3,886	**17,701**
Avg. in-place rent (EUR / sqm)	6.53	5.73	6.72	6.28	5.44	**6.11**
Avg. new letting rent (EUR / sqm) (**)	10.87	6.45	9.24	7.95	6.29	**7.91**
Occupancy (sqm)	96.8%	98.5%	97.8%	97.9%	97.4%	**97.5%**

(*) All values except the property value are for the residential portfolio only.
Including condominium units with a fair market value of EUR 47 million which are held at a book value of EUR 40 million.

(**) Based on the last three months.

ADO PORTFOLIO CLUSTERS (AS AT DEC 31, 2016)



Headquarters | *Central (*)* | *S-Bahn Ring* | *S-Bahn Ring (1960–1990)* | *City Ring* | *City Ring (1960–1990)*

(*) Berlin's Central Locations comprise the districts Charlottenburg-Wilmersdorf, Friedrichshain, Kreuzberg, Mitte, North Neukölln, North Steglitz, Prenzlauer Berg, South Reinickendorf and Schöneberg.

Portfolio Valuation

The portfolio was independently valued by CBRE. The total portfolio value of EUR 2.3 billion as of December 31, 2016 includes the full property portfolio, both trading and investment properties. The positive development of the Berlin market, both on the rental sector as well as on the investment sector, is reflected in the increase of the value of our properties. The increase results not only from the increase in multipliers, but also from our considerable operational performance and our dedicated investment strategy.

> It should be noted that our actual residential new letting rents are on average more than 10% higher than CBRE's market rent assumptions, implying further upside potential. For year 2017 we expect that further growth in the portfolio value will be mainly a result of active asset management and smart targeted CAPEX investments and not from further yield compression.

The following table shows the key valuation figures related to the properties as at December 31, 2016:

PORTFOLIO VALUATION

	Central	S-Bahn Ring	S-Bahn Ring (1960–1990)	City Ring	City Ring (1960–1990)	**TOTAL**	**TOTAL WITHOUT CONDO**
Fair value (EUR k) (*)	917	272	339	148	650	**2,326**	**2,279**
Value / sqm (EUR)	2,270	2,034	1,810	2,127	1,377	**1,836**	**1,824**
Share of fair value (%)	39%	12%	15%	6%	28%	**100%**	**–**
Avg. residential in-place rent (EUR / sqm)	6.53	6.36	6.55	6.74	5.48	**6.11**	**–**
CBRE market rent (EUR / sqm)	7.80	7.64	6.99	7.67	6.13	**6.98**	**–**
Avg. new letting rent (EUR / sqm)	11.04	9.65	8.92	7.97	6.35	**7.91**	**–**
Multiplier (current rent)	27.81	26.38	22.82	24.77	21.20	**24.54**	**24.34**
Multiplier (CBRE market rent)	23.32	22.12	20.88	21.84	18.35	**21.14**	**21.02**
Multiplier (new letting rent)	16.48	17.52	16.37	21.01	17.73	**18.65**	**18.55**
Discount rate (%)	4.5%	4.6%	4.7%	4.8%	5.2%	**4.7%**	**4.7%**
Capitalization interest rate (%)	3.0%	3.1%	3.3%	3.3%	3.7%	**3.3%**	**3.3%**

(*) Including condominium units with a fair market value of EUR 47 million which are held at a book value of EUR 40 million.

Portfolio Performance

RESIDENTIAL PORTFOLIO

	Dec 31, 2016	Dec 31, 2015
Number of units	17,701	14,856
Avg. rent / sqm / month	EUR 6.11	EUR 5.82
Vacancy	2.5%	4.0%

18.65 ×
valuation multiple on new letting rents

The 5% increase in the average rent per sqm compared to the previous year is a result of the 6% like-for-like growth. The Carlos portfolio, which was the largest portfolio we bought in year 2015, yielded exceptional 7.2% like-for-like growth. The recently introduced rental cap in Berlin has an, as expected, minor dampening effect on our new letting rents. Overall vacancy reduced by 1.5%. Carlos portfolio vacancy reduced from 5% to 1.9%.

COMMERCIAL PORTFOLIO

	Dec 31, 2016	Dec 31, 2015
Number of units	999	883
Avg. rent / sqm / month	EUR 8.60	EUR 8.30
Vacancy	3.2%	5.5%

The commercial part of our portfolio shows higher rents compared to the residential properties. The increase in the average rent per sqm and the decrease in the vacancy rate are the result of increasing demand in the city. In year 2017 we expect additional increase in rent per sqm and decrease in vacancy.

In pursuit of our strategy on creating value through strong like-for-like rental growth, we split our rental growth into three components as shown in the table below to provide detailed information about how we can create rental growth.

RENTAL GROWTH (LIKE-FOR-LIKE)

	Jan 1 – Dec 31, 2016	Jan 1 – Dec 31, 2015
New lettings after CAPEX	2.7%	3.8%
New lettings fluctuation	1.6%	2.7%
Regular rent increases	1.7%	0.8%
TOTAL	**6.0%**	**7.3%**

Our fully integrated active asset management is focused on our rental growth and employs dedicated strategies to drive all relevant components. The first two components (CAPEX and fluctuation) relate to new tenants. In units which require modernization we invest CAPEX to improve quality to meet today's standard. Units which do not require CAPEX are being let at market rent levels. The other component (regular rent increase) relates to our existing tenants. An accurate and efficient application of the relevant regulatory framework is key for our success.

6.0%
like-for-like rental growth

The increasing demand in Berlin, but especially in the city ring locations, enabled us to further improve our like-for-like rental growth for the full year to 6%, above our 5% guidance. This growth was supported by our targeted investment program which allowed us to let more units and improve rents further.

MAINTENANCE AND CAPEX (*)

In EUR / sqm	**Jan 1 – Dec 31, 2016**	Jan 1 – Dec 31, 2015
Maintenance	6.8	6.3
Capitalized maintenance	7.4	4.6
Modernization CAPEX	13.8	9.9
TOTAL	**28.1**	**20.8**

(*) Based on total lettable area.

Investment in our portfolio is at the core of our strategy. Total investment in the portfolio in the year 2016 amounted to EUR 33.4 million, compared to EUR 18.4 million in the full year 2015 (corresponding to EUR 28.1 per sqm and EUR 20.8 per sqm respectively). The increased expenses per sqm in the modernization CAPEX and capitalized maintenance results from the high number of units which we could refurbish in 2016 and the start of our long-term CAPEX plan for the Carlos portfolio to improve building quality. The Carlos portfolio was a key driver for our 6% like-for-like rental growth and the 1.5% reduction in vacancy. Going forward we expect total CAPEX and maintenance to come back to levels in line with our long-term averages (around EUR 22 to EUR 23 per sqm) due to the completed turnarounds of, for example, the Carlos portfolio and the Löwenberger Strasse project.

EUR
28.10
per sqm investment in the portfolio

As part of our active asset management we aim to minimize our vacancy while keeping the necessary flexibility for our additional portfolio optimization activities. Our CAPEX investment program is important for generating the rental growth we target, which results in slightly longer turnaround times before vacant units can be re-let. At the same time we need to keep a stock of vacant units available for sale for our privatization program. Many individual buyers are looking to purchase for self-use, where they prefer to purchase vacant units, paying a higher price, which compensates for the increased vacancy loss during the sale period. Despite these requirements we have seen a very positive development in the overall vacancy rate in year 2016 resulting from the successful letting activity of our operations. The Carlos portfolio is a good example of our efficient hands-on management where we have been able to reduce the vacancy from 5% to less than 2% during the less than 2 years we have been managing the portfolio.

VACANCY SPLIT

Residential	**Dec 31, 2016**	Dec 31, 2015
Units for sale	0.2%	0.5%
Units under construction	1.3%	2.7%
Marketing (available for letting)	1.0%	0.8%
Total vacancy (units)	450	577
Total vacancy (sqm)	28,933	38,048
TOTAL VACANCY RATE	**2.5%**	**4.0%**

Going forward, not taking into account the impact of potential new deals which will be taken over, we see further potential to improve our vacancy rate to around 2%.

Acquisitions

On the portfolio side, the Company continued its substantial growth in 2016. During the year we completed the acquisition of 2,950 residential units and 134 commercial units for a total volume of EUR 365 million, all in Berlin. As a result of these acquisitions, our portfolio grew to 18,700 units.

4,297
units acquired post IPO

During the year, we completed 10 deals, 2 of which were above the EUR 50 million range. The biggest transaction was in the third quarter, when we took over the Horizon portfolio, including a total 1,680 units for a gross cost of EUR 174 million, reflecting a rent multiplier of 21.3 × with an average rent per sqm of EUR 6.16. The rest of the acquisitions were purchased for an average rent multiplier of 23.8 ×, with an average rent per sqm of EUR 6.05 and 29% reversionary potential.

NEW ACQUISITIONS TAKEN OVER IN YEAR 2016

	Central	S-Bahn Ring	S-Bahn Ring (1960–1990)	City Ring	City Ring (1960–1990)	**TOTAL**
Property value (year end in EUR m) – CBRE report	90	17	177	44	55	**383**
Value / sqm (EUR)	2,452	1,846	1,626	2,283	1,426	**1,802**
Total sqm (k)	37	9	109	19	39	**213**
Run rate (year end in EUR m)	3.2	0.6	8.2	1.9	2.5	**16.4**
Number of commercial units	51	13	3	66	1	**134**
Number of residential units	408	116	1,678	198	551	**2,950**
Avg. residential in-place rent (EUR / sqm)	6.81	5.78	6.23	7.62	5.32	**6.21**
CBRE market rent (EUR / sqm)	8.12	7.33	6.50	7.75	6.18	**7.83**
Avg. new letting rent (EUR / sqm) – actual	9.58	8.28	9.51	8.07	8.15	**9.11**
Occupancy (sqm)	95.1%	91.4%	98.0%	99.1%	98.3%	**97.4%**

ECONOMIC REVIEW

Economic and Industry-Specific Parameters

GENERAL MARKET CONDITIONS

Germany's economy continued to follow a modest growth trajectory throughout 2016. During the fourth quarter of 2016, its gross domestic product grew by 0.4% adjusted for inflation, seasonal variation and calendar effects. GDP growth for the year 2016 as a whole added up to 1.9%. It was stimulated mainly by domestic demand. Private consumer spending increased by 1.5%, whereas general government consumption rose by 3.2%. Building investments increased by 1.3% year on year, while investments in housing construction improved, investments in non-residential buildings actually declined since 2015. The number of gainfully employed persons climbed to 43.7 million toward year-end, which implies a year-on-year increase by 0.6% *(Source: Federal Statistical Office of Germany)*.

The reassuring trend on the job market is likely to keep stimulating private consumption as well as rental housing construction in Germany. In March 2016, the European Central Bank (ECB) lowered its main refinancing interest rate to 0.0%, which will probably fuel the continued growth of real estate prices by keeping borrowing costs low.

DEMOGRAPHICS AND HOUSING DEMAND IN BERLIN

Berlin is the most populous city in Germany, and roughly since 2005, it has shown steady demographic growth. By the end of 2016, Berlin's population register showed a total of 3,671,000 residents and thus a one-year increase by 60,500 persons. The strong growth is essentially explained by the inflow of 55,700 new residents from abroad and moreover by the catch-up effect of registering migrants who, while having arrived in 2015, had not yet been captured in the population register by the end of that year. At the same time, the number of Germans who relocated to Berlin also went up to 4,800 people. Over the past five years, Berlin's population has grown by 243,500 residents, or at an annual average of 48,700 persons. The inflow of new arrivals during the past two years exceeded the average as a result of massive incoming migration from outside Germany. Initial figures that the Federal Office for Migration and Refugees (BAMF) released for 2017 suggest, however, that this year's incoming migration will not be on the same scale *(source: Berlin-Brandenburg Statistics Office – press release dated 24/02/2017)*. City officials currently expect the population of Berlin to rise to about 3.8 million between now and 2030. The forecast is based on a population of around 3.562 million residents as of 31 December 2014, which in itself topped the most optimistic recent forecast from 2012 by nearly 20,000 people *(source: Senate Department for Urban Development and the Environment, demographic forecast for Berlin and its boroughs, 2015–2030, from January 2016)*.

Previous forecasts of the trend in the number of households in Berlin used to assume a growth of about 3.0% between 2010 and 2025. According to the IW German Economic Institute in Cologne, this would imply an annual requirement of roughly 20,000 additional flats between now and 2020. The housing demand is driven mainly by the growing number of single and two-person households, and the corresponding rise in the total number of households in Berlin *(source: IWK; Michael Bauer Research GmbH, Ziegert Condominium Report Berlin 2016/2017)*. Given the latest demographic forecasts and the strong flow of incoming migration, there is every reason to assume that the projected annual housing demand in Berlin will have to be revised upward.

Although the city's unemployment rate continues to exceed the national average, the number of new jobs created in the German capital is growing with a remarkable dynamic. By December 2016, insurable employees reached a total of 1.399 million after 59,200 jobs were added since the start of the year, a year-on-year increase by 4.4%. This was the steepest growth rate achieved by any German state in 2016. The national growth rate for the same period averaged only 2.4%. Moreover, Berlin's unemployment rate has been fallen below the 10% mark since May 2016. By February 2017, it had dropped to 9.6%, which is one percentage point less than it showed in February 2016. The fastest job growth was reported from the sector of corporate services and from the information and communications industry, where around 7,900 new staff, were hired in 2016 *(source: Senate Administration for Economy, Energy and Enterprises, press release from 01/03/2017).*

REAL ESTATE STOCK AND HOUSING MARKET TRENDS IN BERLIN

Berlin is home to Germany's largest rental housing market with a stock of nearly two million residential units *(source: Berlin-Brandenburg Statistics Office).* Demand on Berlin's housing market has increased in parallel with the demographic growth in recent years, causing the available housing supply to decrease and both rents and prices to increase. Against this background, housing construction has gathered considerable momentum lately, yet it continues to lag behind the anticipated demand. In 2015, for instance, a total of 7,057 new flats in multi-family dwellings were completed. While this is, like in the previous year, an improvement in the number of completions, it failed to achieve , on the one hand, the number of 10,000 new residential units completed that had been expected by market analysts, and on the other hand, it also fell noticeably short of the expected additional demand. Since roughly 19,100 flats in new developments were approved between January and November 2016, it is estimated that the number of issued planning permits added up to approximately 21,000 for the full year, setting another record. Although this figure makes a continuation of the dynamic trend in housing construction in Berlin likely, it will probably not reach the expected necessary supply level of more than 20,000 residential units completed per year. Experience suggests that not all planning permissions will result in actual developments and completions. A certain share of planning permits is obtained on speculative basis to improve land values for later resale of these land plots, in which case a planning permit will not deliver completed apartments as expected *(source: JLL Residential City Profile Berlin, H2 2016, published in March 2017).*

Residential asking rents in Berlin rose to 10.15 euros per square metre and month during the second half-year of 2016. It was the first time that rents in the city crossed the mark of 10.00 euros per square metre and month after a year-on-year rental growth of 12.3%. It was the fastest growth rate recorded since 2012. However, the rental trend differs from one district to the other. Neukölln, for instance, experienced the steepest growth in 2016, a result of its popularity with tenants combined with still sub-average rent levels. Similar strong growth rates were also seen in several suburban locations with comparatively low rent levels, such as Marzahn-Hellersdorf, but also from downtown areas. While average rent growth for existing housing stock in Steglitz-Zehlendorf and Spandau was slightly below the average level, Lichtenberg and Reinickendorf has experienced rental growth for existing units at the average growth rate of Berlin. The sustained demand pressure on Berlin's housing market makes it safe to assume that the rent level will keep pushing up in 2017 *(source: JLL Residential City Profile Berlin, H2 2016, published in March 2017).*

EUR
98
million
annualized Q4
rental income

EUR per sqm
3,013
average condo
sales price

Profit Situation

Income from rental activities increased by 36% driven by new acquisitions and 6% like-for-like growth. Comparing Q4 2016 to Q3 2016 it grew by 4.5%, reflecting an annualized income of EUR 98 million. The EBITDA from rental activities increased by 31%. Our existing run rate as of December 2016 represents an annualized EBITDA of EUR 68 million. Our privatization business which we started at the end of 2014 gained speed in 2016, in which we already sold 109 units with an average sell price of EUR 3,013 per sqm. The sales margin of 16% results from the fact that all of these units were acquired as condominiums and were therefore carried at higher values in our books compared to assets acquired as rental-only properties. The average sales price of EUR 3,013 per sqm compares very positively to our current average portfolio value for Central Locations, which are most comparable at EUR 2,270 per sqm.

Our financing costs were significantly impacted by our acquisitions and the refinance plan. Our average interest rate is 2.1%. During the year we refinanced EUR 147 million of loans replacing an average 3.5% with a 1.3% fixed annual interest rate.

Following the IPO on July 23, 2015, shareholder loans from ADO Group were converted into equity as a non-refundable capital contribution without issuance of new shares. The associated finance cost therefore dropped to zero from that date.

FINANCIAL PERFORMANCE (*)

	For the year ended		For the three months ended	
In EUR thousand	**Dec 31, 2016**	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
Net rental income	84,673	61,732	23,329	18,030
Income from facility services	5,137	4,067	1,233	1,048
INCOME FROM RENTAL ACTIVITIES	**89,810**	**65,799**	**24,562**	**19,078**
Cost of rental activities	(16,838)	(11,369)	(4,381)	(3,111)
NET OPERATING INCOME	**72,972**	**54,430**	**20,181**	**15,967**
NOI from rental activities margin (%)	86.2%	88.2%	86.5%	88.6%
Overhead costs (**)	(9,584)	(5,938)	(3,122)	(1,871)
EBITDA FROM RENTAL ACTIVITIES	**63,388**	**48,492**	**17,059**	**14,096**
EBITDA from rental activities margin (%)	74.9%	78.6%	73.1%	78.2%
Profit from privatization sales	3,239	1,483	1,044	492
EBITDA TOTAL	**66,627**	**49,975**	**18,103**	**14,588**
Financial costs interest bearing loans	(19,197)	(17,658)	(4,825)	(5,082)
Financial costs shareholder loans	–	(5,801)	–	–
Other net financial costs (***)	(8,531)	(681)	1,171	359
IPO related expenses	–	(430)	–	(64)
D & A	(356)	(256)	(119)	(87)
EBT	**38,543**	**25,149**	**14,330**	**9,714**

(*) Excluding effects from the changes in fair value of investment properties and assets held for sale.

(**) Excluding one-off costs.

(***) Includes mostly one-off refinance costs.

FFO

	For the year ended		For the three months ended	
In EUR thousand	**Dec 31, 2016**	Dec 31, 2015	**Dec 31, 2016**	Dec 31, 2015
EBITDA from rental activities	63,388	48,492	17,059	14,096
Net cash interest	(19,197)	(17,658)	(4,825)	(5,082)
Current income taxes	(678)	(120)	(206)	(69)
FFO 1 (FROM RENTAL ACTIVITIES)	**43,513**	**30,714**	**12,028**	**8,945**
Maintenance capital expenditures	(8,841)	(4,062)	(4,515)	(1,675)
AFFO (FROM RENTAL ACTIVITIES)	**34,671**	**26,652**	**7,513**	**7,270**
Net profit from privatizations	3,239	1,483	1,044	492
FFO 2 (INCL. DISPOSAL RESULTS)	**46,752**	**32,197**	**13,072**	**9,437**
No. of shares (****)	39,083	29,423	44,100	35,000
FFO 1 / SHARE	**1.11**	**1.04**	**0.27**	**0.26**
FFO 2 / SHARE	**1.20**	**1.09**	**0.30**	**0.27**

(****) On July 23, 2015, April 21, 2016 and September 14, 2016 the Company issued new shares. The number of shares is calculated as the weighted average shares for the related period.

EUR
48
million
annualized Q4
FFO 1

FFO

Our funds from operation (FFO) from rental activities (without disposals) for the full year rose by approximately 42% in comparison to the previous year. Our December net rent represents an annualized FFO from rental activities of EUR 51.5 million, representing an FFO yield of 3.7% on our adjusted EPRA NAV (less cash).

In year 2017 we expect further substantial growth in the FFO1 run rate as a result of both the continuous like-for-like growth in the portfolio and further acquisitions. See forecast report for details.

CASH FLOW

The cash flow of the Group breaks down as follows:

CASH FLOW

In EUR thousand	**Jan 1 – Dec 31, 2016**	Jan 1 – Dec 31, 2015
Net cash flow from operating activities	76,379	55,715
Net cash flow used for investing activities	(293,290)	(509,921)
Net cash flow from financing activities	265,887	578,989
NET CHANGE IN CASH AND CASH EQUIVALENTS	**48,976**	**124,783**
Opening balance cash and cash equivalents	134,445	9,662
CLOSING BALANCE CASH, CASH EQUIVALENTS AND CASH DEPOSITS	**183,421**	**134,445**

The change in cash flow was driven by further acquisitions, equity raises and the respective effects on operations, investment and financing.

Financial and Asset Position

The changes in the assets and liabilities were mainly driven by new acquisitions in 2016. The position was also influenced by the equity raises we completed in the second and third quarter. The fair value of the investment properties is based on valuations for December 31, 2016 performed by CBRE. The current average cap rate, which was calculated based on the net operating income for the last month in the reporting period on an annualized basis divided by the fair value, is 3.5% (year 2015: 4.4%). The other current assets include mainly existing condominiums which the Company started to sell in the last quarter of year 2014.

FINANCIAL POSTION

In EUR thousand	**Dec 31, 2016**	Dec 31, 2015
Investment properties	2,290,740	1,458,889
Other non-current assets	5,908	3,537
NON-CURRENT ASSETS	**2,296,648**	**1,462,426**
Cash and cash deposits	183,421	134,445
Other current assets	82,325	73,277
CURRENT ASSETS	**265,746**	**207,722**
TOTAL ASSETS	**2,562,394**	**1,670,148**
Interest bearing loans	904,714	785,269
Other liabilities	53,503	41,857
Deferred tax liabilities	117,673	48,593
TOTAL LIABILITIES	**1,075,890**	**875,719**
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	**1,461,945**	**785,516**
Non-controlling interests	24,559	8,913
TOTAL EQUITY	**1,486,504**	**794,429**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**2,562,394**	**1,670,148**

On December 31, 2016 our EPRA NAV was EUR 36.08 per share.

NAV

In EUR thousand	**Dec 31, 2016**	Dec 31, 2015
Total equity attributable to shareholders of the Company	1,461,945	785,516
Derivatives	4,185	9,512
Deferred tax liabilities	117,673	48,593
Condo FV adjustments	7,542	–
EPRA NAV	**1,591,345**	**843,621**
No. of shares	44,100	35,000
EPRA NAV PER SHARE	**36.08**	**24.10**

EUR
36.08
NAV
per share

FUNDING

We are funding our properties based on a conservative financing strategy with a mix of secured mortgage loans and equity.

FINANCING

In EUR thousand	**Dec 31, 2016**	Dec 31, 2015
Interest bearing loans and other long-term liability	919,851	789,404
Cash and cash equivalents	183,421	134,445
Net financial liabilities	736,430	654,959
Fair market value of real estate portfolio (*)	2,344,419	1,503,617
Loan-to-Value ratio	31.4%	43.6%
Avg. interest rate	2.1%	2.3%

(*) Including condominium units with a fair market value of EUR 47 million which are held at a book value of EUR 40 million.

2.1%
average
interest rate

As of the reporting date our loan-to-value (LTV) was around 32%, with an average interest rate of the loan portfolio of around 2.1%. More than 97% of our loans have a fixed interest rate or are hedged. The average maturity of our loans is approximately 5.3 years.

The following table shows the loan maturity profile:

LOAN MATURITY PROFILE

In EUR million	Nominal value	Avg. interest rate
2017	12.9	1.0%
2018	55.4	3.2%
2019	15.3	1.8%
2020	51.2	2.0%
2021	182.2	2.8%
2022	321.6	1.7%
2023+	258.8	1.9%
TOTAL	**897.4 (*)**	**2.1%**

(*) There is a EUR 7 million difference between the nominal value and the book value of the loans due to first day fair value difference of loan acquisition.

SUBSEQUENT EVENTS

EUR
0.45
proposed dividend per share

During the first quarter of 2017 the Group acquired in 9 different deals 22 assets including a total of 521 residential units and 60 commercial units in Berlin both as asset and share deals. The gross purchase price for 100% of the acquired assets amounted to EUR 124.2 million. The total annual net cold rent from the new acquisitions as at purchase amounted to EUR 4.2 million. As of December 31, 2016 the Group paid an advance of EUR 11.8 million that was recorded as advances in respect of investment properties and EUR 6.4 million that was recorded as advances in respect of trading properties.

On March 21, 2017 the Board proposed to the Annual General Meeting to pay a dividend in an amount of EUR 19.8 million (EUR 0.45 per share), subject to the approval of the Annual General Meeting on May 2, 2017, reflecting an increase of nearly 30% per share compared with year 2015.

FORECAST REPORT

Comparison of the Forecast with the Actuals of 2016

Our operations developed in 2016 as planned. The increasing demand in Berlin, but especially in city ring locations enabled us to beat our 5% guidance and achieve a like-for-like rental growth for the full year of 6%. This growth was supported by our targeted investment program which allowed us to let more units and improve rents further.

Our privatization activities also saw a positive development with 109 units sold during 2016 for an average price per sqm which was 7.6% higher than in the previous year, in line with our target to sell around 100 units in 2016.

The average cost of debt was further reduced during 2016 to 2.1%: still slightly above our year-end target of below 2.0% due to inefficient high interest rate loans which we took over with acquired assets. We are planning to refinance these loans in 2017.

FFO1 at the end of the year developed positively and was running at EUR 51.5 million (based on our average EBITDA margin of 75% and EUR 95.2 million of net rents in place in December 2016). This figure is slightly below our updated run-rate guidance of EUR 52 million for 2016, which incorporated the units acquired during 2016, as we decided to push a refinancing of loans which we took over with new acquisitions from 2016 into 2017 due to our current liquidity position. The positive impact on FFO1 from this planned refinancing would amount to approx. EUR 1 million.

During 2016 we updated our dividend payout ratio guidance from "between 30% to 40% of FFO1" to "up to 50% of FFO1". The Board of Directors has recommended a dividend EUR 19.8 million (EUR 0.45 per share) which represents a payout of 46% of total FFO1.

Forecast for 2017

We are positive that ADO Properties will continue to increase the value of its assets, its NAV and NAV per share by generating significant like-for-like rental growth in the future. We anticipate our like-for-like rental growth for 2017 to be approximately 5%.

We expect our 2017 FFO1 run rate to be at least EUR 60 million after deploying our existing cash position by the end of the year.

In the privatization business we expect to sell around 100 units in 2017.

Our average cost of debt is expected to improve to below 2% with an LTV target of around 45%. Our existing free cash allow us to buy around EUR 500 million of new assets which we are targeting to complete in the next 12 months.

For year 2017 we anticipate a dividend payout ratio of up to 50% of FFO1.

RISK REPORT

ADO Properties S. A. continually monitors and controls risk positions in the Group in order to avoid developments which might threaten the existence of the Group and, at the same time, to exploit any opportunities which occur. The risk management system has been designed on the basis of the corporate strategy and the portfolio structure as an appropriate and effective early warning and control instrument. The established risk management system enables the Board of Directors and the Senior Management Team at all times to identify and assess material risks within the Group and in the environment. The Board of Directors and the Senior Management Team of ADO Properties S. A. sees currently no risks which threaten the Company's existence.

Risks Related to the Market

All of the real estate we own is located in Berlin. Accordingly, we are dependent on trends in the Berlin residential real estate market, as well as general economic conditions and developments in Berlin. The continuing uncertainty regarding the development of the global economy, for example due to the ongoing sovereign debt crises and inflation and deflation risks in many parts of the world, particularly in Europe, and the quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties. The current economic environment is characterized by low interest rates and comparatively high valuations of residential real estate portfolios in Germany. Any rise in interest rates could have material adverse effects on the asset valuations, the German real estate market and on us. It could become more difficult for us to implement our strategy of capturing additional growth opportunities by acquiring residential real estate portfolios on attractive terms, particularly due to the high current and future market prices for real estate portfolios.

Risks Related to our Business

We rely significantly on earnings from rentals. As a result, our performance outcomes depend largely on the amount of rental income generated, vacancies, rent reductions, collection losses and the expenses we incur in generating such rents. Our rental income is impacted predominantly by rents charged and vacancy levels. To the extent we generate earnings from the sale of properties, our performance outcomes depend on the market value of our real estate properties. Rents and real estate prices, in turn, depend largely on economic and business conditions in Germany in general and in our market in particular. Increased rent restrictions could adversely affect our results of operations because we rely significantly on earning from rentals. An increase in the vacancy rates or a decrease in achievable market rents of our residential real estate portfolio could have a material adverse effect on rental income and operating profit.

We are exposed to risks related to the structural condition of our properties and their maintenance, repair and modernization. In order to sustain demand for a rental property and to generate adequate revenue over the long term, a property's condition must be maintained, repaired and/or improved to a standard that meets market demand and complies with environmental laws. Although we constantly review the condition of our properties and have established a reporting system to monitor and budget the necessary maintenance and modernization measures, numerous factors may generate substantial cost overruns or unexpected increases in costs for maintenance and modernization. These factors may include the material and substances used at the time of construction, currently unknown building code violations and/or the age of the relevant building could result in substantial unbudgeted costs for refurbishment, modernization, decontamination required to remove and dispose of any hazardous materials (e.g. asbestos) which are

harmful to the health of the residents, or other maintenance or upgrade work. When we are buying new properties we bear risk in relation to unexpected liabilities, wrong assessment of value as well as due diligence findings and challenges with respect to integrating acquisitions.

Financial Risks

A change in general interest rate levels may increase our financing costs, and the values of our properties and the prices at which we are able to sell our properties may decrease. We attempt to mitigate interest rate risk by entering into hedging agreements and therefore we are exposed to the risks associated with the valuation of hedging instruments and hedge counterparties and the hedging agreement may not be effective.

We have a substantial level of debt and are dependent on refinancing significant amounts as they become due. We may not be able to extend our existing credit arrangements, refinance our debt on substantially similar terms when it matures or obtain acquisition financing on financially attractive terms when needed. Our cash flows and possible future dividend payments are dependent on the distributable capital and annual profit and profitability of our subsidiaries or must be augmented by borrowed capital.

Regulatory and Legal Risks

Our business is subject to the general legal environment in Germany. Any disadvantageous changes in the legal environment, such as mandatory environmental modernization provisions, restrictions regarding modernization measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale may be detrimental to us. German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to increase the rents of residential units we own.

More restrictive environmental laws could also result in additional expenses. For example, since 2011, owners of specified centralized heated water supply facilities for use in multi-family residential units are obliged to test the level of potential legionella contamination at least every three years, thereby incurring additional costs for the testing as well as for remediation measures, if contamination is detected. Additional costs would also be incurred if the legal requirements relating to the construction and use of existing properties were to become more onerous. Construction and environmental requirements are of particular significance in this context. For example, the currently applicable version of the Energy Savings Regulation (Energieeinsparverordnung) prescribes specified investments into renovation aimed at reducing energy consumption (for instance, with respect to thermal insulation) and requires a landlord to present an energy certificate that discloses the property's energy efficiency to a potential tenant prior to entering into a new lease agreement. The same applies with respect to the sale of properties. Additionally, requirements may be imposed in order to increase the availability of disabled-accessible and adapted housing.

In addition, we could be adversely affected by changes to public building law which could restrict our ability to manage our properties in the way we had previously expected. The Government of Berlin has passed a regulation according to which currently 33 areas of Berlin, located in the districts of Pankow (ten areas), Friedrichshain-Kreuzberg (eight areas), Mitte (five areas), Neukölln (five areas), Tempelhof-Schöneberg (four areas), and Treptow-Köpenick (one area), are defined as milieu protection (Milieuschutz) areas in which rented apartments may no longer be turned into condominiums and sold (privatized), ensuring that people from all social milieus can afford to rent apartments in all parts of the city. The owner of a rented apartment requires an exception permission by the relevant district to sell the apartment. Such exception permission may be granted, for example, in case the apartment shall be sold to the current tenant.

Moreover, environmental laws impose actual and contingent obligations on us to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we have formerly owned or operated or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, namely under the German Federal Soil Protection Act (Bundesbodenschutzgesetz). 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 and pond water 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 us to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. 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 our employees infringe or have infringed environmental protection laws, we could be exposed to civil or criminal damages. We may be required to provide for additional reserves to sufficiently allocate toward our potential obligations to remove and dispose of any hazardous and toxic substances.

Concluding Remark

This Management Report contains forward-looking statements and information. These forward-looking statements may be identified by words such as “expects,” “intends,” “will,” or words of similar meaning. Such statements are based on our current expectations, assessments and assumptions about future developments and events and, therefore, are naturally subject to certain uncertainties and risks. The actual developments and events may differ significantly both positively and negatively from the forward-looking statements so that the expected, anticipated, intended, believed or estimated developments and events may in retrospect prove to be incorrect.

STATUTORY RESULTS OF OPERATIONS AND FINANCIAL POSITIONS

Income

The Company's income for 2016 results from services to the Company's subsidiaries and interest income from loans granted to the Company's subsidiaries.

Charges

The charges for 2016 are mainly driven by salaries and related expenses and overhead costs such as accounting, legal and consulting fees.

Equity

The main changes in equity during 2016 are driven by the following:

(1) On April 21, 2016 the Company placed 3,499,999 new shares with institutional investors at EUR 28.50 per share.
The gross proceeds resulting from the transaction amounted to EUR 99.7 million, out of which EUR 4,340 was used to increase the Company's share capital and EUR 99,749,971 was classified as share premium.

(2) On September 14, 2016 the Company placed 5,600,001 new shares with institutional investors at EUR 35.50 per share.
The gross proceeds from the transaction amounted to EUR 198.8 million, out of which EUR 6,944 was used to increase the Company's share capital and EUR 198,800,036 was classified as share premium.

Assets

The fixed assets mainly consist of shares in affiliated undertakings and amounts owed by affiliated undertakings.

Current assets mainly consist of cash and deposits.

Liabilities

Liabilities mainly consist of amounts owed to affiliated undertakings.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the Consolidated Financial Statements of ADO Properties S. A. presented in this Annual Financial Report for 2016, prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company and that the Management Report includes a fair review of the development of the business and describes the main opportunities, risks and uncertainties associated with the Company.

Rabin Savion
Chief Executive Officer

Florian Goldgruber
Chief Financial Officer

Eyal Horn
Chief Operating Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

		As of Dec 31,	
In EUR thousand	Note	**2016**	2015
Non-current assets			
Investment properties	5	2,278,935	1,456,804
Advances in respect of investment properties	28	11,805	2,085
Property and equipment		2,148	1,720
Other financial asset	23	3,760	1,817
		2,296,648	**1,462,426**
Current assets			
Trading properties	6	39,718	44,728
Advances in respect of trading properties	28	6,419	–
Restricted bank deposits	7	28,207	19,955
Trade receivables	8	6,604	6,385
Other receivables	9	1,377	2,209
Other deposits	10	–	65,000
Cash and cash equivalents	11	183,421	69,445
		265,746	**207,722**
TOTAL ASSETS		**2,562,394**	**1,670,148**

EQUITY AND LIABILITIES

		As of Dec 31,	
In EUR thousand	Note	**2016**	2015
Shareholders' equity	13		
Share capital		55	–
Share premium		499,520	206,600
Reserves		333,872	332,177
Retained earnings		628,498	246,739
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**1,461,945**	**785,516**
NON-CONTROLLING INTERESTS		**24,559**	**8,913**
TOTAL EQUITY		**1,486,504**	**794,429**
Liabilities			
Non-current liabilities			
Loans and borrowings	14	877,326	746,839
Other long-term liabilities	12	15,137	4,135
Derivatives	23	3,926	9,106
Deferred tax liabilities	16	117,673	48,593
		1,014,062	**808,673**
Current liabilities			
Loans and borrowings	14	27,388	38,430
Trade payables		8,957	8,091
Other payables	15	25,224	20,119
Derivatives	23	259	406
		61,828	**67,046**
TOTAL LIABILITIES AND EQUITY		**2,562,394**	**1,670,148**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended Dec 31,		
In EUR thousand	Note	**2016**	2015	2014
Revenue	17	109,775	75,753	34,329
Cost of operations	18	(33,564)	(19,840)	(6,581)
GROSS PROFIT		**76,211**	**55,913**	**27,748**
General and administrative expenses	19	(12,277)	(6,543)	(3,162)
Changes in fair value of investment properties and assets held for sale	5	444,268	158,579	68,838
Other expenses		–	(430)	–
RESULTS FROM OPERATING ACTIVITIES		**508,202**	**207,519**	**93,424**
Finance income		1,972	1,584	4,669
Finance costs		(29,700)	(25,724)	(18,417)
NET FINANCE COSTS	**21**	**(27,728)**	**(24,140)**	**(13,748)**
PROFIT BEFORE TAX		**480,474**	**183,379**	**79,676**
Income tax expense	16	(69,706)	(27,372)	(10,398)
PROFIT FOR THE YEAR		**410,768**	**156,007**	**69,278**
Profit attributable to:				
Owners of the company		395,150	148,192	68,494
Non-controlling interest		15,618	7,815	784
PROFIT FOR THE YEAR		**410,768**	**156,007**	**69,278**
Basic and diluted earnings per share (in EUR)	22	10.11	5.04	2.74(*)

(*) Restated – see Note 22.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended Dec 31,		
In EUR thousand	Note	**2016**	2015	2014
PROFIT FOR THE YEAR		**410,768**	**156,007**	**69,278**
Items that may be reclassified subsequently to profit or loss				
Hedging reserve classified to profit or loss, net of tax		5,275	–	–
Effective portion of changes in fair value of cash flow hedges	23	(512)	2,840	(4,766)
Related tax		53	(666)	745
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**4,816**	**2,174**	**(4,021)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**415,584**	**158,181**	**65,257**
Total comprehensive income attributable to:				
Owners of the company		399,938	150,359	64,488
Non-controlling interest		15,646	7,822	769
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**415,584**	**158,181**	**65,257**

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Cash flows from operating activities			
Profit for the year	410,768	156,007	69,278
Adjustments for:			
Depreciation	356	256	96
Change in fair value of investment properties and assets held for sale	(444,268)	(158,579)	(68,838)
Net finance costs	27,728	24,140	13,748
Income tax expense	69,706	27,372	10,398
Share-based payment	859	349	139
Change in short-term restricted bank deposits related to tenants	(2,883)	(5,878)	(1,792)
Change in trade receivables	1,116	(3,477)	(166)
Change in other receivables	976	(1,563)	98
Change in trading properties	15,007	7,928	(13,085)
Change in advances in respect of trading properties	(6,419)	–	(31,972)
Change in trade payables	1,509	1,036	(133)
Change in other payables	2,276	8,207	2,935
Income tax paid	(352)	(83)	(104)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**76,379**	**55,715**	**(19,398)**
Cash flows from investing activities			
Purchase and CAPEX of investment properties	(116,839)	(416,372)	(68,840)
Advances paid for investment property purchase	(11,805)	(799)	(119,194)
Purchase of property and equipment	(784)	(1,564)	(149)
Interest received	29	35	5
Proceeds from disposal of investment properties and assets held for sale	1,015	954	12,312
Acquisition of subsidiaries, net of acquired cash	(160,244)	(89,010)	(13,841)
Investments in bank deposit	–	(100,000)	–
Repayment of bank deposit	65,000	35,000	–
Change in short-term restricted bank deposits, net	(4,662)	(3,165)	(1,619)
NET CASH USED IN INVESTING ACTIVITIES	**(228,290)**	**(574,921)**	**(191,326)**

In EUR thousand	For the year ended Dec 31, 2016	2015	2014
Cash flows from financing activities			
Long-term loans received	182,721	338,248	133,994
Repayment of long-term loans	(158,300)	(42,535)	(10,924)
Short-term loans received	–	5,980	31,000
Repayment of short-term loans	(13,088)	(13,062)	(4,956)
Interest paid	(18,762)	(16,791)	(10,875)
Payment from settlement of derivatives	(6,184)	–	–
Proceeds from issue of share capital	–	29	–
Issuance of ordinary shares, net	292,975	193,000	–
Dividend distributed	(13,475)	–	–
Loans received from related parties	–	2,870	5,970
Repayment of loans from related parties	–	–	(1,633)
Loans received from related parties (issuance of capital note)	–	111,250	73,139
NET CASH FROM FINANCING ACTIVITIES	265,887	578,989	215,715
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**113,976**	**59,783**	**4,991**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**69,445**	**9,662**	**4,671**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**183,421**	**69,445**	**9,662**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	**TOTAL**	Non-controlling interests	**TOTAL EQUITY**
2016								
BALANCE AT JANUARY 1, 2016	–	206,600	(7,100)	339,277	246,739	785,516	8,913	794,429
Total comprehensive income for the year								
Profit for the year	–	–	–	–	395,150	395,150	15,618	410,768
Other comprehensive income for the year, net of tax	–	–	4,788	–	–	4,788	28	4,816
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**4,788**	**–**	**395,150**	**399,938**	**15,646**	**415,584**
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net (see note 13)	55	292,920	–	–	–	292,975	–	292,975
Changes in put option (see note 12)	–	–	–	(3,146)	–	(3,146)	–	(3,146)
Dividend distributed (see note 13)	–	–	–	–	(13,475)	(13,475)	–	(13,475)
Share-based payment (see note 20)	–	–	–	53	84	137	–	137
BALANCE AT DECEMBER 31, 2016	**55**	**499,520**	**(2,312)**	**336,184**	**628,498**	**1,461,945**	**24,559**	**1,486,504**

In EUR thousand	Share capital	Share premium	Hedging reserves	Capital reserve from trans-action with controlling shareholder	Retained earnings	TOTAL	Non-controlling interests	TOTAL EQUITY
2015								
BALANCE AT JANUARY 1, 2015	2	13,569	(9,267)	27,350	98,326	129,980	1,091	131,071
Total comprehensive income for the year								
Profit for the year	–	–	–	–	148,192	148,192	7,815	156,007
Other comprehensive income for the year, net of tax	–	–	2,167	–	–	2,167	7	2,174
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**–**	**–**	**2,167**	**–**	**148,192**	**150,359**	**7,822**	**158,181**
Transactions with owners, recognized directly in equity								
Contribution from shareholders, net of tax	–	–	–	11,339	–	11,339	–	11,339
Increase of share premium	–	29	–	–	–	29	–	29
Stock split	(2)	2	–	–	–	–	–	–
Issuance of ordinary shares, net	–	193,000	–	–	–	193,000	–	193,000
Conversion of shareholder loans to equity	–	–	–	300,460	–	300,460	–	300,460
Share-based payment (see note 20)	–	–	–	128	221	349	–	349
BALANCE AT DECEMBER 31, 2015	**–**	**206,600**	**(7,100)**	**339,277**	**246,739**	**785,516**	**8,913**	**794,429**
2014								
BALANCE AT JANUARY 1, 2014	2	13,569	(5,261)	17,286	29,832	55,428	313	55,741
Total comprehensive income (loss) for the year								
Profit for the year	–	–	–	–	68,494	68,494	784	69,278
Other comprehensive loss for the year, net of tax	–	–	(4,006)	–	–	(4,006)	(15)	(4,021)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**–**	**–**	**(4,006)**	**–**	**68,494**	**64,488**	**769**	**65,257**
Transactions with owners, recognized directly in equity								
Establishment of subsidiaries	–	–	–	–	–	–	9	9
Contribution from shareholders, net of tax	–	–	–	9,925	–	9,925	–	9,925
Share-based payment (see note 20)	–	–	–	139	–	139	–	139
BALANCE AT DECEMBER 31, 2014	**2**	**13,569**	**(9,267)**	**27,350**	**98,326**	**129,980**	**1,091**	**131,071**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – ADO Properties S. A.

ADO Properties S.A. (the "Company") was incorporated as a private limited liability company in Cyprus and until June 8, 2015, its legal name was "Swallowbird Trading & Investments Limited". The Company holds and operates a mainly residential assets portfolio in Berlin, Germany.

As a part of the Company's listing process (see below), the Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg by decision of the general meeting of shareholders dated June 8, 2015 and adopted the form of a private limited liability company (société à responsabilité limitée) under Luxembourg law. The Company was then converted to a public limited liability company (société anonyme) under Luxembourg law by decision of the general meeting of shareholders dated June 16, 2015 and changed its name to "ADO Properties S.A." (B-197554). The address of the Company's registered office is 20 Rue Eugène Ruppert, L-2453 Luxembourg.

On July 23, 2015 the Company completed an initial public offering ("IPO") and its shares are traded on the regulated market (Prime Standard) of Frankfurt Stock Exchange.

The Company is a directly held subsidiary of ADO Group Ltd ("ADO Group"), an Israeli company traded on the Tel Aviv Stock Exchange.

The consolidated financial statements of the Company as at December 31, 2016 and for the year then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of Preparation

A. STATEMENT OF COMPLIANCE

The consolidated financial statements as at and for the year ended December 31, 2016, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements were authorized for issue by the board of directors on March 21, 2017.

B. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Euro, which is the Group's functional currency. All financial information presented in Euro ("EUR") has been rounded to the nearest thousand, unless otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

C. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared under the historical cost convention, except, in particular, investment properties, other financial asset, other long-term liabilities and derivatives, which are measured at fair value.

D. OPERATING CYCLE

The Group has two operating cycles:

- Holding and operating residential and commercial units: the operating cycle is one year.
- Selling of units as a separate condominium: the operating cycle is up to three years.

As a result, current assets and current liabilities also include items the realization of which is intended and anticipated to take place within the operating cycle of these operations of up to three years.

E. USE OF ESTIMATES, JUDGMENTS AND FAIR VALUE MEASUREMENT

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments and use of estimates

Information about judgments, assumptions and estimation uncertainties made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 16 – Uncertain tax positions (judgments)

  The extent of the certainty that the Group's tax positions will be accepted (uncertain tax positions) and the risk of it incurring any additional tax and interest expenses. This is based on an analysis of a number of matters including interpretations of tax laws and the Group's past experience.

- Note 16 – Regarding the utilization of losses carried forward (estimations)

  Deferred tax assets are recognized in respect of tax losses carried forward when there is a high probability that in the future there will be taxable profits against which carried forward losses can be utilized. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the utilization of existing tax assets; any such changes to deferred tax assets will impact tax income/expense in the period that such a change in estimate occurs.

- Note 5 – Regarding fair value measurement of investment properties (estimations)

  The fair value of investment properties as at December 31, 2016 was assessed by CBRE, an industry specialist that has appropriate recognized professional qualifications and recent experience in the location and category of the properties that are being valued. The valuation includes assumptions regarding rent, vacancies, maintenance costs and discount rate. These assumptions are subject to uncertainties that may lead to either positive or negative value adjustments in the future.

- Note 23 – Regarding measurement of derivatives at fair value (estimation)

  Derivative valuations are calculated by the financing bank and checked by management. The risk that derivatives will not be appropriately valued exists, since the Group needs to make judgments about the estimation of the credit risk used by the lending bank and about whether the bank used the appropriate market observation for the other variables.

Acquisition of property companies
When acquiring the shares of a legal entity holding real estate assets ("Property Company"), the Group examines whether to treat it as a purchase of a group of assets and liabilities or as a business combination based on IFRS 3. If the Group does not take over substantive processes (including the asset management activity of the previous management) the acquisition is not a business combination and the purchase price is allocated to the assets and liabilities, based on their relative fair values at the date of acquisition without recognition of goodwill, intangible assets and deferred tax.

Measurement of fair values
Preparation of the financial statements requires the Group to determine the fair value of certain assets and liabilities. Further information about the assumptions that were used to determine fair value is included in the following notes:

- Note 5 – investment properties; and
- Note 23 – financial instruments

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 3 – Basis of Consolidation

A. CONSOLIDATION METHODS

The consolidated financial statements comprise the Company and the subsidiaries it controls. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

In addition to the Company, 156 subsidiaries (2015: 149) have been included in these consolidated financial statements.

When buying a company holding real estate assets, the Group exercises judgment to determine whether it is the purchase of a business or a group of assets and liabilities, for the purpose of determining the accounting treatment of the transaction. In determining whether a Property Company is a business, the Group examines, inter alia, the nature of existing processes in the Property Company, including the extent and nature of management, security, cleaning and maintenance services provided to tenants. In transactions in which the acquired company is a business, the transaction is accounted for as a business combination according to IFRS 3.

However, in transactions in which the acquired Property Company is not a business, the acquisition cost, including transaction costs, is allocated in proportion to the identified assets and liabilities acquired, based on their relative fair values at the acquisition date. In this case, neither goodwill nor deferred taxes on the temporary difference existing at the date of acquisition are recognized.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the Company. Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests.

A put option granted by the Group to non-controlling interests that is settled in cash or another financial instrument is recognized as a liability at the present value of the exercise price. In subsequent periods, changes in the value of the liability and dividends distributed to non-controlling interests in respect of put options are recognized in equity. The Group's share of a subsidiary's profits includes the share of the non-controlling interests to which the Group granted a put option, also when the non-controlling interests have access to the returns arising from the interests in the investee company.

B. SCOPE OF CONSOLIDATION

(1) On January 1, 2016 the Group took over 94.9% of the issued shares of several German entities which hold 10 residential buildings located in Berlin, Germany for a total consideration of EUR 23.6 million (including approx. 4% transaction costs). The portfolio includes 531 residential units and 6 commercial units with a total leasable area of approximately 36 thousand sqm.

The purchase of the entities was treated as a purchase of a group of assets and liabilities and not as a business combination based on IFRS 3, Business combinations mainly since the Group's view was to purchase a portfolio of assets and not to acquire activities, processes and previous management. Therefore the total purchase costs were allocated to the assets and liabilities based on their relative fair values at the purchase date without the recognition of goodwill and deferred tax as follows:

In EUR thousand	**Jan 1, 2016**
Cash and cash equivalents	294
Restricted bank deposits	271
Trade and other receivables	21
Investment properties (*)	43,824
Trade and other payables	(534)
Bank loans	(19,755)
Other long-term liabilities (**)	(558)
TOTAL CONSIDERATION	**23,563**
Paid consideration in the reporting period (***)	(23,127)
Cash acquired	294
NET CASH FLOW FROM THE ACQUISITION OF SUBSIDIARIES	**(22,833)**

(*) The fair value of the investment properties as at January 1, 2016 was EUR 42,000 thousand, therefore acquisition costs of approximately EUR 1.8 million were recognized under changes in fair value of investment properties at the consolidated statement of profit or loss with respect to these assets subsequent to the acquisition.

(**) Other long-term liabilities refer to a put option granted to the non-controlling interests (see note 12).

(***) An amount of EUR 436 thousand out of the total consideration was not yet paid as of December 31, 2016.

(2) On July 1, 2016 the Group took over 94.9% of the issued shares of a German entity which holds 9 residential buildings located in Berlin, Germany for a total consideration of EUR 38.6 million (including approx. 3% transaction costs). The portfolio includes 200 residential units and 25 commercial units with a total leasable area of approximately 22 thousand sqm.

The purchase of the entities was treated as a purchase of a group of assets and liabilities and not as a business combination based on IFRS 3, Business combinations mainly since the Group's view was to purchase a portfolio of assets and not to acquire activities, processes and previous management. Therefore the total purchase costs were allocated to the assets and liabilities based on their relative fair values at the purchase date without the recognition of goodwill and deferred tax as follows:

In EUR thousand	**Jul 1, 2016**
Cash and cash equivalents	1,189
Restricted bank deposits	436
Trade and other receivables	41
Investment properties (*)	54,623
Trade and other payables	(447)
Bank loans	(15,394)
Other long-term liabilities (**)	(1,810)
TOTAL CONSIDERATION	**38,638**
Paid consideration in the reporting period (***)	(38,204)
Cash acquired	1,189
NET CASH FLOW FROM THE ACQUISITION OF SUBSIDIARIES	**(37,015)**

(*) The fair value of the investment properties as at July 1, 2016 was EUR 53,125 thousand, therefore acquisition costs of approximately EUR 1.5 million were recognized under changes in fair value of investment properties at the consolidated statement of profit or loss with respect to these assets subsequent to the acquisition.

(**) Other long-term liabilities refer to a put option granted to the non-controlling interests (see note 12).

(***) An amount of EUR 434 thousand out of the total consideration was not yet paid as of December 31, 2016.

(3) On July 30, 2016 the Group took over 94.9% of the issued shares of a Luxembourg entity which holds 4 residential buildings located in Berlin, Germany for a total consideration of EUR 103.4 million (including approx. 1% transaction costs). The portfolio includes 1,677 residential units and 3 commercial units with a total leasable area of approximately 109 thousand sqm.

The purchase of the entities was treated as a purchase of a group of assets and liabilities and not as a business combination based on IFRS 3, Business combinations mainly since the Group's view was to purchase a portfolio of assets and not to acquire activities, processes and previous management. Therefore the total purchase costs were allocated to the assets and liabilities based on their relative fair values at the purchase date without the recognition of goodwill and deferred tax as follows:

In EUR thousand	**Jul 30, 2016**
Cash and cash equivalents	2,529
Trade and other receivables	1,416
Investment properties (*)	173,685
Trade and other payables	(564)
Bank loans	(68,141)
Other long-term liabilities (**)	(5,488)
TOTAL CONSIDERATION	**103,437**
Paid consideration in the reporting period (***)	(102,925)
Cash acquired	2,529
NET CASH FLOW FROM THE ACQUISITION OF SUBSIDIARIES	**(100,396)**

(*) The fair value of the investment properties as at July 30, 2016 was EUR 172,296 thousand, therefore acquisition costs of approximately EUR 1.4 million were recognized under changes in fair value of investment properties at the consolidated statement of profit or loss with respect to these assets subsequent to the acquisition.

(**) Other long-term liabilities refer to a put option granted to the non-controlling interests (see note 12).

(***) An amount of EUR 512 thousand out of the total consideration was not yet paid as of December 31, 2016.

Note 4 – Significant Accounting Policies

A. INVESTMENT PROPERTIES

Investment property is property held to earn rental income or for capital appreciation or both and is not owner-occupied or held for sale in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs. In subsequent periods, investment property is measured at fair value, and changes in fair value are recognized in the statement of profit and loss.

Profits or losses on the disposal of investment property are determined by comparing the net proceeds from the disposal with the asset's carrying amount (the fair value of the investment property as of the disposal date). The profit or loss on the disposal of investment properties is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group has no further substantial acts to complete under the contract.

In certain circumstances the Group decides to change the use of existing buildings that are rented out and classified as investment property into trading properties; the Group then begins the process of converting such buildings. When the conversion is completed, the necessary approvals are received and the marketing of the apartments begins, the aforesaid buildings are reclassified from investment property to trading properties. The cost of trading properties is determined according to the fair value at the time of the change in use.

The Group presents advances in respect of investment properties as non-current assets and does not include them as part of the investment properties. In subsequent periods, when the transactions are completed, the advances are reclassified to investment properties.

B. TRADING PROPERTIES

Trading properties are measured at the lower of cost and net realizable value. The cost of the trading properties includes the costs incurred in acquiring the trading properties and bringing them to their existing location and condition. The net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

C. RESTRICTED BANK DEPOSITS

Restricted bank deposits consist partly of deposits in banks that the Group has pledged to secure banking facilities and partly of deposits received from tenants. The Group cannot use these deposits freely for operations.

D. OTHER DEPOSITS

Other deposits comprise deposits in banks with original maturity of more than 3 months.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits in banks and short-term investments with an original term of up to three months.

F. FINANCIAL INSTRUMENTS

(1) Non-derivative financial assets

The Group's non-derivative financial assets are loans and receivables. The Group initially recognizes loans and receivables and deposits on the date that they originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, restricted and other bank deposits.

(2) Non-derivative financial liabilities

Non-derivative financial liabilities include loans and borrowings from banks and others, trade and other payables.

The Group initially recognizes financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

An exchange of debt instruments having substantially different terms between an existing borrower and lender is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value. In such cases the entire difference between the amortized cost of the original financial liability and the fair value of the new financial liability is recognized in profit or loss as financing income or expense.

The terms are substantially different if the discounted present value of the cash flows according to the new terms (including any commissions paid, less any commissions received and discounted using the original effective interest rate) is different by at least ten percent from the discounted present value of the remaining cash flows of the original financial liability. In addition to the aforesaid quantitative criterion, the Group also examines qualitative factors, inter alia, whether there have also been changes in various economic parameters inherent in the exchanged debt instruments.

(3) Share capital – ordinary shares

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

Incremental costs directly attributable to an expected issuance of an instrument that will be classified as an equity instrument are recognized as an asset in deferred expenses in the statement of financial position. The costs are deducted from the equity upon the initial recognition of the equity instruments, or recognized in profit or loss as finance expense if the issuance is no longer expected to take place.

(4) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments mainly to hedge its interest rate risk exposures from variable interest rate bank loans to a fixed interest rate. On initial designation of the derivative instruments for hedge accounting the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized liability, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity.

The amount recognized in the other comprehensive income is transferred to profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of profit or loss as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the amount accumulated in the hedging reserve is reclassified to profit or loss.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss. Other derivatives include other long-term liabilities and other financial asset.

G. IMPAIRMENT

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, trading property and deferred tax assets) and financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Non-derivative financial assets

The Group considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

H. TRANSACTIONS WITH CONTROLLING SHAREHOLDER

Transactions with shareholders in their capacity as shareholders are considered as capital transactions and are recognized directly in equity. Loans received from the controlling shareholder bearing interest rate below market rate are considered to be a capital transaction with the shareholder. The difference between the fair value of the loan and the amount received at initial recognition is recognized directly in equity in capital reserve from transaction with controlling shareholder.

When a shareholder forgives a debt while acting in its capacity as a shareholder, the Group considers it to be a capital transaction. The outstanding financial liability is reclassified to equity and no gain or loss is recognized.

I. PROVISIONS

Provisions are recognized when the Group has a present, legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that it will require an outflow of resources embodying economic benefits to settle the obligation.

The Group recognizes indemnification as an asset if, and only if, it is virtually certain that the indemnification will be received if the Group will settle the obligation. The amount recognized for the indemnification does not exceed the amount of the provision.

J. EMPLOYEE BENEFITS

Share-based payment transactions

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

For share-based payment awards with market performance vesting conditions, the grant date fair value of the share-based payment awards is measured to reflect such conditions, and therefore the Group recognizes an expense in respect of the awards whether or not the conditions have been met.

Share-based payment arrangements in which equity instruments are granted by the parent company to the employees of the Group are recognized in the reserve from transaction with controlling shareholder. Share-based payment arrangements in which the Company's equity instruments are granted are recognized in the retained earnings.

K. REVENUE RECOGNITION

Rental income from operating leases of investment property is recognized in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. In respect of utilities services, the Group recognizes the income amount net of costs recharged to the tenants.

Revenue from the sale of trading property is measured at the fair value of the consideration. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involvement with the trading property, and the amount of the revenue can be measured reliably.

Other revenues, including management services fee and third party's asset management income, are recognized in the accounting period in which the services are rendered, and are measured at the fair value of the consideration received or receivable for services provided in the normal course of business.

L. FINANCE INCOME AND COSTS

Finance income comprises interest income on funds invested including changes in the fair value of financial assets or liabilities at fair value through profit or loss and gains on hedging instrument that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets or liabilities at fair value through profit or loss, impairment losses recognized on financial assets, losses from refinance and losses on hedging instruments that are recognized in profit or loss. All borrowing costs are recognized in profit or loss using the effective interest method.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Interest paid and dividends paid are presented as part of cash flows from financing activities.

M. TAXATION

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable (or receivable) on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Current taxes also include taxes in respect of prior years and any tax arising from dividends.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability is not recognized for the following taxable temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- Differences relating to investments in subsidiaries, to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future, either by way of selling the investment or by way of distributing dividends in respect of the investment.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax benefits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is recognized in other comprehensive income or equity, respectively.

N. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise options granted to employees.

O. NEW IFRS PRONOUNCEMENTS ENDORSED BY THE EUROPEAN UNION

Certain new standards, amendments and interpretations to existing standards have been endorsed by the European Union that are not yet effective for the Group's accounting period ended December 31, 2016, and have not been early adopted in preparing these consolidated financial statements.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Annual Improvements to IFRS 2010–2012 and 2012–2014 Cycle – amendments to various standards.
- Disclosure Initiative (Amendments to IAS 1). (Effective for annual periods beginning on or after January 1, 2016. Early application is permitted.)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation. (Effective for annual periods beginning on or after January 1, 2016; to be applied prospectively. Early application is permitted.)

P. NEW IFRS PRONOUNCEMENTS NOT YET ENDORSED BY THE EUROPEAN UNION

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements:

- IFRS 9 (2014), Financial Instruments

IFRS 9 (2014) replaces the current guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 (2014) includes revised guidance on the classification and measurement of financial instruments, a new 'expected credit loss' model for calculating impairment for most financial assets (debt or equity instruments), and new guidance and requirements with respect to hedge accounting.
IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted.
The Group started to examine the effects of applying IFRS 9 (2014), and in its opinion the effect on the financial statements will be immaterial.

- IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaces the current guidance regarding recognition of revenues and presents a comprehensive framework for determining whether revenue should be recognized and when and at what amount.
IFRS 15 is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted.
The Group started to examine the effects of applying IFRS 15, and in its opinion the effect on the financial statements will be immaterial.

- IFRS 16, Leases (Issued in January 2016, not yet endorsed by the EU)

IFRS 16 replaces IAS 17, Leases and its related interpretations. For lessees, the standard presents a unified model for the accounting treatment of all leases according to which the lessee has to recognize an asset and liability in respect of the lease in its financial statements.
IFRS 16 is applicable for annual periods as of January 1, 2019, with the possibility of early adoption, so long as the company has also early adopted IFRS 15, Revenue from Contracts with Customers.
The Group has not yet commenced examining the effects of adopting IFRS 16 on the financial statements.

- Amendment to IAS 40, Investment Property: Transfers of Investment Property (Issued in December 2016, not yet endorsed by the EU)

The amendment clarifies that an entity shall transfer property into, or out of, investment property only when there is evidence of a change in use. Change in use occurs when the property meets, or ceases to meet, the definition of investment property. The amendment clarifies that a change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment also states that the list of evidence of change in use that is included in paragraph 57 of IAS 40 is a non-exhaustive list of examples.
The amendment is applicable for annual periods beginning on or after January 1, 2018 and earlier application is permitted.
The Group has examined the effects of applying the amendment to IAS 40, and in its opinion the effect on the financial statements will be immaterial.

Note 5 – Investment Properties

A. RECONCILIATION OF CARRYING AMOUNT

	Dec 31,	
In EUR thousand	**2016**	2015
Balance at January 1	1,456,804	611,568
Additions by way of acquiring subsidiaries (see note 3B)	272,132	248,606
Additions by way of acquiring assets (see note 5A(1))	98,285	425,286
Capital expenditure	25,351	12,602
Disposals	(1,015)	–
Transfer from investment properties (see note 5A(2))	(16,890)	–
Fair value adjustments	444,268	158,742
BALANCE AT DECEMBER 31	**2,278,935**	**1,456,804**

As of December 31, 2016, the closing balance of investment properties consisted of 17,701 (2015: 14,534) residential units with a total residential lettable area of 1,153,840 (2015: 942,000) sqm, 999 (2015: 883) commercial units (retail, office and other commercial) with a total commercial lettable area of 107,816 (2015: 95,600) sqm and 3,839 (2015: 3,786) parking spaces and spaces for storage, antennas, etc., all in Berlin.

According to German law, residential rental contracts are unlimited in their duration/period. The tenants have the sole right to terminate the contract with 3 months' notice in writing. According to German law, the owner can terminate the residential contract only if the owner has a "justified cause" such as if the tenant is in default for more than 2 months' rent. Termination/cancellation of the contract must be in writing. Contracts are denominated in EUR. Tenants are required to make rental deposits generally equal to 3 months' "cold" rent at the inception of any lease contract, and pay in advance rent, facility management and utilities and heating prepayments for a 1 month period. The right to increase the rent is defined in the contract (e.g. stepped rent) and it is subject to German law. Rent prices are set according to the market prices or upon a given price index ("rent mirror") which exists in Berlin, Germany.

The rent increase is restricted by the law and can only be increased if several parameters are being met. The main two are: the existing rent price is below the rent mirror for the specific area where the apartment is located and that no rent increase over 15% was performed in the last three years.

In addition, a rent control law passed by parliament in June 2015 aims to prevent landlords in the German capital from raising rents for new tenants by more than 10% above the local average ("rent mirror"). Furthermore, the last rent paid can also be used for the new contract and therefore the owner can use the higher of the two in practice. In cases of extensive modernization works (similar to new build standards) in the unit prior to new rent out, the landlord is exempt from handling under the new rent control law and can rent the unit for market price without being capped by the new legislation.

Some of the residential buildings include commercial units on the ground floor. Lease renewals are negotiated with the lessee. Tenants are required to make rental deposits generally equal to 3 months' rent at the inception of any lease contract.

As at December 31, 2016, approximately 26.7% of the investment properties were subject to rent restrictions ("Cost Rent"), and 16% of them were released from restrictions as of January 1, 2017.

(1) During the reporting period the Group took over as part of asset acquisitions a total of 536 residential units and 86 commercial units in Berlin.

(2) During the reporting period the Group reclassified 3 buildings from investment properties to trading properties in a total amount of EUR 16,890 thousand, representing their fair value for the reclassification date. The Group aims to sell these buildings unit by unit as condominiums during the next three years.

B. MEASUREMENT OF FAIR VALUE

(1) Fair value hierarchy

The fair value of investment properties was determined by valuation expert CBRE, an industry specialist that has appropriate recognized professional qualifications and recent experience in the location and category of the properties that are being valued. According to the Group's investment properties fair value valuation policies, investment properties generally undergo a detailed valuation twice a year, for the June 30 and the December 31 of each year.

The fair value measurement for all of the investment properties has been categorized as a level 3 fair value based on the inputs to the valuation technique used.

(2) Valuation technique and significant unobservable inputs

The Group values its portfolio using a method known as the discounted cash flow (DCF). Under the DCF methodology the expected future income and costs of the property are forecast over a period of 10 years and discounted to the date of valuation as the net present value. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account.

The following table gives an overview of the main valuation parameters and valuation results:

	Dec 31, 2016		Dec 31, 2015	
	Carlos	**Other**	Carlos	Other
Fair value (EUR thousand)	534,160	1,744,775	413,160	1,043,644
Value per sqm (EUR)	1,339	2,052	1,039	1,636
Share of fair value (%)	23%	77%	28%	72%
Average residential in-place rent (EUR / sqm)	5.42	6.56	5.21	6.23
CBRE market rent (EUR / sqm) [sqm weighted]	6.07	7.45	5.71	7.48
Structural vacancy rate (%)	0.5%	0.5%	0.5%	0.5%
Multiplier (current rent)	20.85	25.66	17.04	21.09
Multiplier (CBRE market rent)	18.06	22.13	14.87	17.56
Discount rate (%)	5.2%	4.6%	5.4%	5.0%
Capitalization interest rate (%)	3.7%	3.1%	4.4%	3.9%

(3) Sensitivity analysis

The main value drivers influenced by the market are the market rents and their movement, rent increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter in the following table. Interactions between the parameters are possible but cannot be quantified owing to the complexity of the interrelationships:

	Dec 31, 2016		
		Change in Values	
Valuation parameters	**Change in parameters**	**In EUR thousand**	**%**
Average new letting rent (EUR/sqm)	+10%	245,038	10.5%
Vacancy rate (%)	+1%	(27,821)	(1.2%)
Discount and Capitalization rate (%)	25bp	(169,770)	(7.3%)

	Dec 31, 2015		
		Change in Values	
Valuation parameters	Change in parameters	In EUR thousand	%
Average new letting rent (EUR/sqm)	+10%	106,082	7.3%
Vacancy rate (%)	+1%	(17,560)	(1.2%)
Discount and Capitalization rate (%)	25bp	(68,273)	(4.7%)

Assuming all other variables remain constant, a negative change in the parameters at the same percentage would have similar impact on the value, although in the opposite direction.

C. AMOUNTS THAT WERE RECOGNIZED IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Rental income from investment property	84,673	61,732	31,972
Direct operating expenses arising from investment property that generated rental income during the period	(12,758)	(7,668)	(4,308)
TOTAL	**71,915**	**54,064**	**27,664**

Note 6 – Trading Properties

During the reporting period the Group completed the sale of 109 condominium units for a total consideration of EUR 19,965 thousand (2015: 54 units for EUR 9,954 thousand).

Note 7 – Restricted Bank Deposits

As at December 31, 2016 and December 31, 2015, the short-term restricted bank deposits are denominated in Euro and they are carrying no interest.

The balance as at December 31, 2016 includes EUR 16,188 thousand of pledged bank deposits received from tenants (December 31, 2015: EUR 12,759 thousand), EUR 10,123 thousand pledged to secure banking facilities (December 31, 2015: EUR 4,781 thousand) and EUR 1,896 thousand of restricted proceeds from condo sales (December 31, 2015: EUR 2,415 thousand).

Note 8 – Trade Receivables

A. The balances represent amounts receivable from leases of residential and commercial units less any allowance for doubtful debts. The breakdown of trade receivables is as follows:

	Dec 31, 2016			Dec 31, 2015		
In EUR thousand	**Gross**	**Impairment**	**TOTAL**	Gross	Impairment	**TOTAL**
Not past due	3,787	–	3,787	1,820	–	1,820
0–30 days past due	1,091	(235)	856	931	(81)	850
31–180 days past due	2,649	(899)	1,750	2,233	(570)	1,663
180 days to one year past due	1,470	(1,298)	172	2,755	(703)	2,052
More than one year past due	2,627	(2,588)	39	1,695	(1,695)	–
TOTAL	**11,624**	**(5,020)**	**6,604**	**9,434**	**(3,049)**	**6,385**

Trade accounts receivables are non-interest bearing and are generally on 30 days' terms.

B. Impairment losses on trade receivables changed as follows:

In EUR thousand	**2016**	2015
Balance as at Jan 1	(3,049)	(1,798)
Additions	(2,383)	(757)
Additions by way of acquiring subsidiaries	(404)	(526)
Reversals	585	–
Write off of irrecoverable debts	231	32
BALANCE AS AT DEC 31	**(5,020)**	**(3,049)**

Note 9 – Other Receivables

	Dec 31,	
In EUR thousand	**2016**	2015
Advance to suppliers	159	558
Prepaid expenses	303	474
VAT	545	390
Short-term loan granted	–	615
Others	370	172
TOTAL	**1,377**	**2,209**

Note 10 – Other Deposits

Other deposits represent the proceeds of the 2015 IPO invested on deposit for 12 months. During the reporting period the Group used up the remaining proceeds for new acquisitions.

Note 11 – Cash and Cash Equivalents

As at December 31, 2016 and December 31, 2015 cash and cash equivalents include cash on hand and demand deposits denominated in Euro and free from any restrictions.

Note 12 – Other Long-Term Liabilities

In January and July 2016 in relation to purchase agreements of 94.9% of the shares of German and Luxembourgish property holding companies, the Company entered into an agreement with ADO Group to purchase the remaining 5.1% of the shares of the property holding companies.

As part of the agreement, it was decided that upon the completion of a period of ten years following the closure of the transaction, ADO Group shall have the right to sell its interest to the Company for the higher of: (i) the fair value of the shares; and (ii) the amount paid by ADO Group to purchase its interest, less any dividends distributed to ADO Group by the property companies during the 10 year period.

The Company recognized the above put option as a financial liability measured at fair value at each reporting date, whereas the changes in the fair value are recognized in equity.

Note 13 – Equity

A. SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares	
Shares in thousand	**2016**	2015
In issue as at Jan 1	35,000	2
Share split	–	24,998
Issued for cash (1), (2)	9,100	10,000
IN ISSUE AS AT DEC 31	**44,100**	**35,000**

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the General Meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(1) On April 21, 2016 the Company placed 3,499,999 new shares with institutional investors at EUR 28.50 per share. ADO Group participated 37% in the placement.
The gross proceeds resulting from the transaction amounted to EUR 99.7 million. The Company's issuance cost was EUR 1.3 million, therefore the net increase of the equity was EUR 98.4 million. The Company used the proceeds to finance acquisitions of further residential portfolios in Berlin.

(2) On September 14, 2016 the Company placed 5,600,001 new shares with institutional investors at EUR 35.50 per share. ADO Group participated 37% in the placement.
The gross proceeds from the transaction amount to EUR 198.8 million. The Company's issuance cost was EUR 4.2 million, therefore the net increase of the equity was EUR 194.6 million. The Company intends to use the proceeds to finance acquisitions of further residential portfolios in Berlin.

(3) A dividend in the amount of EUR 13.5 million (EUR 0.35 per share) was paid based on a decision of the Annual General Meeting which took place on May 3, 2016. The ex-dividend date was May 4, 2016.

B. HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments, net of the related deferred tax.

C. CAPITAL RESERVE FROM TRANSACTION WITH CONTROLLING SHAREHOLDER

The capital reserve from transaction with controlling shareholder comprises the differences between the fair value and the consideration received/paid in relation to transactions with controlling shareholder. The main change in the capital reserve from transaction with controlling shareholder is driven by share based payment to ADO Group's shares (see note 20) and change in put option of ADO Group (see note 12).

Note 14 – Loans and Borrowings

	Dec 31, 2016		Dec 31, 2015	
In EUR thousand	**Non-current**	**Current**	Non-current	Current
Loans from banks	856,662	27,388	727,482	38,430
Other creditors	20,664	–	19,357	–
TOTAL	**877,326**	**27,388**	**746,839**	**38,430**

A. All the loans were borrowed in order to finance the purchase of the properties in Berlin.

B. All bank loans are non-recourse with the related assets (investment properties and trading properties) as their only security which is valued higher than the related loans on an asset basis. Other creditors relate to one loan from Harel Insurance Company Ltd to finance its holding in a common transaction with the Company.

C. Re-pricing on the variable interest loans is done on a quarterly basis. As at December 31, 2016 loans and borrowings are carrying an average effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 2.1% per annum for the total loans (as at December 31, 2015: 2.3%). The average maturity of bank loans is 5.3 years (as at December 31, 2015: 5.5 years).

D. Bank loans in an amount of EUR 103.3 million were taken over as part of the new acquisitions with an average market effective interest rate of 1.63% per annum and average maturity of 6.68 years (see note 3B).

E. On June 30, 2016 the Group received a bank loan in an amount of EUR 150 million for the purpose of refinancing existing bank loans from the year 2011. The original bank loans, including related derivatives, amounted to EUR 129 million with an average effective interest rate of 3.6% per annum. The new loan carries an annual fixed interest rate of 1.33% per annum for a 6.5 year term. The refinance was accounted for as a substantial modification of the terms of debt instruments, i.e. treated as an extinguishment of the original loan. Consequently, an amount of EUR 8.3 million was recognized as one-off refinance costs in profit or loss.

F. On July 8, 2016 the Group received a bank loan in an amount of EUR 32.5 million for the purpose of financing new deals acquired with equity and refinancing existing bank loans in an amount of EUR 8.3 million with an effective interest rate of 2.5% per annum. The new loan carries an annual fixed interest rate of 1.12% per annum for a 7 year term. The refinance was accounted for as a substantial modification of the terms of debt instruments, i.e. treated as an extinguishment of the original loan. Consequently, an amount of EUR 0.8 million was recognized as one-off refinance costs in profit or loss.

G. On September 30, 2016 the Group repaid bank loans in an amount of EUR 9.5 million with an average effective interest rate of 2.4% per annum. The loans are planned to be replaced in the near future. Consequently, an amount of EUR 0.3 million was recognized as one-off refinance costs in profit or loss.

H. At the end of December 2016, under the existing loan agreements, the Group is fully compliant with its obligations including loan covenants to the financing banks.

Note 15 – Other Payables

	Dec 31,	
In EUR thousand	**2016**	2015
Deferred income from buyers of housing units	–	52
Accrued expenses	2,755	2,630
Accrued interest payable	835	1,306
Tenants' deposits	16,188	12,759
Parent company (ADO Group) (see note 26)	16	384
Deferred income	1,429	1,486
Corporate tax	930	213
VAT	1,934	527
Other	1,137	762
TOTAL	**25,224**	**20,119**

Note 16 – Taxes

A. THE MAIN TAX LAWS IMPOSED ON THE GROUP COMPANIES IN THEIR COUNTRIES OF RESIDENCE

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A 'solidarity surcharge' is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Dividends received from another company are 95% tax exempt when the investment in the other company is at least 10% at the beginning of the calendar year or the investment was increased by 10% during the year.

- No tax is withheld on rental payments to non-resident companies holding German property.

- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or limited companies that only hold assets for capital investments as long as the sale of the asset is classified as part of that business (detailed regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% exempt.

- German real estate owned at the start of the calendar year is subject to annual property tax at 1.3% to 2.9% (depending on the location of the property) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is a deductible expense for profit tax purposes such as trade tax and corporation tax.

- The transfer of German real estate or a share transaction that unifies at least 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT) which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6%.

- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-capitalization rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses which are not deductible can be carried forward.

- Accumulated tax losses can be carried forward without time restriction and can be deducted from future profits and capital gains unless they exceed EUR 1 million. Losses carried forward that exceed EUR 1 million can only be deducted to the amount of 60% of the profits/capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on the basis of the minimum taxation can be carried forward again and are subject to minimum taxation in the following years.

The corporation tax rate used to calculate deferred tax assets and deferred tax liabilities as at December 31, 2016 and as at December 31, 2015 is 15.825% for the companies which hold the investment properties real estate assets and 30.18% for the management companies that operate the real estate in Berlin.

(2) Luxembourg

- The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax, municipal business tax and a contribution to the employment fund, is 29.22% for the fiscal year ending 2016 for a company established in Luxembourg City.

- The Company is fully subject to the annual net wealth tax charge which amounts to 0.5% of the net asset value of the Company. Certain asset might be excluded from the net asset value for the purposes of the net wealth tax computation, provided that the provisions of paragraph 60 of the valuation law of October 16, 1934, as amended (BewG) are met.

A 15% withholding tax will be due in Luxembourg on dividends paid by the Company to its shareholders unless the domestic withholding tax exemption regime or a withholding tax reduction or exemption under a double tax treaty concluded by Luxembourg applies. Normal interest payments (i.e. not profit-linked interest) and liquidation proceeds are generally not subject to withholding tax, unless the EU Savings Directive applies. Should any withholding taxes be payable on amounts paid by the Company, the Company assumes responsibility for the withholding of Luxembourg taxes at the source.

(3) Ireland

- An Irish tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at either 12.5% or 25% depending on the activities undertaken by the company. Any capital gains recognized by an Irish company (subject to any relevant exemptions) will also be subject to corporation tax. However, such gains are re-grossed for corporation tax purposes to ensure they are taxed at the capital gains tax rate of 33%.

- Dividends received by an Irish resident company from another Irish resident company are exempt from corporation tax. Dividends received from a foreign company in the hands of an Irish resident company are subject to corporation tax, however, a credit should be available for underlying corporate and withholding tax generally for foreign tax paid.

- In general, with respect to non-resident companies, interest and patent royalties which are derived from Ireland are subject to withholding tax in Ireland at the rate of 20%. However, there are a number of domestic exemptions from this withholding tax. In addition, there may be exemptions or reliefs available under a treaty or under the EU directives.

B. INCOME TAXES

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Current year	(1,288)	(217)	(45)
Adjustments for prior years	(195)	(54)	30
Deferred tax expense	(68,223)	(27,101)	(10,383)
TOTAL	**(69,706)**	**(27,372)**	**(10,398)**

C. RECONCILIATION OF STATUTORY TO EFFECTIVE TAX RATE

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Statutory income tax rate	29.22%	29.22%	12.5%
Profit before taxes	480,474	183,379	79,676
TAX USING THE COMPANY'S DOMESTIC TAX RATE	**140,395**	**53,583**	**9,960**
Non-deductible expense	155	55	22
Utilization of tax losses from prior years for which deferred taxes were not created	(3,874)	(247)	(941)
Effect of tax rates in foreign jurisdictions	(65,235)	(25,128)	2,192
Deferred tax assets not recognized for tax losses and other timing differences	2,765	1,704	208
Inter-company transaction effect	(4,686)	(2,595)	(1,026)
Adjustments for prior years	195	54	(2)
Other differences, net	(9)	(54)	(15)
INCOME TAX EXPENSES	**69,706**	**27,372**	**10,398**

D. RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes recognized are attributable to the following:

	Dec 31,	
In EUR thousand	**2016**	2015
Assets		
Derivatives	156	1,142
Tax losses carry-forward	8,755	3,902
	8,911	**5,044**
Liabilities		
Investment properties	(126,584)	(53,637)
	(126,584)	(53,637)
NET TAX LIABILITIES	**(117,673)**	**(48,593)**

The following are the deferred tax assets and liabilities recognized by the Group, and the movements thereon, during the current and prior reporting periods:

In EUR thousand	Investment properties	Merger	Derivatives	Capital note	Tax losses	**TOTAL**
BALANCE AT JANUARY 1, 2015	**(25,254)**	**(11)**	**1,871**	**(6,785)**	**3,795**	**(26,384)**
Changes recognized in profit or loss	(28,383)	11	(63)	1,227	107	**(27,101)**
Changes recognized in equity or other comprehensive income	–	–	(666)	5,558	–	**4,892**
BALANCE AT DECEMBER 31, 2015	**(53,637)**	**–**	**1,142**	**–**	**3,902**	**(48,593)**
Changes recognized in profit or loss	(72,947)	–	(129)	–	4,853	**(68,223)**
Changes recognized in equity or other comprehensive income	–	–	(857)	–	–	**(857)**
BALANCE AT DECEMBER 31, 2016	**(126,584)**	**–**	**156**	**–**	**8,755**	**(117,673)**

Losses for tax purposes carried forward to future years, based on the Group's estimation:

Carry forward tax losses amounted to EUR 58,023 thousand at December 31, 2016 (2015: EUR 32,479 thousand). The tax losses can be carried forward indefinitely.

Deferred tax assets are recognized for carry forward tax losses to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 2,448 thousand at December 31, 2016 (2015: EUR 1,238 thousand) in respect of losses carried forward amounting to EUR 15,467 thousand at December 31, 2016 (2015: EUR 7,822 thousand) that can be carried forward against future taxable income due to its expectation for their utilization.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 17 – Revenue

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Rental income from tenants	84,673	61,732	31,972
Selling of condominums	19,965	9,954	610
Income from facility services	5,137	4,067	1,747
TOTAL	**109,775**	**75,753**	**34,329**

Note 18 – Cost of Operations

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Salaries and other expenses (*)	6,873	5,504	2,451
Cost of utilities recharged, net	271	312	654
Selling of condominuims – cost	16,726	8,471	512
Property operations and maintenance	9,694	5,553	2,964
TOTAL	**33,564**	**19,840**	**6,581**

(*) See note 19 (A) regarding personal expenses and employees.

Note 19 – General and Administrative Expenses

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Salaries and related expenses (A),(B)	2,472	1,635	948
Share based payment (B)	682	283	139
Directors fee	661	167	–
Rent	59	29	80
Professional services	3,081	1,799	813
Travelling	312	119	34
Office, communication and IT expenses	996	828	294
Advertising and marketing	404	386	219
Impairment loss on trade receivables	1,799	646	143
Depreciation	356	256	96
Services from parent company (see note 26)	75	146	234
Others	1,380	249	162
TOTAL	**12,277**	**6,543**	**3,162**

A. As at December 31, 2016 the Group has 247 full-time employees (2015: 228, 2014: 121). On an annual average 237 people (2015: 194, 2014: 103) were employed.

B. On March 21, 2016 the Company and Mr. Zaltsman, the former Chief Financial Officer signed a mutual termination agreement with effect from July 23, 2016. According to the agreement, upon termination Mr. Zaltsman was entitled to receive an amount of EUR 612 thousand, to be settled partly in cash and partly in the Company's shares depending on the company results up to July 23, 2017. The Company recognized the full amount as an expense in General and Administrative Expenses. As of December 31, 2016 the Company paid Mr. Zaltsman the full termination amount only in cash. The difference between the original amount and the actual amount to be paid was recognized under retained earnings.

Note 20 – Share Based Payment

A. In 2014 ADO Group's Board of Directors approved a share-based remuneration program to the Company's management which granted a total of 160,000 options, each option being exercisable into one of ADO Group's shares of NIS 1 par value with an exercise price of 0.357 NIS per share.

The options granted will vest in installments over three years starting from March 31, 2015 with an exercisable over a period of 3–4 years from the vesting date. During the reporting period, the Company recognized a total expense of EUR 53 thousand (2015: EUR 128 thousand) against reserve from transaction with controlling shareholder.

B. Under the Long Term Incentive plan ("LTI"), the Company's management and the vice chairman have the possibility to receive together each year shares equaling a total volume of EUR 785,000 assuming maximum LTI Target Achievement divided by the average trading price of the Company's shares. The LTI shall depend on the achievement of certain individual targets and the relevant weighting of each of such LTI Targets in relation to the other applicable targets over the service agreement period starting at the commencement of each fiscal year (the "LTI Period"). The LTI Targets shall be composed of (i) the development of the net asset value ("NAV") per share as being targeted by the Board (weighting of 50%) and (ii) the development of the Company's share price in relation to the EPRA GERMANY index (weighting of 50%), both LTI Targets measured over the duration of the LTI Period. The fair value was measured at the grant date for the first year using the Monte-Carlo simulation considering the following: (i) the NAV Target was estimated at 100%; (ii) The expected EPRA Target was estimated at approximately 108%. During the reporting period, the company recognized a total expense of EUR 806 thousand (2015: EUR 221 thousand) against retained earnings.

Note 21 – Net Finance Costs

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Interest received on bank deposits	29	35	5
Change in fair value of derivatives	–	400	76
Loan waiver	–	–	3,920
Change in fair value of other financial asset	1,943	1,149	668
TOTAL FINANCE INCOME	**1,972**	**1,584**	**4,669**
Interest on loans and borrowings	(18,526)	(18,058)	(11,100)
Interest on loans from related parties (*)	–	(5,801)	(6,481)
One-off refinance costs	(9,465)	–	–
Other finance expenses	(1,709)	(1,865)	(836)
TOTAL FINANCE COSTS	**(29,700)**	**(25,724)**	**(18,417)**
TOTAL NET FINANCE COSTS	**(27,728)**	**(24,140)**	**(13,748)**

(*) Interest on loans from related parties includes interest from loans and capital note from ADO Group until July 23, 2015.

Note 22 – Earnings per Share

A. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share has been based on the profit attributable to the Company's ordinary shareholders divided by a weighted average number of ordinary shares outstanding, calculated as follows:

(1) Earnings attributable to the owners of the Company

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY	**395,150**	**148,192**	**68,494**

(2) Weighted average number of ordinary shares

	For the year ended Dec 31,		
Shares in thousand	**2016**	2015	2014
Balance as of January 1	35,000	25,000 (*)	25,000 (*)
Effect of issuance of regular shares	4,083	4,423	-
WEIGHTED AVERAGE NUMBER OF SHARES	**39,083**	**29,423**	**25,000**

	For the year ended Dec 31,		
In EUR	**2016**	2015	2014
BASIC AND DILUTED EARNINGS PER SHARE (**)	**10.11**	**5.04**	**2.74 (*)**

(*) Restated due to stock split committed on June 16, 2015.

(**) The Company has no material dilutive potential ordinary shares.

B. STOCK SPLIT

As a result of the stock split on June 16, 2015, earnings per share data has been restated for the year ended December 31, 2014 to reflect the actual number of outstanding shares. The effect of the restatement on the earnings per share:

	For the year ended Dec 31, 2014		
In EUR	As calculated in the past	Effect of the recalculation	As presented in these financial statements
Basic and diluted EPS	34,247	(34,244)	2.74

Note 23 – Financial Instruments

The Group has exposure to the following risks arising from its use of financial instruments:
1. Credit risk
2. Market risk
3. Liquidity risk

A. CREDIT RISK

The Group is exposed to a default risk resulting from the potential failure of counterparty to fulfill its part of the contract. In order to minimize risks, financial transactions are only executed with creditworthy third parties. The maximum credit risk is the carrying amount of the financial assets as reported in the statement of financial position.

B. MARKET RISK

The Group is exposed to the risk of changes in market interest rates as a result of floating rate debt as well as new and follow-on loans. Loans obtained at variable rates expose the Group to cash flow interest rate risk, which could have adverse effects on the Group's profit or loss or financial position. Changes in interest rates may cause variations in interest expense on interest-bearing assets and liabilities.

The Group's management reviews the need to enter into derivative transactions to manage the interest rate risk arising from the Group's operations and its sources of finance.

The following table sets out the carrying amount of the Group's financial instruments that are exposed to interest rate risk:

	Dec 31,	
In EUR thousand	**2016**	2015
Fixed rate instruments		
Financial assets	211,628	154,400
Financial liabilities	858,001	601,066
Variable rate instruments		
Financial liabilities	90,944	213,739

On the basis of the valuation as at December 31, 2016, the Group performed a sensitivity analysis to determine the change in profit and loss given a parallel shift in the interest rate structure:

VARIABLE RATE INSTRUMENTS

	Dec 31,	
	2016	2015
Change in interest basis points	+50	+50
Effect on the Profit before tax (In EUR thousand)	(67)	(130)

Assuming all other variables remain constant, a negative change in the interest rate at the same amount would have similar impact on the profit and loss, although in the opposite direction.

C. LIQUIDITY RISK

In order to limit the liquidity risk, the Group continuously monitors all financing options available on the capital and banking markets and uses these options in a targeted manner. Moreover, the Group subjects its existing financings to an early review prior to the respective final maturity date in order to ensure refinancing.

Under the conditions of existing loan agreements, the Group is obliged to fulfill certain financial covenants. If financial covenants are violated and all commonly practiced solutions will be unsuccessful, the lenders could call in the loan. As part of risk management, the fulfillment of these financial covenants is continually monitored.

The following table shows the forecast for undiscounted cash flows of the non-derivative financial liabilities and derivative financial instruments:

	Dec 31, 2016					
In EUR thousand	**Carrying amount**	**Contractual cash flows**	**2017**	**2018**	**2019**	**>2020**
Loans and borrowings	904,714	990,862	45,729	84,066	42,617	818,450
Other long-term liabilities	15,137	15,137	–	–	–	15,137
Trade payables	8,957	8,957	8,957	–	–	–
Tenants' security deposits	16,188	16,188	16,188	–	–	–
Other payables	3,949	3,949	3,949	–	–	–
Derivatives	4,185	4,587	212	389	197	3,789
TOTAL	**953,130**	**1,039,680**	**75,035**	**84,455**	**42,814**	**837,376**

	Dec 31, 2015					
In EUR thousand	Carrying amount	Contractual cash flows	2016	2017	2018	>2019
Loans and borrowings	785,269	874,159	32,514	59,174	190,843	591,628
Loans from related parties	4,135	4,135	–	–	–	4,135
Trade payables	8,091	8,091	8,091	–	–	–
Tenants' security deposits	12,759	12,759	12,759	–	–	–
Other payables	4,552	4,552	4,552	–	–	–
Derivatives	9,512	10,590	394	717	2,312	7,167
TOTAL	**824,318**	**914,286**	**58,310**	**59,891**	**193,155**	**602,930**

D. FAIR VALUE

(1) Financial assets and liabilities measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other payables are considered to be the same or proximate to their fair value due to their short-term nature. The fair values of the other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Dec 31, 2016		Dec 31, 2015	
In EUR thousand	**Carrying amount**	**Fair value (Level 3)**	Carrying amount	Fair value (Level 3)
Liabilities				
Variable rate loans and borrowings (*)	90,944	94,228	213,739	216,329
Fixed rate loans and borrowings (*)	813,770	827,143	571,530	585,940
TOTAL	**904,714**	**921,371**	**785,269**	**802,269**

(*) Including the current portion of long-term loans and borrowings.

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate on the date of measurement. The market interest rates used to determine the fair value are discount rate of Euribor +1.3% for the variable interest bank loans (2015: Euribor +1.5%) and discount rate of 1.3% for the fixed interest bank loans (2015: 1.6%).

(2) Fair value hierarchy of financial instruments measured at fair value

The table below analyzes financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Dec 31, 2016		Dec 31, 2015	
In EUR thousand	**Level 2**	**Level 3**	Level 2	Level 3
Other financial asset (a)	–	3,760	–	1,817
Derivative financial liabilities (b)	4,185	–	9,512	–
Other long-term liabilities (c)	–	15,137	–	4,135

(a) Other financial asset relates to the Group's option for purchasing the non-controlling interest in a transaction done at the end of 2013. This other financial asset is measured at fair value.

(b) Fair value of derivative liabilities is measured by discounting the future cash flows, over the period of the contract and using market interest rates appropriate for similar instruments. The credit risk used by the bank is not a material component of the valuation made by the bank and the other variables are market-observable.

(c) Other long-term liabilities relates to a put option granted to ADO Group (see note 12) measured at fair value. The fair value is calculated based on the expected payment amounts and the liability is discounted to present value using the market interest rate at the reporting date.

Although the Group believes that the estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

E. CAPITAL MANAGEMENT

The Company's management aims to maximize a long-term increase in value for the investors, taking into account financial risks by maintaining a degree of financial flexibility in order to be able to pursue the Group's growth and portfolio optimization.

The key figure for capital management is Loan-to-Value, which is the ratio of net financial liabilities compared to the value of the investment and trading properties. The Company aims to achieve a long-term Loan-to-Value ratio of around 45%.

	Dec 31,	
In EUR thousand	**2016**	2015
Loans and borrowings	904,714	785,269
Other long-term liability	15,137	4,135
Cash and other deposits	(183,421)	(134,445)
NET FINANCIAL LIABILITIES	**736,430**	**654,959**
Investment properties and advances in respect of investment properties	2,290,740	1,458,889
Trading properties and advances in respect of trading properties	46,137	44,728
TOTAL ASSETS	**2,336,877**	**1,503,617**
LOAN-TO-VALUE RATIO	**31.5%**	**43.6%**

Note 24 – Contingent Liabilities and Commitments

A. CONTINGENT LIABILITIES

The Group is involved in few legal actions arising in the ordinary course of business. While the outcome of the total legal actions and their expected timing is currently not determinable, it is management's opinion that these matters will not have a material adverse effect on the Group's consolidated financial position or results of its operations, therefore no provision was recorded.

B. SECURITIES, GUARANTEES AND LIENS UNDER BANK FINANCE AGREEMENTS

In order to secure loans granted for purchasing the assets, the Group has granted banks with regard to certain subsidiaries: first ranking liens on all the investment property assets, including rights on the land and the projects for which the loans were taken; liens on all of their rights, including by way of assignment of rights, pursuant to the agreements to which they are party, including general contractor contracts, long-term tenants' leases and subordination of all shareholder loans to the financing bank; liens on all of the rights deriving from each material contract to which the borrower company is a party.

In some cases, payments to the shareholders, including dividend distribution, are subject to financial covenants. Several German Companies undertook not to sell or transfer substantial part of their assets without the prior consent of the financing bank. In certain events the Project Companies undertook not to allow, without the prior consent of the financing bank: (i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents; (ii) execution of any significant activities, including issuance of shares, and significant transactions not in the ordinary course of business; (iii) certain changes to the scope of the project; (iv) the assumption of certain liabilities by the Project Company in favor of third parties.

Note 25 – Segments Reporting

The Company reports by business segments on the basis of the information provided to the Group's chief operating decision maker (CODM). Segment information is not reported by geographical region of the properties, as all operational activities are located in Berlin.

The following summary describes the operations in each of the Group's operating segments:

- Residential property management – the Group's core business activity is the rent and management of the residential properties, which includes the modernization and maintenance of the properties, the management of tenancy agreements and marketing of residential units. The focus of property management is on the optimization of rental income.

- Privatization – this segment includes all aspects of the preparation and execution of the sale of units. In addition this segment is also subject to modernization, maintenance and management, and for non-vacant units generates rental income.

A group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored. Assets and liabilities are not viewed separately by segment.

The accounting policies of the operating segments are the same as described in note 4 regarding significant accounting policies.

Performance is measured based on segment gross profit before revaluation of investment properties. Segment results reported to the CODM include items directly attributable to a segment on a reasonable basis.

A. INFORMATION ABOUT REPORTABLE SEGMENTS

Information regarding the results of each reportable segment is included below:

	For the year ended Dec 31, 2016		
In EUR thousand	**Residential property management**	**Privatization**	**TOTAL CONSOLIDATED**
External income from residential property management	88,704	1,106	89,810
External income from selling housing units	–	19,965	19,965
CONSOLIDATED REVENUE	88,704	21,071	**109,775**
REPORTABLE SEGMENT GROSS PROFIT	72,518	3,693	**76,211**
General and administrative expenses			(12,277)
Changes in fair value of investment properties and assets held for sale			444,268
Finance income			1,972
Finance expense			(29,700)
CONSOLIDATED PROFIT BEFORE TAX			**480,474**
Income tax expense			(69,706)

	For the year ended Dec 31, 2015		
In EUR thousand	Residential property management	Privatization	**TOTAL CONSOLIDATED**
External income from residential property management	64,575	1,224	65,799
External income from selling housing units	–	9,954	9,954
CONSOLIDATED REVENUE	**64,575**	**11,178**	**75,753**
REPORTABLE SEGMENT GROSS PROFIT	**53,813**	**2,100**	**55,913**
General and administrative expenses			(6,543)
Changes in fair value of investment properties and assets held for sale			158,579
Other expenses			(430)
Finance income			1,584
Finance expense			(25,724)
CONSOLIDATED PROFIT BEFORE TAX			**183,379**
Income tax expense			(27,372)

	For the year ended Dec 31, 2014		
In EUR thousand	Residential property management	Privatization	**TOTAL CONSOLIDATED**
External income from residential property management	33,434	285	33,719
External income from selling housing units	–	610	610
CONSOLIDATED REVENUE	**33,434**	**895**	**34,329**
REPORTABLE SEGMENT GROSS PROFIT	**27,457**	**291**	**27,748**
General and administrative expenses			(3,162)
Changes in fair value of investment properties and assets held for sale			68,838
Finance income			4,669
Finance expense			(18,417)
CONSOLIDATED PROFIT BEFORE TAX			**79,676**
Income tax expense			(10,398)

B. ENTITY LEVEL DISCLOSURES

The Group has no major customers from which 10% or more of the Group's revenue derives.

Note 26 – Related Parties

A. RELATED COMPANIES

In these financial statements, ADO Group is considered as a related party.

(1) Transactions with related companies

The following balances with related parties are included in the consolidated statement of financial position:

	Dec 31,	
In EUR thousand	**2016**	2015
Current liabilities		
ADO Group (presented under other payables)	16	384
Non-current liabilities		
Other long-term liabilities (see note 12)	15,137	4,135

The following balances with related parties are included in the consolidated statement of profit or loss:

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Consolidated statement of profit or loss			
Services and management fee charges from ADO Group	75	146	234
Interest on loans from ADO Group (*)	–	891	1,128
Interest on Capital note to ADO Group (*)	–	4,910	5,353

(*) Interest on loans from and capital note to ADO Group Ltd. comprises interest until July 23, 2015.

B. TRANSACTION WITH KEY MANAGEMENT PERSONNEL

Within the Group, the individuals in key positions pursuant to IAS 24 include the Board of Directors of ADO Properties S.A.

Compensation and benefits to key management personnel that are employed by the Group:

	For the year ended Dec 31,		
In EUR thousand	**2016**	2015	2014
Short-term employee benefits	915	526	326
Share-based payments	376	199	86
TOTAL	**1,291**	**725**	**412**

The Board of Directors and members of their immediate families do not personally have any business relationship with the Group other than in their capacity as members of the Board of Directors.

Note 27 – Auditors' Fees

The following fees have been credited for the services rendered by the Group auditors KPMG in the different jurisdictions, not including the related VAT:

	For the year ended Dec 31,	
In EUR thousand	**2016**	2015
Audit (*)	1,051	592
Tax consultancy services	87	159
Other non-audit related services	68	50

(*) Including audit related services in relation to shares issuance in the market.

Note 28 – Subsequent Events

A. During the first quarter of 2017 the Group acquired in 9 different deals 22 assets including a total of 521 residential units and 60 commercial units in Berlin both as asset and share deals. The gross purchase price for 100% of the acquired assets amounted to EUR 124.2 million. The total annual net cold rent from the new acquisitions as at purchase amounted to EUR 4.2 million. As of December 31, 2016 the Group paid an advance of EUR 11.8 million that was recorded as advances in respect of investment properties and EUR 6.4 million that was recorded as advances in respect of trading properties.

B. On March 21, 2017 the Company's Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 19.8 million (EUR 0.45 per share). The Annual General Meeting will take place on May 2, 2017.

Note 29 – List of the Company Shareholdings

			Shareholding and control at Dec 31,	
In %	Company	Country	**2016**	2015
1	Adest Grundstücks GmbH	Germany	99.64	99.64
2	Adoa Grundstücks GmbH	Germany	99.64	99.64
3	Adom Grundstücks GmbH	Germany	99.64	99.64
4	Adon Grundstücks GmbH	Germany	99.64	99.64
5	Ahava Grundstücks GmbH	Germany	99.64	99.64
6	Anafa 1 Grundstücks GmbH	Germany	99.64	99.64
7	Anafa 2 Grundstücks GmbH	Germany	99.64	99.64
8	Gamazi Grundstücks GmbH	Germany	99.64	99.64
9	Anafa Grundstücks GmbH	Germany	99.64	99.64
10	Badolina Grundstücks GmbH	Germany	99.64	99.64
11	Berale Grundstücks GmbH	Germany	99.64	99.64
12	Bamba Grundstücks GmbH	Germany	99.64	99.64
13	Zman Grundstücks GmbH	Germany	99.64	99.64
14	ADO Immobilien Management GmbH	Germany	100	100
15	CCM City Construction Management GmbH	Germany	100	100
16	Drontheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64
17	Eldalote Grundstücks GmbH	Germany	99.64	99.64
18	Nuni Grundstücks GmbH	Germany	99.64	99.64
19	Krembo Grundstücks GmbH	Germany	99.64	99.64
20	Tussik Grundstücks GmbH	Germany	99.64	99.64
21	Geut Grundstücks GmbH	Germany	99.64	99.64
22	Gozal Grundstücks GmbH	Germany	99.64	99.64
23	Gamad Grundstücks GmbH	Germany	99.64	99.64
24	Geshem Grundstücks GmbH	Germany	99.64	99.64
25	I. I.C. Immobilien, Investitionen & Capital – Erste Immobilienverwaltung GmbH & Co. KG	Germany	99.64	99.64
26	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
29	Lavlav Grundstücks GmbH	Germany	99.64	99.64
30	Mastik Grundstücks GmbH	Germany	99.64	99.64
31	Maya Grundstücks GmbH	Germany	99.64	99.64
32	Merlingotik Fünfte Immobilien GmbH & Co. KG	Germany	99.64	99.64
33	Mezi Grundstücks GmbH	Germany	99.64	99.64

			Shareholding and control at Dec 31,	
In %	Company	Country	**2016**	2015
34	Muse Grundstücks GmbH	Germany	99.64	99.64
35	Papun Grundstücks GmbH	Germany	99.64	99.64
36	Nehederet Grundstücks GmbH	Germany	99.64	99.64
37	Neshama Grundstücks GmbH	Germany	99.64	99.64
38	Osher Grundstücks GmbH	Germany	99.64	99.64
39	Pola Grundstücks GmbH	Germany	99.64	99.64
40	ADO Properties GmbH	Germany	100	100
41	Reshet Grundstücks GmbH	Germany	99.64	99.64
42	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
55	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
56	Sababa32 Grundstücks GmbH	Germany	99.64	99.64
57	Shemesh Grundstücks GmbH	Germany	99.64	99.64
58	Stav Grundstücks GmbH	Germany	99.64	99.64
59	Tamuril Grundstücks GmbH	Germany	99.64	99.64
60	Tara Grundstücks GmbH	Germany	99.64	99.64
61	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
62	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
63	Tehila Grundstücks GmbH	Germany	99.64	99.64
64	Trusk Grundstücks GmbH	Germany	99.64	99.64
65	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.64	99.64
66	Yarok Grundstücks GmbH	Germany	99.64	99.64
67	Yahel Grundstücks GmbH	Germany	99.64	99.64
68	Yussifun Grundstücks GmbH	Germany	99.64	99.64
69	Bombila Grundstücks GmbH	Germany	99.64	99.64

			Shareholding and control at Dec 31,	
In %	Company	Country	**2016**	2015
70	ADO SBI Holdings S.A. & Co. KG	Germany	94	94
71	Central Facility Management GmbH	Germany	100	100
72	Sheket Grundstücks GmbH	Germany	100	100
73	Seret Grundstücks GmbH	Germany	100	100
74	Melet Grundstücks GmbH	Germany	100	100
75	Yabeshet Grundstücks GmbH	Germany	100	100
76	ADO Finance B.V.	Holland	100	100
77	Yadit Grundstücks GmbH	Germany	100	100
78	Zamir Grundstücks GmbH	Germany	100	100
79	Arafel Grundstücks GmbH	Germany	100	100
80	Sharav Grundstücks GmbH	Germany	100	100
81	Sipur Grundstücks GmbH	Germany	100	100
82	Matok Grundstücks GmbH	Germany	100	100
83	Barbur Grundstücks GmbH	Germany	94.90	94.90
84	Parpar Grundstücks GmbH	Germany	100	100
85	Jessica Properties B.V.	Holland	94.50	94.50
86	Alexandra Properties B.V.	Holland	94.44	94.44
87	Marbien B.V.	Holland	94.90	94.90
88	Meghan Properties B.V.	Holland	94.44	94.44
89	Matok Löwenberger Straße Grundstücks GmbH	Germany	100	100
90	Songbird 1 ApS	Denmark	60	60
91	Songbird 2 ApS	Denmark	60	60
92	Joysun 1 B.V.	Holland	60	60
93	Joysun 2 B.V.	Holland	60	60
94	Yona Investment GmbH & Co. KG	Germany	60	60
95	Yanshuf Investment GmbH & Co. KG	Germany	60	60
96	Ziporim Investment GmbH	Germany	60	60
97	Ofek 1 Grundstücks GmbH	Germany	100	100
98	Ofek 2 Grundstücks GmbH	Germany	100	100
99	Ofek 3 Grundstücks GmbH	Germany	100	100
100	Ofek 4 Grundstücks GmbH	Germany	100	100
101	Ofek 5 Grundstücks GmbH	Germany	100	100
102	Galim 1 Grundstücks GmbH	Germany	100	100
103	Galim 2 Grundstücks GmbH	Germany	100	100
104	Galim 3 Grundstücks GmbH	Germany	100	100
105	JS Nestorstrasse Grundstücks GmbH	Germany	60	60

			Shareholding and control at Dec 31,	
In %	Company	Country	**2016**	2015
106	JS Florapromenade Grundstücks GmbH	Germany	60	60
107	JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
108	JS Tauroggener Grundstücks GmbH	Germany	60	60
109	JS Kiehlufer Grundstücks GmbH	Germany	60	60
110	JS Rubenstrasse Grundstücks GmbH	Germany	60	60
111	Yona Stettiner Grundstücks GmbH	Germany	60	60
112	Yona Schul Grundstücks GmbH	Germany	60	60
113	Yona Otawi Grundstücks GmbH	Germany	60	60
114	Yona Strom Grundstücks GmbH	Germany	60	60
115	Yona Gutenberg Grundstücks GmbH	Germany	60	60
116	Yona Kameruner Grundstücks GmbH	Germany	60	60
117	Yona Schichauweg Grundstücks GmbH	Germany	60	60
118	Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
119	Yona Gruberzeile Grundstücks GmbH	Germany	60	60
120	Yona Schloss Grundstücks GmbH	Germany	60	60
121	Yona Lindauer Grundstücks GmbH	Germany	60	60
122	Yona Nogat Grundstücks GmbH	Germany	60	60
123	Yona Bötzow Grundstücks GmbH	Germany	60	60
124	Yona Herbst Grundstücks GmbH	Germany	60	60
125	Yona Danziger Grundstücks GmbH	Germany	60	60
126	Yona Schön Grundstücks GmbH	Germany	60	60
127	Yanshuf Kaiser Grundstücks GmbH	Germany	60	60
128	Yanshuf Binz Grundstücks GmbH	Germany	60	60
129	Yanshuf Antonien Grundstücks GmbH	Germany	60	60
130	Yanshuf See Grundstücks GmbH	Germany	60	60
131	Yanshuf Hermann Grundstücks GmbH	Germany	60	60
132	Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
133	Hanpaka Holding GmbH	Germany	100	100
134	Hanpaka Immobilien GmbH	Germany	94.90	94.90
135	Dvash 1 Holding GmbH	Germany	100	100
136	Dvash 2 Holding GmbH	Germany	100	100
137	Dvash 3 B.V.	Holland	100	100
138	Rimon Holding GmbH	Germany	100	100
139	Bosem Grundstücks GmbH	Germany	100	100
140	Rimon Grundstücks GmbH	Germany	94.90	94.90

			Shareholding and control at Dec 31,	
In %	Company	Country	**2016**	2015
141	Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
142	Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
143	Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
144	Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
145	Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
146	Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
147	Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
148	Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
149	ADO FC Management Unlimited Company	Ireland	100	100
150	5. Ostdeutschland Invest GmbH	Germany	94.90	–
151	8. Ostdeutschland Invest GmbH	Germany	94.90	–
152	Horef Holding GmbH	Germany	100	–
153	Dekel Grundstücks GmbH	Germany	100	–
154	Silan Holding GmbH	Germany	100	–
155	Brandenburg Properties 5 S.à.r.l.	Luxembourg	94.90	–
156	Horef Grundstücks GmbH	Germany	94.93	–

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADO Properties S.A. – Report of the Réviseur d'Entreprises agréé

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Following our appointment by the General Meeting of the Shareholders dated 3 May 2016, we have audited the accompanying consolidated financial statements of ADO Properties S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of ADO Properties S. A. as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the combined management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of réviseur d'entreprises agréé thereon.

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

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

OTHER MATTER

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The combined management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

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

Luxembourg, March 21, 2017

Stephen Nye
Partner

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ANNUAL ACCOUNTS

BALANCE SHEET

ASSETS

In EUR	Note	Dec 31, 2016	2015
FORMATION EXPENSES	2.2.2, 3	**10,560,580**	**6,944,521**
FIXED ASSETS		**1,619,600,199**	**1,002,766,810**
Financial assets			
Shares in affiliated undertakings	2.2.4, 4.1	996,700,794	553,079,035
Loans to affiliated undertakings	2.2.4, 4.2	622,874,405	449,662,775
Participating interests	2.2.4, 4.3	25,000	25,000
CURRENT ASSETS		**121,695,043**	**94,417,946**
Debtors			
Amounts owed by affiliated undertakings	2.2.5, 5.1		
Becoming due and payable within one year		444,285	444,265
Other debtors	2.2.5, 5.2		
Becoming due and payable within one year		406,674	1,608,299
Becoming due and payable after more than one year		4,500	4,500
Cash at bank and in hand		120,839,584	92,360,882
TOTAL ASSETS		**1,751,855,822**	**1,104,129,277**

CAPITAL, RESERVES AND LIABILITIES

In EUR	Note	Dec 31, 2016	2015
CAPITAL AND RESERVES		**875,248,526**	**568,582,514**
Subscribed capital	6.1	54,684	43,400
Share premium account	6.2	845,258,737	546,708,730
Reserves			
Legal reserve	6.3, 6.4	4,340	–
Other reserves, including the fair value reserve	6.4		
Other available reserves		437,488	437,488
Profit or (loss) brought forward	6.4	7,913,556	(4,240,242)
Profit or (loss) for the financial year	6.4	21,579,721	25,633,138
PROVISIONS		**780,475**	**145,000**
Provisions for taxation	2.2.7, 7.1	228,000	20,000
Other provisions	2.2.7, 7.2	552,475	125,000
CREDITORS	**2.2.9, 8**	**875,826,821**	**535,401,763**
Trade creditors	8.1		
Becoming due and payable within one year		172,578	349,849
Amounts owed to affiliated undertakings	8.2		
Becoming due and payable within one year		153,345	91,120
Becoming due and payable after more than one year		873,461,784	533,461,784
Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	8.3		
Becoming due and payable after more than one year		121,196	116,454
Other creditors			
Tax authorities	8.4	1,329,317	553,012
Other creditors	8.5		
Becoming due and payable within one year		573,009	445,734
Becoming due and payable after more than one year		15,592	383,810
TOTAL CAPITAL, RESERVES AND LIABILITIES		**1,751,855,822**	**1,104,129,277**

PROFIT AND LOSS ACCOUNT

In EUR	Note	For the year ended Dec 31, 2016	2015
NET TURNOVER	2.2.8	800,000	400,000
OTHER OPERATING INCOME		–	559,820
Raw materials and consumables and other external expenses			
Other external expenses	10	(2,362,741)	(855,328)
Staff costs			
Wages and salaries		(1,713,084)	(609,715)
Value adjustments			
In respect of formation expenses and of tangible and intangible fixed assets	3	(1,960,946)	(671,916)
OTHER OPERATING EXPENSES		(1,743,917)	(99,589)
Income from participating interests			
Derived from affiliated undertakings		28,809,990	27,340,928
Other interest receivable and similar income			
Other interest and similar income		19,558	6,842
INTEREST PAYABLE AND SIMILAR EXPENSES		(61,139)	(417,904)
Concerning affiliated undertakings		–	(366,402)
Other interest and similar expenses		(61,139)	(51,502)
TAX ON PROFIT OR LOSS		(208,000)	(20,000)
PROFIT OR LOSS AFTER TAXATION		21,579,721	25,633,138
PROFIT OR LOSS FOR THE FINANCIAL YEAR	**6.4**	**21,579,721**	**25,633,138**

NOTES TO THE ANNUAL ACCOUNTS

Note 1 – General Information

ADO Properties S.A. (hereafter the 'Company') was incorporated in Cyprus as Swallowbird Trading & Investments Limited on November 13, 2007 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office was situated in Larnaca, Cyprus. On June 8, 2015 the Company deleted its registration in Cyprus and moved its registered office and central administration to Luxembourg.

The Company adopted the form of a private limited liability company (société à responsabilité limitée) under Luxembourg law. The Company was then converted to a public limited liability company (société anonyme) for an unlimited duration under the Luxembourg law by decision of the General Meeting of Shareholders dated June 16, 2015 and changed its name to ADO Properties S.A.

On July 23, 2015 the Company completed an initial public offering ("IPO") and its shares are traded on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The registered office of the Company is established in 20, rue Eugène Ruppert, L-2453 Luxembourg. The Company's financial year starts January 1 and ends December 31 of each year.

The object of the Company is the acquisition and holding of interests in Luxembourg and/or in foreign undertakings, as well as the administration, development and management of such holdings.

The Company may provide financial assistance to the undertakings forming part of the group of the Company such as the providing of loans and granting of guarantees or securities in any kind or form.

The Company may also utilize its funds to invest in real estate and, provided such investment is ancillary to or related to the acquisition, holding, administration, development and management of the undertaking forming part of the group of the Company, the Company may invest in intellectual property rights or any other movable or immovable assets in any kind or form.

The Company may borrow in any kind or form and may privately issue bonds, notes or similar debt instruments.

The annual accounts of the Company are prepared under the provision of the law applicable for commercial companies in Luxembourg.

The Company also prepares consolidated financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. The copies of the consolidated financial statements are available at the registered office of the Company or at *http://investors.ado.immo*.

The provisions of the law of 18 December 2015 on the annual accounts and consolidated accounts and the grand-ducal regulation of 18 December 2015 on the layout of balance sheet and profit and loss accounts, amending the law of 19 December 2002 have been transposed in these annual accounts. The layout and the headings of certain balance sheet and profit and loss account captions have been modified accordingly. Some comparative figures have been reclassified for the same reason.

Note 2 – Summary of Significant Accounting Policies

2.1 BASIS OF PREPARATION

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002, determined and applied by the Board of Directors.

The accounting of the Company has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 for the period from November 13, 2007 to June 8, 2015. No significant differences resulted in this change of applied accounting principles.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that these annual accounts present the financial position and results fairly.

The books and records are maintained in EUR and the annual accounts have been prepared in accordance with the valuation rules and accounting policies described below.

The accounting policies applied to prepare these annual accounts are in conformity with the going concern principle.

2.2 SIGNIFICANT ACCOUNTING POLICIES

The main valuation rules applied by the Company are the following:

2.2.1. Currency translation

Transactions expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction.

Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historical exchange rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are valued individually at the lower, respectively the higher of their value at the historical exchange rate or their value determined at the exchange rates prevailing at the balance sheet date. The unrealized exchange losses are recorded in the profit and loss account. Realized exchange gains and realized exchange losses are recorded in the profit and loss account at the moment of their realization.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above, the net unrealized losses are recorded in the profit and loss account, and the net unrealized exchange gains are not recognized.

2.2.2. Formation expenses

Formation expenses are written off based on a straight line method over a period of 5 years.

2.2.3. Intangible and tangible assets

Intangible and tangible assets are recorded at purchase price including the expenses incidental thereto or at production cost, less cumulated depreciation amounts written off and value adjustments. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. The amortizations are calculated on a straight-line basis over the estimated useful economic life.

2.2.4. Financial assets

Shares in affiliated undertakings / participating interests / loans to these undertakings / investments held as fixed assets / other loans are valued at purchase price / nominal value (loans and claims) including expenses incidental thereto.

In case of durable diminution in value according to the opinion of the Board of Directors value adjustments are made in respect of financial assets, to value them at the lower amount attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.5. Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.6. Derivative financial instruments

The Company may enter into derivative financial instruments such as options, swaps and futures. These derivative financial instruments are initially recorded at cost.

At each balance sheet date, unrealized losses are recognized in the profit and loss account whereas gains are accounted for when realized.

In the case of hedging of an asset or a liability that is not recorded at fair value, unrealized gains or losses are deferred until the recognition of the realized gains or losses on the hedged item.

2.2.7. Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption 'Provisions for taxation'. The advance payments are shown in the assets of the balance sheet under 'Other receivables'.

2.2.8. Net turnover

The net turnover comprises the amounts of management fees charged to ADO Properties GmbH, Germany.

2.2.9. Creditors

Creditors are recorded at repayable amount.

Note 3 – Formation Expenses

Formation expenses comprise incorporation expenses, expenses incurred for the capital increase and costs incurred for the IPO.

The movements during the year are as follows:

In EUR	2016
Gross book value – opening balance	7,616,437
Additions for the year	5,577,005
(Disposals for the year)	–
GROSS BOOK VALUE – CLOSING BALANCE	13,193,442
(Accumulated value adjustments – opening balance)	(671,916)
(Additions for the year)	(1,960,946)
Reversals for the year	–
(ACCUMULATED VALUE ADJUSTMENTS – CLOSING BALANCE)	(2,632,862)
NET BOOK VALUE – CLOSING BALANCE	**10,560,580**
NET BOOK VALUE – OPENING BALANCE	**6,944,521**

Note 4 – Financial Assets

4.1 SHARES IN AFFILIATED UNDERTAKINGS

The movements during 2015 are as follows:

In EUR	2015
Gross book value – opening balance	19,491,251
Additions for the year	533,587,784
(Disposals for the year)	–
GROSS BOOK VALUE – CLOSING BALANCE	**553,079,035**
(Accumulated value adjustments – opening balance)	–
(Additions for the year)	–
Reversals for the year	–
(ACCUMULATED VALUE ADJUSTMENTS – CLOSING BALANCE)	**–**
NET BOOK VALUE – CLOSING BALANCE	**553,079,035**
NET BOOK VALUE – OPENING BALANCE	**19,491,251**

The movements during 2016 are as follows:

In EUR	2016
Gross book value – opening balance	553,079,035
Additions for the year	443,621,759
(Disposals for the year)	–
GROSS BOOK VALUE – CLOSING BALANCE	**996,700,794**
(Accumulated value adjustments – opening balance)	–
(Additions for the year)	–
Reversals for the year	–
(ACCUMULATED VALUE ADJUSTMENTS – CLOSING BALANCE)	**–**
NET BOOK VALUE – CLOSING BALANCE	**996,700,794**
NET BOOK VALUE – OPENING BALANCE	**553,079,035**

As at the year-end, the Company held the following shares in affiliated undertakings:

Company's name	Registered country	Ownership %
Adest Grundstücks GmbH	Germany	94
Adoa Grundstücks GmbH	Germany	94
Adom Grundstücks GmbH	Germany	94
Adon Grundstücks GmbH	Germany	94
Ahava Grundstücks GmbH	Germany	94
Anafa 1 Grundstücks GmbH	Germany	94
Anafa 2 Grundstücks GmbH	Germany	94
GAMAZI Grundstücks GmbH	Germany	94
Anafa Grundstücks GmbH	Germany	94
Badolina Grundstücks GmbH	Germany	94
Berale Grundstücks GmbH	Germany	94
Bamba Grundstücks GmbH	Germany	94
Zman Grundstücks GmbH	Germany	94
ADO Immobilien Management GmbH	Germany	100
CCM City Construction Management GmbH	Germany	100
Drontheimer Str. 4 Grundst. GmbH	Germany	94
Eldalote Grundstücks GmbH	Germany	94
NUNI Grundstücks GmbH	Germany	94
KREMBO Grundstücks GmbH	Germany	94
TUSSIK Grundstücks GmbH	Germany	94
Geut Grundstücks GmbH	Germany	94
Gozal Grundstücks GmbH	Germany	94
Gamad Grundstücks GmbH	Germany	94
Geshem Grundstücks GmbH	Germany	94
Lavlav 1 Grundstücks GmbH	Germany	94
Lavlav 2 Grundstücks GmbH	Germany	94
Lavlav 3 Grundstücks GmbH	Germany	94
Lavlav Grundstücks GmbH	Germany	94
Mastik Grundstücks GmbH	Germany	94
Maya Grundstücks GmbH	Germany	94
Mezi Grundstücks GmbH	Germany	94
Muse Grundstücks GmbH	Germany	94
Papun Grundstücks GmbH	Germany	94
Nehederet Grundstücks GmbH	Germany	94

Company's name	Registered country	Ownership %
Neshama Grundstücks GmbH	Germany	94
Osher Grundstücks GmbH	Germany	94
Pola Grundstücks GmbH	Germany	94
ADO Properties GmbH	Germany	100
Reshet Grundstücks GmbH	Germany	94
Sababa 18. Grundstücks GmbH	Germany	94
Sababa 19. Grundstücks GmbH	Germany	94
Sababa 20. Grundstücks GmbH	Germany	94
Sababa 21. Grundstücks GmbH	Germany	94
Sababa 22. Grundstücks GmbH	Germany	94
Sababa 23. Grundstücks GmbH	Germany	94
Sababa 24. Grundstücks GmbH	Germany	94
Sababa 25. Grundstücks GmbH	Germany	94
Sababa 26. Grundstücks GmbH	Germany	94
Sababa 27. Grundstücks GmbH	Germany	94
Sababa 28. Grundstücks GmbH	Germany	94
Sababa 29. Grundstücks GmbH	Germany	94
Sababa 30. Grundstücks GmbH	Germany	94
Sababa 31. Grundstücks GmbH	Germany	94
Sababa 32. Grundstücks GmbH	Germany	94
Shemesh Grundstücks GmbH	Germany	94
Stav Grundstücks GmbH	Germany	94
Tamuril Grundstücks GmbH	Germany	94
Tara Grundstücks GmbH	Germany	94
Tehila 1 Grundstücks GmbH	Germany	94
Tehila 2 Grundstücks GmbH	Germany	94
Tehila Grundstücks GmbH	Germany	94
Trusk Grundstücks GmbH	Germany	94
Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	94
Yarok Grundstücks GmbH	Germany	94
Yahel Grundstücks GmbH	Germany	94
Yussifun Grundstücks GmbH	Germany	94
Bombila Grundstücks GmbH	Germany	94
ADO SBI Holdings S.A. & Co. KG	Germany	94

Company's name	Registered country	Ownership %
Yabeshet Grundstücks GmbH	Germany	100
Melet Grundstücks GmbH	Germany	100
Seret Grundstücks GmbH	Germany	100
Sheket Grundstücks GmbH	Germany	100
Central Facility Management GmbH	Germany	100
Arafel Grundstücks GmbH	Germany	100
Zamir Grundstücks GmbH	Germany	100
Yadit Grundstücks GmbH	Germany	100
Sharav Grundstücks GmbH	Germany	100
Sipur Grundstücks GmbH	Germany	100
Matok Grundstücks GmbH	Germany	100
Barbur Grundstücks GmbH	Germany	94.9
Jessica Properties BV	Netherlands	94.5
Alexandra Properties BV	Netherlands	94.44
Marbien BV	Netherlands	94.9
Meghan Properties BV	Netherlands	94.44
Parpar Grundstücks GmbH	Germany	100
ADO Finance B.V.	Netherlands	100
Ofek 1 Grundstücks GmbH	Germany	100
Ofek 2 Grundstücks GmbH	Germany	100
Ofek 3 Grundstücks GmbH	Germany	100
Ofek 4 Grundstücks GmbH	Germany	100
Ofek 5 Grundstücks GmbH	Germany	100
Galim 1 Grundstücks GmbH	Germany	100
Galim 2 Grundstücks GmbH	Germany	100
Galim 3 Grundstücks GmbH	Germany	100
Songbird 1 ApS	Denmark	60
Songbird 2 ApS	Denmark	60
Joysun 1 B.V.	Netherlands	60
Joysun 2 B.V.	Netherlands	60
Hanpaka Holding GmbH	Germany	100
Dvash 1 Holding GmbH	Germany	100
Dvash 2 Holding GmbH	Germany	100
Rimon Holding GmbH	Germany	100

Company's name	Registered country	Ownership %
Bosem Grundstücks GmbH	Germany	100
ADO FC Management Unlimited Company	Ireland	100
Horef Holding GmbH	Germany	100
Dekel Grundstücks GmbH	Germany	100
Silan Holding GmbH	Germany	100
Brandenburg Properties 5 S.à.r.l.	Luxembourg	94.9

These affiliated undertakings form part of the Company's consolidated financial statements prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Board of Directors deemed no permanent diminution in value to have occurred in the value of the shares in affiliated undertakings.

4.2 LOANS TO AFFILIATED UNDERTAKINGS

The movements during 2015 are as follows:

In EUR	2015
Gross book value – opening balance	–
Additions for the year	445,212,698
(Repayments during the year)	(4,392,411)
Accrued interest	8,842,489
GROSS BOOK VALUE – CLOSING BALANCE	**449,662,775**
(Accumulated value adjustments – opening balance)	–
(Additions for the year)	–
Reversals for the year	–
(ACCUMULATED VALUE ADJUSTMENTS – CLOSING BALANCE)	**–**
NET BOOK VALUE – CLOSING BALANCE	**449,662,775**
NET BOOK VALUE – OPENING BALANCE	**–**

The movements during 2016 are as follows:

In EUR	2016
Gross book value – opening balance	449,662,775
Additions for the year	259,808,254
(Repayments during the year)	(115,411,356)
Accrued interest	28,814,732
GROSS BOOK VALUE – CLOSING BALANCE	**622,874,405**
(Accumulated value adjustments – opening balance)	–
(Additions for the year)	–
Reversals for the year	–
(ACCUMULATED VALUE ADJUSTMENTS – CLOSING BALANCE)	**–**
NET BOOK VALUE – CLOSING BALANCE	**622,874,405**
NET BOOK VALUE – OPENING BALANCE	**449,662,775**

The Board of Directors deemed no permanent diminution in value to have occurred in the value of the loans to affiliated undertakings.

4.3 PARTICIPATING INTERESTS

The movements during the year are as follows:

	In EUR		
Company's name	Gross book value – opening balance	Additions for the period	Gross book value – closing balance
I. I.C. Immobilien, Investitionen & Capital – Erste Immobilienverwaltung GmbH & Co KG	12,500	–	12,500
MERLINGOTIK Fünfte Immobilien GmbH & Co. KG (Eldalote / Osher)	12,500	–	12,500
TOTAL	**25,000**	**–**	**25,000**

					In EUR	
Company's name	Registered country	Owner-ship %	Date of the latest approved accounts	Cur-rency	Net equity as at year-end	Profit or (loss) for the year ended
I. I.C. Immobilien, Investitionen & Capital – Erste Immobilien-verwaltung GmbH & Co KG	Germany	50	31 / 12 / 14	EUR	(165,771)	(6,064)
MERLINGOTIK Fünfte Immobilien GmbH & Co. KG (Eldalote / Osher)	Germany	50	31 / 12 / 14	EUR	(309,966)	(292)
TOTAL					**(475,737)**	**(6,356)**

The Board of Directors deemed no permanent diminution in value to have occurred on the amount of the participating interests.

Note 5 – Debtors

5.1 AMOUNTS OWED BY AFFILIATED UNDERTAKINGS

	Dec 31,	
In EUR	**2016**	2015
Becoming due and payable within one year		
Management fees due from ADO Properties GmbH	400,000	400,000
Other related parties	44,285	44,265
TOTAL	**444,285**	**444,265**

5.2 OTHER DEBTORS

	Dec 31,	
In EUR	**2016**	2015
Becoming due and payable within one year		
VAT receivable	174,844	593,107
Advances to suppliers	55,379	–
Short-term loans granted	–	614,538
BMB investment deposit	–	400,000
Advance tax payments	2,942	535
Other receivables	173,509	119
Becoming due and payable after more than one year		
Deposit for office rent	4,500	4,500
TOTAL	**411,174**	**1,612,799**

Note 6 – Capital

6.1 SUBSCRIBED CAPITAL

The subscribed capital amounts to EUR 54,684 and is divided into 44,100,000 dematerialized shares without a nominal value, all of said shares being fully paid up.

The authorized unissued capital of the Company is set at EUR 750,000,000 without nominal value.

The movements during the year are as follows:

In EUR	**2016**	2015
Subscribed capital – opening balance	43,400	2,000
Subscriptions	11,284	41,400
SUBSCRIBED CAPITAL – CLOSING BALANCE	**54,684**	**43,400**

6.2 SHARE PREMIUM

The movements during the year are as follows:

In EUR	**2016**	2015
Share premium – opening balance	546,708,730	13,569,071
Movements for the year	298,550,007	533,139,659
SHARE PREMIUM – CLOSING BALANCE	**845,258,737**	**546,708,730**

The movements for the year 2016 correspond to the following transactions:

- On April 21, 2016 the Company placed 3,499,999 new shares with institutional investors at EUR 28.50 per share. ADO Group Ltd (the previous sole shareholder of the Company) participated 37% in the placement.
  The gross proceeds resulting from the transaction amounted to EUR 99.7 million, out of which EUR 4,340 was used to increase the Company's share capital and EUR 99,749,971 was classified as share premium.
  The above was decided by the Board of Directors on April 20, 2016.

- On September 14, 2016 the Company placed 5,600,001 new shares with institutional investors at EUR 35.50 per share. ADO Group Ltd (the previous sole shareholder of the Company) participated 37% in the placement.
  The gross proceeds from the transaction amounted to EUR 198.8 million, out of which EUR 6,944 was used to increase the Company's share capital and EUR 198,800,036 was classified as share premium.
  The above was decided by the Board of Directors on September 12, 2016.

6.3 LEGAL RESERVE

The Company is required to allocate a minimum of 5% of its annual net income to a legal reserve after deduction of any losses brought forward, until this reserve equals 10% of the subscribed share capital. This reserve is non-distributable during the life of the Company. The appropriation to legal reserve is effected after approval at the General Meeting of Shareholders.

6.4 MOVEMENTS FOR THE YEAR ON THE RESERVES AND PROFIT AND LOSS ITEMS

The movements for the year are as follows:

In EUR	Legal reserve	Other reserves	Profit or loss brought forward	Profit or loss for the financial year
AT THE BEGINNING OF THE YEAR	**–**	**437,488**	**(4,240,242)**	**25,633,138**
Movements for the year				
Allocation of prior year's result	–	–	25,628,798	(25,628,798)
Allocation to legal reserve	4,340	–	–	(4,340)
Dividend distribution	–	–	(13,475,000)	–
Result of the year	–	–	–	21,579,721
AT THE END OF THE YEAR	**4,340**	**437,488**	**7,913,556**	**21,579,721**

A dividend in the amount of EUR 13,475,000 (EUR 0.35 per share) was paid based on a decision of the Annual General Meeting which took place on May 3, 2016. The ex-dividend date was May 4, 2016.

Note 7 – Provisions

7.1 PROVISIONS FOR TAXATION

Provisions for taxation correspond to the tax liability estimated by the Company for the financial years for which no final assessment notices have been received yet. The advance payments are shown in the assets of the balance sheet under 'Other receivables'.

7.2 OTHER PROVISIONS

Other provisions are presented as follows:

	Dec 31,	
In EUR	**2016**	2015
Provision for KPMG audit services	205,900	125,000
Provision for transaction costs of acquisitions	233,642	–
Provision for costs relating to the capital increase	112,933	–
TOTAL	**552,475**	**125,000**

Note 8 – Creditors

Amounts due and payable for the amounts shown under creditors are as follows:

In EUR	Within one year	After one year and within five years	After more than five years	TOTAL
8.1 Trade creditors	172,578	–	–	**172,578**
8.2 Amounts owed to affiliated undertakings	153,345	873,461,784	–	**873,615,129**
8.3 Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	–	121,196	–	**121,196**
8.4 Tax authorities	–	1,329,317	–	**1,329,317**
8.5 Other creditors	573,009	15,592	–	**588,601**
TOTAL	**898,932**	**874,927,889**	**–**	**875,826,821**

8.1 TRADE CREDITORS

	Dec 31,	
In EUR	**2016**	2015
Becoming due and payable within one year	172,578	349,849
TOTAL	**172,578**	**349,849**

8.2 AMOUNTS OWED TO AFFILIATED UNDERTAKINGS

	Amount In EUR	Interest rate	Due date
ADO FC Management Unlimited Company	646,461,784	0%	23/07/25
ADO FC Management Unlimited Company	227,000,000	0%	15/12/26
Other related parties	153,345	0%	Current balance
TOTAL	**873,615,129**		

ADO FC Management Unlimited Company is a fully owned subsidiary which granted loans to the Company in the amount of EUR 873,461,784 at 0% interest with 10 years' maturity.

8.3 AMOUNTS OWED TO UNDERTAKINGS WITH WHICH THE UNDERTAKING IS LINKED BY VIRTUE OF PARTICIPATING INTERESTS

			In EUR				
	Maturity date	Interest rate	Gross book value at Jan 1, 2016	Additions	Repay-ments	Accrued interest at Dec 31, 2016	Gross book value at Dec 31, 2016
I. I.C. Immobilien, Investitionen & Capital – Erste Immobilienver-waltung GmbH & Co KG	23 / 07 / 25	4.0%	75,333	–	–	3,067	78,400
MERLINGOTIK Fünfte Immobilien GmbH & Co. KG (Eldalote / Osher)	23 / 07 / 25	4.0%	41,121	–	–	1,675	42,796
TOTAL			**116,454**	**–**	**–**	**4,742**	**121,196**

8.4 TAX AUTHORITIES

	Dec 31,	
In EUR	**2016**	2015
Becoming due and payable within one year		
Withholding tax on salaries and wages	–	977
VAT payable	1,329,317	552,035
TOTAL	**1,329,317**	**553,012**

8.5 OTHER CREDITORS

	Dec 31,	
In EUR	**2016**	2015
Becoming due and payable within one year		
Amount payable to staff	573,009	445,734
Becoming due and payable after more than one year		
Amount payable to ADO Group Ltd	15,592	383,810
TOTAL	**588,601**	**829,544**

Note 9 – Staff

As at December 31, 2016 the Company has 4 full-time employees (2015: 3) with an annual average of 3 employees (2015: 2).

Note 10 – Other External Expenses

	For the year ended Dec 31,	
In EUR	**2016**	2015
Banking fees	–	155
Real estate rental building and services	22,947	13,495
Data processing	34,471	14,401
Transaction fees	–	4,400
Legal fees	215,104	72,978
Accounting and audit fees	656,708	238,230
Accounting services ADO Group	–	42,000
Consulting services external	893,857	182,336
Consulting services ADO Group	63,448	76,964
Travel and entertainment costs – staff	189,421	39,215
Other fees	286,785	171,154
TOTAL	**2,362,741**	**855,328**

Note 11 – Subsequent Events

A. On March 21, 2017 the Company's Board proposed to the Annual General Meeting to pay a dividend in the amount of EUR 19.8 million (EUR 0.45 per share). The Annual General Meeting will take place on May 2, 2017.

B. During the first quarter of 2016 the Company granted loans in the amount of EUR 39,149,000 to subsidiaries at 6% interest with 10 years' maturity for the purpose of funding and pre-funding new acquisitions.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ADO Properties S. A. – Report of the Réviseur d'Entreprises agréé

REPORT ON THE ANNUAL ACCOUNTS

Following our appointment by the General Meeting of the Shareholders dated 3 May 2016, we have audited the accompanying annual accounts of ADO Properties S.A., which comprise the balance sheet as at 31 December 2016 and the profit and loss account for the year then ended 31 December 2016, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of ADO Properties S. A. as of 31 December 2016, and of the results of its operations for the year then ended 31 December 2016 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included in the combined management report and the Corporate Governance Statement but does not include the annual accounts and our report of Réviseur d'Entreprises agréé thereon.

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

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

OTHER MATTER

The Corporate Governance Statement includes information required by Article 68bis paragraph (1) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The combined management report, is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

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

Luxembourg, March 21, 2017

Stephen Nye
Partner

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FINANCIAL CALENDAR

May 02, 2017
Annual General Meeting

May 03, 2017
Ex-Dividend date

May 17, 2017
Publication Q1 Financial Report

Aug 17, 2017
Publication Q2 Financial Report

Nov 15, 2017
Publication Q3 Financial Report

IMPRINT

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