ADO Properties S.A.
Annual Accounts

As at and for the year ended
December 31, 2019

(with the report of the Réviseur d'Entreprises agréé thereon)

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To the Shareholders of
ADO Properties S.A.
1 B Heienhaff
L-1736 Senningerberg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of ADO Properties S.A. (the "Company"), which comprise the balance sheet as at December 31, 2019, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at December 31, 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for Opinion

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

Emphasis of matters

Without qualifying our opinion, we draw attention to the facts described in Note 2.2.3 explaining the adjustment of EUR 70,059,796 made in the shares in affiliated undertakings and the understatement of the amount owed to affiliated undertakings becoming due and payable after more than one year by the same amount. Those adjustments have no impact on the reserve and on the results of the Company. In our opinion, such adjustments are appropriate and have been properly recorded.

Key audit matters

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

Recoverability of financial assets

a) *Why the matter was considered to be one of the most significant in our audit of the annual accounts of the current period*

We refer to the accounting policy in Note 2.2.3 and Note 4, *Financial assets* in the annual accounts. Financial assets represent 88.20% of the Company's total assets and are subject to recoverability assessment at each reporting date. The conclusion on whether there is durable diminution in the respect of financial assets is a significant judgement.

For purpose of identifying a durable diminution of financial assets, the Company's management considers the net assets of each affiliated undertaking as at the balance sheet date, values from properties held by these affiliated undertakings and any listed share price for investments held as fixed assets, if applicable.

The respective properties held by the affiliated undertakings are valued at their fair values based on independent external valuers (hereafter, "the Valuer").

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. In determining the property's valuation, the Valuer takes into account property specific characteristics and information, including the rental income. The Valuer applies assumptions for estimated market rent, capitalization interest rate and discount rate, which are influenced by prevailing market conditions and comparable market transactions, to arrive at the final valuation.

The significance of the estimates and judgements involved, together with the fact that only a small percentage difference in individual property valuation, when aggregated, could result in a material misstatement on the profit and loss account and the balance sheet, requires specific audit focus in this area.

b) *How the matter was addressed in our audit*

We compared the carrying amount of financial assets for each of the underlying affiliated undertaking with its net assets as per management accounts, considering also the fair value of properties of these underlying affiliated undertakings or to relevant listed share price for Investments held as fixed assets, if applicable.

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

— Evaluating the qualifications and competence of the Valuer and reading the terms of engagement of the Valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work;

— Involving our own valuation specialists to evaluate the valuation methodologies used and to test the integrity of inputs of the projected cash flows used in the valuation to support leases and other documents on a sample basis; and

— Involving our own valuation specialists to challenge the capitalisation and discount rates used in the valuation by comparing them with historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the Valuer.

If the carrying amount of the individual affiliated undertaking exceeds the comparative value, further analytical procedures are performed considering management's expectation about the future development of the respective affiliated undertaking.

Furthermore, if the carrying amount of the Investments held at fixed assets exceeds the comparative value, further analytical procedures are performed considering management's expectation about the future development of the respective Investment.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report, including 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.

Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation 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.

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

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

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

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

— Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 20, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years, four years of which was since the Company became a public interest entity.

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

The accompanying Corporate Governance Statement is presented on pages 18 to 27 The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

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

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

The Corporate Governance Report includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, March 30, 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
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RCSL Nr. :	B197554	Matricule :	20152210249

BALANCE SHEET

Financial year from 01 01/01/2019 **to** 02 31/12/2019 (in 03 EUR)

ADO Properties S.A.
Heienhaff, 1B
L-1736 SENNINGERBERG

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101		102	
I. Subscribed capital not called	1103		103		104	
II. Subscribed capital called but unpaid	1105		105		106	
B. Formation expenses	1107	2.2.2, 3	107	19,991,122	108	9,657,943
C. Fixed assets	1109		109	2,017,194,001	110	1,537,917,709
I. Intangible assets	1111		111		112	
1. Costs of development	1113		113		114	
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		115		116	
a) acquired for valuable consideration and need not be shown under C.I.3	1117		117		118	
b) created by the undertaking itself	1119		119		120	
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		121		122	
4. Payments on account and intangible assets under development	1123		123		124	
II. Tangible assets	1125		125		126	
1. Land and buildings	1127		127		128	
2. Plant and machinery	1129		129		130	

		Reference(s)		Current year		Previous year
3. Other fixtures and fittings, tools and equipment	1131		131		132	
4. Payments on account and tangible assets in the course of construction	1133		133		134	
III. Financial assets	1135		135	2,017,194,001	136	1,537,917,709
1. Shares in affiliated undertakings	1137	2.2.3, 4.1	137	1,831,035,575	138	1,515,812,279
2. Loans to affiliated undertakings	1139	2.2.3, 4.2	139	-	140	22,105,430
3. Participating interests	1141		141		142	
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143		144	
5. Investments held as fixed assets	1145	2.2.3, 4.3	145	186,158,426	146	-
6. Other loans	1147		147		148	
D. Current assets	1151		151	247,216,201	152	3,240,917
I. Stocks	1153		153		154	
1. Raw materials and consumables	1155		155		156	
2. Work in progress	1157		157		158	
3. Finished goods and goods for resale	1159		159		160	
4. Payments on account	1161		161		162	
II. Debtors	1163		163	2,866,380	164	3,196,014
1. Trade debtors	1165	2.2.4, 5.1	165	-	166	840,000
a) becoming due and payable within one year	1167		167	-	168	840,000
b) becoming due and payable after more than one year	1169		169		170	
2. Amounts owed by affiliated undertakings	1171	2.2.4, 5.2	171	2,008,429	172	1,951,837
a) becoming due and payable within one year	1173		173	2,008,429	174	1,951,837
b) becoming due and payable after more than one year	1175		175		176	
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177		178	
a) becoming due and payable within one year	1179		179		180	
b) becoming due and payable after more than one year	1181		181		182	
4. Other debtors	1183	2.2.4, 5.3	183	857,951	184	404,177
a) becoming due and payable within one year	1185		185	857,951	186	404,177
b) becoming due and payable after more than one year	1187		187		188	

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		Reference(s)		Current year		Previous year
III. Investments	1189		189		190	
1. Shares in affiliated undertakings	1191		191		192	
2. Own shares	1209		209		210	
3. Other investments	1195		195		196	
IV. Cash at bank and in hand	1197		197	244,349,821	198	44,903
E. Prepayments	1199	2.2.6, 6	199	984,404	200	1,173,676
TOTAL (ASSETS)			201	2,285,385,728	202	1,551,990,245

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CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301		301	1,269,613,176	302	910,836,607
I. Subscribed capital	1303	7.1	303	54,801	304	54,722
II. Share premium account	1305	7.2	305	844,345,307	306	844,345,307
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	442,960	310	442,956
1. Legal reserve	1311	7.3, 7.4	311	5,472	312	5,468
2. Reserve for own shares	1313		313		314	
3. Reserves provided for by the articles of association	1315		315		316	
4. Other reserves, including the fair value reserve	1429	7.4	429	437,488	430	437,488
a) other available reserves	1431		431	437,488	432	437,488
b) other non available reserves	1433		433		434	
V. Profit or loss brought forward	1319	7.4	319	32,895,472	320	19,766,630
VI. Profit or loss for the financial year	1321	7.4	321	391,874,636	322	46,226,992
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331	11,891,223	332	533,059
1. Provisions for pensions and similar obligations	1333		333		334	
2. Provisions for taxation	1335	2.2.7, 8.1	335	121,665	336	102,495
3. Other provisions	1337	2.2.7, 8.2	337	11,769,558	338	430,564
C. Creditors	1435	2.2.8,9	435	1,003,881,328	436	640,620,579
1. Debenture loans	1437	9.1	437	567,821,054	438	567,811,988
a) Convertible loans	1439		439	165,223,792	440	165,214,726
i) becoming due and payable within one year	1441		441	223,792	442	214,726
ii) becoming due and payable after more than one year	1443		443	165,000,000	444	165,000,000
b) Non convertible loans	1445		445	402,597,262	446	402,597,262
i) becoming due and payable within one year	1447		447	2,597,262	448	2,597,262
ii) becoming due and payable after more than one year	1449		449	400,000,000	450	400,000,000
2. Amounts owed to credit institutions	1355		355	12,722	356	-
a) becoming due and payable within one year	1357		357	12,722	358	-
b) becoming due and payable after more than one year	1359		359		360	

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		Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361		361		362	
a) becoming due and payable within one year	1363		363		364	
b) becoming due and payable after more than one year	1365		365		366	
4. Trade creditors	1367		367	15,095,388	368	1,170,557
a) becoming due and payable within one year	1369		369	15,095,388	370	1,170,557
b) becoming due and payable after more than one year	1371		371		372	
5. Bills of exchange payable	1373		373		374	
a) becoming due and payable within one year	1375		375		376	
b) becoming due and payable after more than one year	1377		377		378	
6. Amounts owed to affiliated undertakings	1379	9.2	379	413,874,906	380	70,527,291
a) becoming due and payable within one year	1381		381	274,966,175	382	1,678,356
b) becoming due and payable after more than one year	1383		383	138,908,731	384	68,848,935
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385		385		386	
a) becoming due and payable within one year	1387		387		388	
b) becoming due and payable after more than one year	1389		389		390	
8. Other creditors	1451		451	7,077,258	452	1,110,743
a) Tax authorities	1393	9.3	393	869,293	394	631,102
b) Social security authorities	1395	9.3	395	646	396	975
c) Other creditors	1397	9.4	397	6,207,319	398	478,666
i) becoming due and payable within one year	1399		399	6,207,319	400	478,666
ii) becoming due and payable after more than one year	1401		401		402	
D. Deferred income	1403		403		404	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	2,285,385,728	406	1,551,990,245

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RCSL Nr. :	B197554	Matricule :	20152210249

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2019 **to** 02 31/12/2019 (in 03 EUR)

ADO Properties S.A.
Heienhaff, 1B
L-1736 SENNINGERBERG

PROFIT AND LOSS ACCOUNT

		Reference(s)		Current year		Previous year
1. Net turnover	1701	2.2.9	701	3,639,401	702	800,000
2. Variation in stocks of finished goods and in work in progress	1703		703		704	
3. Work performed by the undertaking for its own purposes and capitalised	1705		705		706	
4. Other operating income	1713		713		714	
5. Raw materials and consumables and other external expenses	1671		671	-18,137,087	672	-4,578,818
a) Raw materials and consumables	1601		601		602	
b) Other external expenses	1603	10	603	-18,137,087	604	-4,578,818
6. Staff costs	1605		605	-4,286,991	606	-509,353
a) Wages and salaries	1607		607	-4,284,982	608	-507,349
b) Social security costs	1609		609	-2,009	610	-2,004
i) relating to pensions	1653		653		654	
ii) other social security costs	1655		655	-2,009	656	-2,004
c) Other staff costs	1613		613		614	
7. Value adjustments	1657	2.2.12	657	-4,177,269	658	-3,235,253
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	3	659	-4,177,269	660	-3,235,253
b) in respect of current assets	1661		661		662	
8. Other operating expenses	1621		621	-1,393,720	622	-1,373,265

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		Reference(s)		Current year		Previous year
9. Income from participating interests	1715	2.2.11	715	492,754,828	716	61,000,000
a) derived from affiliated undertakings	1717		717	492,754,828	718	61,000,000
b) other income from participating interests	1719		719		720	
10. Income from other investments and loans forming part of the fixed assets	1721	2.2.10	721	422,431	722	1,393,505
a) derived from affiliated undertakings	1723	4.2	723	422,431	724	1,393,505
b) other income not included under a)	1725		725		726	
11. Other interest receivable and similar income	1727	2.2.10	727	70	728	-
a) derived from affiliated undertakings	1729		729		730	
b) other interest and similar income	1731		731	70	732	-
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	2.2.3, 4.3	665	-68,160,930	666	
14. Interest payable and similar expenses	1627	2.2.10	627	-8,461,315	628	-7,459,915
a) concerning affiliated undertakings	1629		629	-1,610	630	-670,713
b) other interest and similar expenses	1631		631	-8,459,705	632	-6,789,202
15. Tax on profit or loss	1635		635	-86,267	636	157,971
16. Profit or loss after taxation	1667		667	392,113,151	668	46,194,872
17. Other taxes not shown under items 1 to 16	1637		637	-238,515	638	32,120
18. Profit or loss for the financial year	1669	7.4	669	391,874,636	670	46,226,992

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.

The Company is registered under the RCS number B197554 in 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 the Frankfurt Stock Exchange.

The registered office of the Company is established in 1B Heienhaff L-1736 Senningerberg. 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 https://ado.properties.

The Company is included in the consolidated accounts of ADLER Real Estate AG, forming the largest body of undertakings of which the Company forms a part as a subsidiary undertaking. The registered office of that company is located at Joachimsthaler Strasse 34, 10719 Berlin, Germany and the consolidated financial statements are available at its registered office.

In addition, the Company is included in the consolidated accounts of ADO Group Ltd., forming the smallest body of undertakings included in the body of undertakings referred to in the above-mentioned paragraph of which the Company forms part as a subsidiary undertaking. The registered office of that company is located at 1A HaYarden Street, Airport City 70100, Israel and the consolidated financial statements are available at its registered office.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND VALUATION 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 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 and valuation policies

The main accounting and 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND VALUATION POLICIES (continued)

2.2 Significant accounting and valuation policies (continued)

2.2.2. Formation expenses

Formation expenses include expenses incurred for the IPO, capital increase, bond issuance, and costs incurred on revolving credit facilities. Formation expenses are written off based on a straight-line method over a period of five years or until the maturity date of the related loan.

2.2.3. 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 their incidental expenses.

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 behind the value adjustments have ceased to apply.

Subsequent to the issuance of the Company’s audited annual accounts for the year ended December 31, 2017, and following the approval of such annual accounts by the Board of Directors, the Company has reflected an adjustment that relates to 2017 to adjust the carrying amount of the shares in affiliated undertakings related to ADO FC Management Unlimited Company and the corresponding interest free loan related to the same Company in the December 31, 2019 annual accounts.

In 2019, the Company discovered that the increase in investment relating to ADO FC Management Unlimited Company has been incorrectly recorded as a reduction in the interest free loan to the same Company. As a consequence, the value of Company’s Shares & interest free loans to ADO FC Management Unlimited Company were understated. The errors have been corrected by making the correcting entry during 2019, which affected by EUR 70,059,796.21 the shares in affiliated undertakings and interest free loan, respectively. The adjustment, which is treated as the correction of an error, impacted the Balance sheet and it did not have any impact to the Company’s net asset value.

In line with Luxembourg legal and regulatory environment, no retrospective adjustment has been performed on the annual accounts of the Company for the year ending December 31, 2018.

2.2.4. 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.

2.2.5. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING AND VALUATION POLICIES (continued)

2.2 Significant accounting and valuation policies (continued)

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.

2.2.6. Prepayments

Prepayments include expenditure incurred during the financial year but relating to a subsequent financial year.

2.2.7. Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the balance sheet date, 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 debtors”.

2.2.8. Creditors

Creditors are recorded at repayable amount.

2.2.9. Net turnover

The net turnover comprises the amounts of management fees charged to affiliated companies.

2.2.10. Interest income and expenses

Interest income and expenses are recognized on an accrual basis.

2.2.11. Income from participating interests

Dividend income and gain on disposal of shares in affiliated undertakings are recognized when the Company receives the cash related to shares in affiliated undertakings.

2.2.12. Value adjustments

Value adjustments are deducted directly from the related asset.

NOTE 3 - FORMATION EXPENSES

Formation expenses comprise incorporation expenses, expenses incurred for the capital increase, costs incurred for the IPO and costs incurred for bond issuance (covering mainly underwriting, appraisal, legal and audit expenses).

The movements during 2019 are as follows:

	2019 (In EUR)
Gross book value – opening balance	18,310,668
Addition(s) for the year *	14,510,448
(Disposals for the year)	-
Gross book value – closing balance	**32,821,116**
(Accumulated value adjustments – opening balance)	(8,652,725)
(Amortization during the year)	(4,177,269)
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**(12,829,994)**
Net book value – closing balance	**19,991,122**
Net book value – opening balance	**9,657,943**

* During the year 2019, the addition of the formation expenses is composed of the following elements:

Nature and date of the formation expense	**Amount (In EUR)**
Revolving credit facility costs in March 2018	701,948
Bridge facility costs in December 2019	13,808,500

The movements during 2018 are as follows:

	2018 (In EUR)
Gross book value – opening balance	15,637,023
Addition(s) for the year	2,673,645
(Disposals for the year)	-
Gross book value – closing balance	**18,310,668**
(Accumulated value adjustments – opening balance)	(5,417,472)
(Amortization during the year)	(3,235,253)
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**(8,652,725)**
Net book value – closing balance	**9,657,943**
Net book value – opening balance	**10,219,551**

NOTE 4 - FINANCIAL ASSETS

4.1 Shares in affiliated undertakings

The movements during 2019 are as follows:

	2019 (In EUR)
Gross book value – opening balance	1,515,812,279
Additions for the year	1,777,346,320
(Disposals for the year)	(1,462,123,024)
Gross book value – closing balance	**1,831,035,575**
(Accumulated value adjustments – opening balance)	-
(Allocations for the year)*	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**-**
Net book value – closing balance	**1,831,035,575**
Net book value – opening balance	**1,515,812,279**

The movements during 2018 are as follows:

	2018 (In EUR)
Gross book value – opening balance	1,309,682,216
Additions for the year	206,130,063
(Disposals for the year)	-
Gross book value – closing balance	**1,515,812,279**
(Accumulated value adjustments – opening balance)	-
(Allocations for the year)*	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**-**
Net book value – closing balance	**1,515,812,279**
Net book value – opening balance	**1,309,682,216**

*As at December 31, 2019 and December 31, 2018, the Board of Directors deemed that no permanent impairment in value have occurred in the value of the shares in affiliated undertakings.

NOTE 4 - FINANCIAL ASSETS (continued)

4.1 Shares in affiliated undertakings (continued)

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

Company's name	Registered country	Ownership 2019 %	Ownership 2018 %
Adest Grundstücks GmbH	Germany	94	94
Adoa Grundstücks GmbH	Germany	94	94
Adom Grundstücks GmbH	Germany	94	94
Adon Grundstücks GmbH	Germany	94	94
Ahava Grundstücks GmbH	Germany	94	94
Anafa 1 Grundstücks GmbH	Germany	94	94
Anafa 2 Grundstücks GmbH	Germany	94	94
GAMAZI Grundstücks GmbH	Germany	94	94
Anafa Grundstücks GmbH	Germany	94	94
Badolina Grundstücks GmbH	Germany	94	94
Berale Grundstücks GmbH	Germany	94	94
Bamba Grundstücks GmbH	Germany	94	94
Zman Grundstücks GmbH	Germany	94	94
ADO Immobilien Management GmbH	Germany	100	100
CCM City Construction Management GmbH	Germany	100	100
Drontheimer Str. 4 Grundst. GmbH	Germany	94	94
Eldalote Grundstücks GmbH	Germany	94	94
NUNI Grundstücks GmbH	Germany	94	94
KREMBO Grundstücks GmbH	Germany	94	94
TUSSIK Grundstücks GmbH	Germany	94	94
Geut Grundstücks GmbH	Germany	94	94
Gozal Grundstücks GmbH	Germany	94	94
Gamad Grundstücks GmbH	Germany	94	94
Geshem Grundstücks GmbH	Germany	94	94
Lavlav 1 Grundstücks GmbH	Germany	94	94
Lavlav 2 Grundstücks GmbH	Germany	94	94
Lavlav 3 Grundstücks GmbH	Germany	94	94
Lavlav Grundstücks GmbH	Germany	94	94
Mastik Grundstücks GmbH	Germany	94	94
Maya Grundstücks GmbH	Germany	94	94
Mezi Grundstücks GmbH	Germany	94	94
Muse Grundstücks GmbH	Germany	94	94
Papun Grundstücks GmbH	Germany	94	94
Nehederet Grundstücks GmbH	Germany	94	94
Neshama Grundstücks GmbH	Germany	94	94
Osher Grundstücks GmbH	Germany	94	94
Pola Grundstücks GmbH	Germany	94	94
ADO Properties GmbH	Germany	100	100
Reshet Grundstücks GmbH	Germany	94	94
Sababa 18. Grundstücks GmbH	Germany	94	94
Sababa 19. Grundstücks GmbH	Germany	94	94
Sababa 20. Grundstücks GmbH	Germany	94	94
Sababa 21. Grundstücks GmbH	Germany	94	94
Sababa 22. Grundstücks GmbH	Germany	94	94
Sababa 23. Grundstücks GmbH	Germany	94	94
Sababa 24. Grundstücks GmbH	Germany	94	94
Sababa 25. Grundstücks GmbH	Germany	94	94
Sababa 26. Grundstücks GmbH	Germany	94	94
Sababa 27. Grundstücks GmbH	Germany	94	94

NOTE 4 - FINANCIAL ASSETS (continued)

4.1 Shares in affiliated undertakings (continued)

Company's name	Registered country	Ownership 2019 %	Ownership 2018 %
Sababa 28. Grundstücks GmbH	Germany	94	94
Sababa 29. Grundstücks GmbH	Germany	94	94
Sababa 30. Grundstücks GmbH	Germany	94	94
Sababa 31. Grundstücks GmbH	Germany	94	94
Sababa 32. Grundstücks GmbH	Germany	94	94
Shemesh Grundstücks GmbH	Germany	-	94
Stav Grundstücks GmbH	Germany	94	94
Tamuril Grundstücks GmbH	Germany	94	94
Tara Grundstücks GmbH	Germany	94	94
Tehila 1 Grundstücks GmbH	Germany	94	94
Tehila 2 Grundstücks GmbH	Germany	94	94
Tehila Grundstücks GmbH	Germany	94	94
Trusk Grundstücks GmbH	Germany	94	94
Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	94	94
Yarok Grundstücks GmbH	Germany	94	94
Yahel Grundstücks GmbH	Germany	94	94
Yussifun Grundstücks GmbH	Germany	94	94
Bombila Grundstücks GmbH	Germany	94	94
ADO SBI Holdings S.A. & Co. KG	Germany	94	94
Yabeshet Grundstücks GmbH	Germany	100	100
Melet Grundstücks GmbH	Germany	100	100
Seret Grundstücks GmbH	Germany	100	100
Sheket Grundstücks GmbH	Germany	100	100
Central Facility Management GmbH	Germany	100	100
Arafel Grundstücks GmbH	Germany	100	100
Zamir Grundstücks GmbH	Germany	100	100
Yadit Grundstücks GmbH	Germany	100	100
Sharav Grundstücks GmbH	Germany	100	100
Sipur Grundstücks GmbH	Germany	100	100
Matok Grundstücks GmbH	Germany	100	100
Barbur Grundstücks GmbH	Germany	94.9	94.9
Jessica Properties B.V.	Netherlands	94.5	94.5
Alexandra Properties B.V.	Netherlands	94.44	94.44
Marbien B.V.	Netherlands	94.9	94.9
Meghan Properties B.V.	Netherlands	94.44	94.44
Parpar Grundstücks GmbH	Germany	100	100
ADO Finance B.V.	Netherlands	100	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	60
Songbird 2 ApS	Denmark	60	60
Joysun 1 B.V.	Netherlands	60	60
Joysun 2 B.V.	Netherlands	60	60
Hanpaka Holding GmbH	Germany	100	100
Dvash 1 Holding GmbH	Germany	100	100
Dvash 2 Holding GmbH	Germany	100	100

NOTE 4 - FINANCIAL ASSETS (continued)

4.1 Shares in affiliated undertakings (continued)

Company's name	Registered country	Ownership 2019 %	Ownership 2018 %
Rimon Holding GmbH	Germany	100	100
Bosem Grundstücks GmbH	Germany	100	100
ADO FC Management Unlimited Company	Ireland	-	100
Horef Holding GmbH	Germany	100	100
ADO 9110 Holding GmbH	Germany	100	100
Silan Grundstücks GmbH	Germany	100	100
ADO Sonnensiedlung S.à r.l.	Luxembourg	94.9	94.9
ADO Treasury GmbH	Germany	100	100
ADO 9360 Holding GmbH	Germany	100	100
ADO 9500 Grundstücks GmbH	Germany	94.9	94.9
ADO 9540 Holding GmbH	Germany	100	100
ADO Lux Finance S.à r.l.	Luxembourg	-	100
ADO 9580 Holding GmbH	Germany	100	100
ADO Living GmbH	Germany	100	100
ADO Lux-EEME S.à r.l.	Luxembourg	100	-

These affiliated undertakings form part of the Company's consolidated financial statements prepared under IFRS as adopted by the European Union.

4.2 Loans to affiliated undertakings

The movements during 2019 are as follows:

	2019 (In EUR)
Gross book value – opening balance	22,105,430
Additions for the year	-
(Repayments during the year)	(22,527,861)
(Adjustments during the year)	-
Accrued interest	422,431
Transfers during the year	-
Gross book value – closing balance	**-**
(Accumulated value adjustments – opening balance)	-
(Allocations for the year)	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**-**
Net book value – closing balance	**-**
Net book value – opening balance	**22,105,430**

During the year, the Company received a total repayment of EUR 22,527,861 and booked a total accrued interest of EUR 422,431 related to the loan agreement with ADO Treasury GmbH.

NOTE 4 - FINANCIAL ASSETS (continued)

4.2 Loans to affiliated undertakings (continued)

The movements during 2018 are as follows:

	2018 (In EUR)
Gross book value – opening balance	-
Additions for the year	59,250,000
(Repayments during the year)	(38,350,000)
(Adjustments during the year)	(188,075)
Accrued interest	1,393,505
Transfers during the year	-
Gross book value – closing balance	**22,105,430**
(Accumulated value adjustments – opening balance)	-
(Allocations for the year)*	-
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**-**
Net book value – closing balance	**22,105,430**
Net book value – opening balance	**-**

On January 31, 2018, the Company entered into a loan agreement with ADO Treasury GmbH. According to the agreement, the Company granted an amount of EUR 59,250,000 at an annual interest rate of 4%. During the year, the Company received a total repayment of EUR 38,350,000 and booked a total accrued interest of EUR 1,393,505.

*As at December 31, 2018, the Board of Directors deemed that no permanent impairment in value have occurred in the value of the loans to affiliated undertakings.

NOTE 4 - FINANCIAL ASSETS (continued)

4.3 Investments held as fixed assets

The movements during 2019 are as follows:

	2019 (In EUR)
Gross book value – opening balance	-
Additions for the year	254,319,356
(Disposals for the year)	-
Gross book value – closing balance	**254,319,356**
(Accumulated value adjustments – opening balance)	-
(Additions for the year)*	(68,160,930)
Reversals for the year	-
(Accumulated value adjustments – closing balance)	**(68,160,930)**
Net book value – closing balance	**186,158,426**
Net book value – opening balance	**-**

*As at December 31, 2019, the Board of Directors deemed that an impairment has occurred in the value of the investments held as fixed assets based on the decreasing share prices. The value of the investment has been adjusted according to the share price as of December 31, 2019.

4.3 Investments held as fixed assets

As at the year-end, the Company held the following investments held as fixed assets:

Company's name	Registered country	Ownership 2019 %	Ownership 2018 %
CONSUS Real Estate AG	Germany	18.62	-

NOTE 5 - DEBTORS

5.1 Trade debtors

	December 31, 2019	December 31, 2018
	In EUR	
Becoming due and payable within one year		
Advances to suppliers	-	840,000
Total	**-**	**840,000**

5.2 Amounts owed by affiliated undertakings

	December 31, 2019	December 31, 2018
	In EUR	
Becoming due and payable within one year		
Management fees due from affiliated companies	1,234,642	1,800,000
Other related parties	773,787	151,837
Total	**2,008,429**	**1,951,837**

5.3 Other debtors

	December 31, 2019	December 31, 2018
	In EUR	
Becoming due and payable within one year		
VAT receivable	732,381	325,977
Advance tax payments	125,570	78,200
Total	**857,951**	**404,177**

NOTE 6 - PREPAYMENTS

Prepayments are mainly composed of an amount of EUR 911,740 (2018: EUR 1,111,013) concerning the net value of the discount on the corporate bonds (please refer to the Note 9.1).

NOTE 7 - CAPITAL

7.1 Subscribed capital

Subscribed capital amounts to EUR 54,801 and is divided into 44,194,607 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.

NOTE 7 - CAPITAL (continued)

7.1 Subscribed capital (continued)

The movements during the year are as follows:

	2019	2018
	In EUR	
Subscribed capital – opening balance	54,722	54,684
Increase by incorporation of reserves	79	38
Subscribed capital – closing balance	**54,801**	**54,722**

On July 5, 2019, the Company increased the share capital by EUR 79.17, through incorporation of reserves. The Company issued 63,850 new dematerialized shares without nominal value.

7.2 Share premium

The movements during the year are as follows:

	2019	2018
	In EUR	
Share premium – opening balance	844,345,307	844,345,307
Movements during the year	-	-
Share premium – closing balance	**844,345,307**	**844,345,307**

7.3 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.

NOTE 7 - CAPITAL (continued)

7.4 Movements during the year on the reserves and profit and loss items

The movements during the year are as follows:

	Legal reserve	Other reserves	Profit or loss brought forward	Profit or loss for the financial year
		In EUR		
At the beginning of the year	5,468	437,488	19,766,630	46,226,992
Movements during the year				
Allocation of prior year's result	-	-	46,226,992	(46,226,992)
Allocation to legal reserve	4	-	(4)	-
Allocation to the share capital	-	-	(79)	-
Dividend distribution	-	-	(33,098,068)	-
Result of the year	-	-	-	391,874,636
At the end of the year	**5,472**	**437,488**	**32,895,472**	**391,874,636**

The Company paid a dividend amounting to EUR 33,098,068 based on a resolution taken during the Annual General Meeting of its shareholders which took place on June 20, 2019. The ex-dividend date was June 19, 2019.

NOTE 8 - PROVISIONS

8.1 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 yet been received. The advance payments are shown in the assets of the balance sheet under "Other debtors".

8.2 Other provisions

Other provisions are presented as follows:

	December 31, 2019	2018
	In EUR	
Provision for KPMG audit services	347,591	335,632
Provision for transaction costs	11,357,573	5,541
Provision for costs relating to the capital increase	34,249	34,249
Provision for costs relating to the bond issuance	30,145	55,142
Total	**11,769,558**	**430,564**

Provisions for transaction costs are mainly composed of the transactions costs not yet paid for the disposal of a portfolio in 2019 (EUR 9,200,000) and transaction costs for the acquisition of ADLER Real Estate shares (EUR 2,152,032).

NOTE 9 - CREDITORS

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

	Within one year	After one year and within five years	After more than five years	2019 Total	2018 Total
	In EUR				
9.1 Debenture loans – principal	-	165,000,000	400,000,000	**565,000,000**	**565,000,000**
9.1 Debenture loans – accrued interest	2,821,054	-	-	**2,821,054**	**2,811,988**
Amounts owed to credit institutions	12,722	-	-	**12,722**	**-**
Trade creditors	15,095,389	-	-	**15,095,389**	**1,170,557**
9.2 Amounts owed to affiliated undertakings	274,966,175	-	138,908,731	**413,874,906**	**70,527,291**
9.3 Tax and social security debts	869,939	-	-	**869,939**	**632,077**
9.4 Other creditors	6,207,319	-	-	**6,207,319**	**478,666**
Total	**299,972,598**	**165,000,000**	**538,908,731**	**1,003,881,329**	**640,620,579**

9.1 Debenture loans

On July 20, 2017, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 1.5% per annum and mature on July 26, 2024. The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The discount is shown in the assets of the balance sheet under “Prepayments” (please refer to the Note 6) and will be written off based on a straight-line method over the lifetime of the bond. The net proceeds of the bond have mainly been used to fund future acquisitions.

On March 9, 2018, the Company signed a EUR 200 million revolving credit facility agreement with a two-year term and two extension options, each for one year. The relating upfront fees were recognized under formation expenses in the statement of financial position and will be amortized over four years. During the reporting period, the Company drew down an amount of EUR 30 million from the revolving credit facility. As at December 31, 2019, this amount was paid back in full.

On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million, convertible into new and/or existing ordinary registered shares of the Company. The coupon has been set at 1.25% p.a., payable semi-annually in arrears. The bonds will mature on November 23, 2023. The Company used the net proceeds to repay existing short-term debt, extend the Company's debt maturity profile as well as to strengthen the Company's liquidity position.

The Company undertakes not to incur any financial indebtedness after the issue date of the bonds, and will also procure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) Loan-to-Value Ratio (LTV) ≤ 60%; (ii) Secured Loan-to-Value Ratio ≤ 45%; (iii) Unencumbered Asset Ratio ≥ 125%; and (iv) Interest Coverage Ratio (ICR) ≥ 1.8.

As at December 31, 2019, the Company is fully compliant with all covenant requirements.

NOTE 9 – CREDITORS (continued)

9.2 Amounts owed to affiliated undertakings

	December 31, 2019	December 31, 2018		
	In EUR		Interest rate	Due date
ADO FC Management Unlimited Company	138,908,731	68,848,935	0%	23/07/2025-15/12/2026
German subsidiaries	-	670,713	4-6%	
Other related parties	274,966,175	1,007,643	0%	Current balance
Total	**413,874,906**	**70,527,291**		

ADO FC Management Unlimited Company is a fully owned subsidiary of ADO Lux-EEME S.à r.l. (itself a fully owned subsidiary of the Company), which granted loans to the Company amounting to EUR 138,908,731 at 0% interest with ten-year maturity.

Other related parties are principally composed of a total amount of EUR 265,375,000 due to ADO Lux Finance S.à r.l. and an amount of EUR 8,062,650.85 due to ADO Treasury GmbH.

9.3 Tax and social security debts

	December 31, 2019	December 31, 2018
	In EUR	
Becoming due and payable within one year		
Social security debts	646	975
VAT payable	864,088	629,154
Tax on salaries	2,065	1,948
Tax on director fees	3,140	-
Total	**869,939**	**632,077**

9.4 Other creditors

	December 31, 2019	December 31, 2018
	In EUR	
Becoming due and payable within one year		
Amount payable to staff	2,979,609	474,118
Amount payable to ADO Group Ltd.	63,241	4,548
Other creditors	3,164,469	-
Total	**6,207,319**	**478,666**

NOTE 10 - OTHER EXTERNAL EXPENSES

Other external expenses are presented as follows:

	For the year ended December 31,	
	2019	2018
	In EUR	
Consulting services - external	4,476,082	1,429,675
Accounting and audit fees	1,554,506	1,250,179
Legal fees	1,495,354	733,060
Capital market fees	345,166	670,917
Travel and entertainment costs - staff	375,690	321,714
Consulting services - ADO Group Ltd.	77,879	39,739
Management fees - ADO Properties GmbH	453,295	-
Transactions costs (note 8.2)	9,200,000	-
Data processing	69,526	36,545
Real estate rental building and services	18,865	29,023
Other fees	70,725	67,966
Total	**18,137,087**	**4,578,818**

NOTE 11 - AUDITOR'S REMUNERATION

Fees billed to the Company and its subsidiaries by KPMG Luxembourg, Société coopérative, and other member firms of the KPMG network during the year are as follows (excluding VAT):

	For the year ended December 31,	
	2019	2018
	In EUR	
Audit fees	1,170,980	828,302
Thereof: KPMG Luxembourg, Société coopérative	112,980	90,030
Tax consultancy services	166,275	55,250
Thereof: KPMG Luxembourg, Société coopérative	16,275	15,750
Other non-audit related services	100,000	164,460
Thereof: KPMG Luxembourg, Société coopérative	-	11,550

NOTE 12 - STAFF

As at December 31, 2019, the Company has 4 full-time employees (2018: 4) and 1 part-time (at 3/10) employee since October 2017 with an annual average of 4 employees (2018: 4).

NOTE 13 - EMOLUMENTS GRANTED TO THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

The emoluments granted to the members of the supervisory bodies in that capacity for the financial year are broken down as follows:

	For the year ended December 31,	
	2019	**2018**
	In EUR	
Directors fee granted to the members of the Board of Directors	785,290	608,502
One-time termination payment	1,261,475	278,896
Total	**2,046,765**	**887,398**

The emoluments granted to the members of the senior management (CEO, CFO and COO) are broken down as follows:

	For the year ended December 31,	
	2019	**2018**
	In EUR	
Fixed salary	401,656	662,000
Short-term cash incentive	329,289	349,000
Long-term incentive	572,743	376,440
One-time termination payment	2,800,388	-
Total	**4,104,076**	**1,390,290**

NOTE 14 - RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in the annual accounts, the Company did not enter into any other material related party transactions with its related parties during the year.

NOTE 15 - OFF BALANCE SHEET COMMITMENTS

Based on the agreements signed by the Company in respect of the revolving credit facility (please refer to Note 3) and the issuance of the corporate bond and the convertible bond (please refer to Note 9.1) the Company is bound by a negative pledge clause.

The Company issued “Letters of Comfort” to some of the German subsidiaries in order to avoid illiquidity or over indebtedness of these companies.

On December 15, 2019, the Company (the Purchaser) is entered in a call option agreement with the major shareholder of Consus Real Estate AG to acquire an additional 50,97% of Consus shares.

The option is exercisable from the date of the signing of the option agreement until June 16, 2021 by giving written notice thereof to the Seller.

As a last step, the Company committed itself to also make a voluntary public takeover offer over the remaining Consus’ shares should the Company exercise the call option.

NOTE 16 - SUBSEQUENT EVENTS

A. On January 30, 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of Coronavirus. Since 11 March 2020, the WHO has classified the spread of the Coronavirus as a pandemic. The further spread of the coronavirus and its consequences on the business of ADO Properties S.A. are constantly monitored. The impact of the Coronavirus on the overall economy in Germany is uncertain at the time the financial statements were prepared and could be considerable. However, it is not yet expected to have any direct or significant effects on the German real estate market. Currently in Germany the rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general conditions on the residential market.

As of 25 March 2020, the Federal Government issued a legislative package to mitigate the consequences of the coronavirus which also affects rental and lease agreements. The landlord is not entitled to terminate a contract solely on account of default of payment by the tenant in the period 1 April to 30 June 2020, if the default is due to the effects of the pandemic and the tenant can provide credible evidence of the connection between the pandemic and the delay in payment. The Federal Government is authorised to extend the regulations from 1 July to 30 September 2020.

ADO Properties S.A. is continuously monitoring the impact of the Covid-19, however this event has been considered a non-adjusting events in the preparation of these consolidated financial statements.

B. On September 26, 2019 the Company has announced the entering into of a share purchase agreement for the sale of 100% of the shares of certain subsidiaries owning 23 properties consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares is EUR 920 million, less approximately EUR 340 million of net debt of the companies being sold, as a result, the company recognized increase in fair value of investment property in an amount of 84m. The assets are located in the Spandau and Reinickendorf districts in the West and the North of Berlin, most of which were acquired in 2015. The Company recognized transaction costs in a total amount of EUR 10.8 million including broker fees, bonuses and professional services related to the sale. In addition, the Company also recognized profit from the sale in an amount of EUR 78m for deferred tax liabilities which were not included in the purchase price calculation. On November 29, 2019 the Company announced the completion of its sale.

C. On 15 December 2019, the Company resolved to make a voluntary public takeover offer in the form of an exchange offer (“Offer”) to the shareholders of ADLER Real Estate Aktiengesellscahft (“Adler”). ADO Properties has offered 0.4164 new shares in ADO Properties as consideration in exchange for each tendered share in Adler. The offered ADO Properties shares will be created on 31 March 2020, by way of capital increase by exercising the authorized capital of ADO Properties pursuant to Section 5 of its articles of association (via a board of directors’ resolution of ADO Properties).

The Offer closed on 25 March 2020 with an acceptance rate of 91.93%. The newly issued shares of ADO Properties will be listed at the Frankfurt stock exchange.

Closing of the Offer will trigger change-of-control rights under, inter alia, a EUR 885 million bridge loan of ADLER and certain other financings entered into by Adler and/or its respective subsidiaries. ADO Properties intends to refinance the EUR 885 million bridge loan and all other debt of ADLER and ADLER’s subsidiaries in relation to which creditors exercise their change-of-control rights with loans utilized under the EUR 3,463 million bridge facility agreement with J.P. Morgan Securities Plc, J.P. Morgan AG and J.P. Morgan Europe Limited. As at March 31, 2020 the maximum nominal amount of the bridge facility agreement has been reduced to EUR 2,424 million.

As of the reporting date, the business combination agreement have not been completed and therefore are not reflected in these financial statements.

D. On 15 December 2019, the Company also entered into an agreement with several shareholders of Consus Real Estate AG ("Consus") to acquire 22.18% of the outstanding shares. Additionally, the Company entered into a call option agreement with a major shareholder of Consus to acquire an additional 50.97% in Consus. As a last step, the Company committed itself to also make a voluntary public takeover offer over the remaining Consus' shares should the Company exercise the call option. As at 31 December 2019 the company acquired 18.62% of Consus shares. The remaining 3.56% was acquired in January 2020.

Upon investment of the Company into Consus, the Company did not receive any right to appoint any board members and does not have any representation in any of the boards of Consus as of December 31, 2019. The option is exercisable from the date of signing of the option agreement, i.e. 15 December 2019, until 16 June 2021. If the Company wants to exercise the option, it needs to issue an exercise notice and the assignment of the shares needs to occur within 15 business days after all relevant merger clearance approvals have been obtained. Under the put option, the shareholder of Consus shall have the right to request from the Company that it acquires the relevant shares, if a change of control event at the Company occurs. It shall be exercisable by the shareholder within 5 business days after the occurrence of a change of control event by giving written notice thereof to the Company.

The Group has assessed its investment in Consus and determined that it does not have significant influence due to, inter alia, its current voting rights, the lack of board representation, the relative size and dispersion of the holdings of other shareholders. In addition, the option is not currently exercisable as it requires various approvals which are not mere formality. Therefore, the investment is classified as a financial asset.

E. Following the conclusion of the Strategic Cooperation Agreement, on January 17, 2020, the Company entered into a letter of intent with Consus Swiss Finance AG, which as amended on February 21, 2020, for the purchase of 89.9% of the shares in all companies that hold plots of land belonging to the Holsten Quartier project development in Hamburg (the "Holsten Quartier"). The provisional purchase price for 100% of the shares in Holsten Quartier is €320 million on a cash-free debt-free basis, subject to finalization of the Company's due diligence. In exchange for a €50 million down-payment, of which €40 million do not have to be paid before certain collateral requirements have been fulfilled, Consus Swiss Finance AG granted the Company exclusivity for twelve months to continue and finalize the legal, technical, economic and tax due diligence. There is no obligation to enter into a share purchase agreement and the signing of the share purchase agreement is subject to the satisfactory completion of the due diligence.

F. On February 6, 2020 ADO Properties granted an interest bearing loan of EUR 43,542,242 to Taurecon Invest IX GmbH i.Gr. ("Taurecon"). The loan has a term until February 15, 2023 and was used by Taurecon to purchase from ADO Group Ltd. (a wholly owned subsidiary of Adler) its minority shareholdings in various entities in which ADO Properties (directly or directly) owns the majority of shares. The loan amount may increase or decrease, as the case may be, if and to the extent the final purchase price to be paid by Taurecon for the purchase or the shares may be adjusted going forward.

G. On March 25, 2020 the Company decided to make a voluntary public takeover offer (the "Takeover Offer") to all shareholders of WESTGRUND Aktiengesellschaft (the "Target") for the acquisition of all bearer shares in the Target, each share representing a proportionate amount of

EUR 1.00 of the share capital of the Target (the “WESTGRUND Shares”) against payment of a cash consideration, the amount of which at least corresponds to the value of the business calculated on the basis of a valuation of the Target in accordance with Section 31 para. 1, 2 and 7 WpÜG in conjunction with Section 5 para. 4 of the German WpÜG Offer Ordinance (WpÜG-Angebotsverordnung).

H. In respect of the revolving credit facility agreement (see note 14D), on March 26, 2020, the Group drawdown an amount of EUR 175m..

ADO Properties S.A.
Consolidated Financial Statements

As at and for the year ended
December 31, 2019

Audited

Consolidated Financial Statements

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To the Shareholders of
ADO Properties S.A.
1B Heienhaff
L-1736 Senningerberg
Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of ADO Properties S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition for investment properties

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

Refer to Note 17 to the consolidated financial statements for related disclosures. Revenue for the Group consists primarily of rental income. We identified revenue recognition as a key audit matter as revenue is an important measure used to evaluate the performance of the Group and there is a risk that revenue is overstated.

b) *How the matter was addressed in our audit*

Our procedures over revenue recognition included, but were not limited to:

— Evaluating the design and implementation and of operating effectiveness of key internal controls over the recording of revenue for the investment properties;

— Comparing rental revenue with underlying tenancy information, including monthly rents and rental periods as set out in the signed rental agreements, on a sample basis, and assessing whether fixed rental revenue had been recorded in the appropriate accounting period; and

— Performing substantive analytical procedures on the rental income by building an expectation for the rental income and comparing it to the actual rental income disclosed in the consolidated financial statements.

Valuation of investment properties

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

Refer to Note 5 to the consolidated financial statements for related disclosures. We identified the valuation of investment properties as a key audit matter as they represent approximately 82.44% of total assets of the Group, and significant judgement is required in determining their fair value.

The investment properties are stated at their fair values based on reports by independent external valuers (hereafter “the Valuer”).

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. In determining the property's valuation, the Valuer takes into account property specific characteristics and information including the rental income. The Valuer applies assumptions for estimated market rent, capitalization interest rate and discount rate, which are influenced by prevailing market conditions and comparable market transactions, to arrive at the final valuation.

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

b) How the matter was addressed in our audit

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

— Evaluating the qualifications and competence of the external Valuer and reading the terms of engagement of the Valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

— Involving our own valuation specialists to evaluate the valuation methodologies used and to test the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents on a sample basis;

— Involving our own valuation specialists to challenge the capitalisation and discount rates used in the valuation by comparing them with historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the Valuer; and

— Assessing the adequacy of the descriptions in the consolidated financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report including the combined management report and the Corporate Governance Report 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.

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

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

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

Responsibilities of the Réviseur d’Entreprises agréé for the audit of the consolidated financial statements

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

— Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

We have been appointed as "Réviseur d'Entreprises agréé" by the General Meeting of the Shareholders on June 20, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is five years, four years of which was since the Company became a public interest entity.

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

The accompanying Corporate Governance Report is presented on pages 18 to 27. The information required by Article 68ter paragraph (1) letters c) and d) of the law of December

19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

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

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Other matter

The Corporate Governance Report includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

Luxembourg, March 30, 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Associate Partner

Consolidated Statement of Financial Position

(In EUR thousand)

	Note	As at December 31, 2019	As at December 31, 2018(*)
Assets			
Non-current assets			
Investment properties	5	**3,624,453**	4,044,023
Investment in financial instrument	27D	**186,158**	-
Advances in respect of investment properties		**6,300**	6,300
Property and equipment	5A	**10,927**	3,495
Other financial assets	27D	**98,871**	6,615
Restricted bank deposits	7	**3,873**	3,859
Deferred expenses		**745**	791
Right-of-use assets	2	**814**	-
Deferred tax assets	16D	**-**	732
		3,932,141	4,065,815
Current assets			
Trading properties	6	**25,860**	35,028
Restricted bank deposits	7	**26,494**	24,752
Trade receivables	8	**15,570**	13,313
Other receivables	9	**8,842**	3,299
Cash and cash equivalents	10	**387,558**	27,966
		464,324	104,358
Total assets		**4,396,465**	4,170,173
Shareholders' equity	12		
Share capital		**55**	55
Share premium	12A	**500,608**	499,209
Reserves		**250,684**	324,877
Retained earnings		**1,895,445**	1,326,538
Total equity attributable to owners of the Company		**2,646,792**	2,150,679
Non-controlling interests		**51,653**	46,603
Total equity		**2,698,445**	2,197,282
Liabilities			
Non-current liabilities			
Corporate bonds	13	**397,433**	396,899
Convertible bonds	13	**156,334**	154,252
Other loans and borrowings	14	**740,212**	1,040,909
Other financial liabilities	11	**46,416**	40,492
Derivatives	22	**6,091**	16,236
Lease liabilities	2	**473**	-
Deferred tax liabilities	16D	**239,347**	249,114
		1,586,306	1,897,902
Current liabilities			
Other loans and borrowings	14	**37,605**	17,064
Other financial liabilities	11	**1,535**	1,535
Trade payables		**22,079**	18,497
Other payables	15	**49,613**	37,790
Lease liabilities	2	**823**	-
Derivatives	22	**59**	103
		111,714	74,989
Total equity and liabilities		**4,396,465**	4,170,173

(*) See note 2 regarding the adaptation of IFRS 16

Thierry Beaudemoulin CEO	Dr. Peter Maser Chairman of the Board of Directors

Date of approval: March 30, 2020

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss

(In EUR thousand)

	Note	For the year ended December 31, 2019	2018(*)	2017(*)
Revenue	17	**156,520**	154,853	128,852
Cost of operations	18	**(44,011)**	(41,996)	(36,174)
Gross profit		**112,509**	112,857	92,678
General and administrative expenses	19	**(25,050)**	(18,451)	(12,762)
Other expenses	27B,C	**(13,188)**	-	-
Other income	27B	**78,132**	-	-
Changes in fair value of investment properties	5	**461,517**	404,936	383,638
Results from operating activities		**613,920**	499,342	463,554
Finance income	27D	**102,475**	1,399	1,602
Finance costs		**(32,375)**	(32,915)	(29,609)
Net finance costs	20	**70,100**	(31,516)	(28,007)
Profit before tax		**684,020**	467,826	435,547
Income tax expense	16	**(77,096)**	(70,362)	(68,035)
Profit for the year		**606,924**	397,464	367,512
Profit attributable to:				
Owners of the Company		**601,874**	386,964	355,970
Non-controlling interest		**5,050**	10,500	11,542
Profit for the year		**606,924**	397,464	367,512
Basic earnings per share (in EUR)	21	**13.63**	8.77	8.07
Diluted earnings per share (in EUR)		**12.74**	8.77	8.07

The accompanying notes are an integral part of these consolidated financial statements.

(*) See note 2 regarding the adaptation of IFRS 16

Consolidated Statement of Comprehensive Income

(In EUR thousand)

	Note	2019	2018	2017
		For the year ended December 31,		
Profit for the year		**606,924**	397,464	367,512
Items that may be reclassified subsequently to profit or loss				
Hedging reserve classified to profit or loss, net of tax		**-**	10	-
Effective portion of changes in fair value of cash flow hedges	22	**10**	200	1,218
Related tax		**(2)**	(33)	60
Reserve from financial asset measured at fair value through other comprehensive income net of tax		**(67,510)**	-	-
Total other comprehensive income		**(67,502)**	177	1,278
Total comprehensive income for the year		**539,422**	397,641	368,790
Total comprehensive income attributable to:				
Owners of the Company		**534,372**	387,141	357,246
Non-controlling interests		**5,050**	10,500	11,544
Total comprehensive income for the year		**539,422**	397,641	368,790

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(In EUR thousand)

	Note	For the year ended December 31, 2019	2018(*)	2017(*)
Cash flows from operating activities				
Profit for the year		**606,924**	397,464	367,512
Adjustments for:				
Depreciation		**1,488**	527	452
Profit from selling portfolio		**(78,132)**	-	-
Change in fair value of investment properties	5	**(461,517)**	(404,936)	(383,638)
Net finance costs	20	**(70,100)**	31,516	28,007
Income tax expense	16	**77,096**	70,362	68,035
Share-based payment		**1,530**	546	564
Change in short-term restricted bank deposits related to tenants		**(2,142)**	(1,624)	(4,727)
Change in long-term restricted bank deposits from condominium sales		**(4,102)**	(3,320)	(539)(**)
Change in trade receivables		**(2,959)**	(2,926)	(3,148)
Change in other receivables		**(2,931)**	2,427	(3,742)
Change in trading properties		**9,168**	13,585	12,830
Change in trade payables		**5,632**	4,623	1,408
Change in other payables		**15,896**	(156)	4,163
Income tax paid		**(7,087)**	(4,155)	(864)
Net cash from operating activities		**88,764**	103,933	86,313
Cash flows from investing activities				
Purchase of and CAPEX on investment properties	5	**(44,068)**	(117,118)	(189,182)
Advances paid for investment property purchase		**-**	-	(33,975)
Proceeds from selling portfolio		**570,335**	-	-
Investment in financial instrument		**(254,342)**	-	-
Purchase of property and equipment		**(3,121)**	(1,182)	(795)
Interest received		**39**	143	3
Acquisition of subsidiaries, net of acquired cash	3	**-**	(216,685)	(280,542)
Change in short-term restricted bank deposits, net		**218**	808	9,992(**)
Net cash used in investing activities		**269,061**	(334,034)	(494,499)
Cash flows from financing activities				
Proceeds from issuance of corporate bonds, net	13	**-**	-	396,185
Proceeds from issuance of convertible bonds, net	13	**-**	163,740	-
Long-term loans received	14	**79,427**	121,637	114,606
Repayment of long-term loans	14	**(15,876)**	(93,283)	(116,061)(**)
Proceeds from issuance of commercial papers	14	**-**	673,000	-
Repayment of commercial papers	14	**-**	(673,000)	-
Upfront fees paid for credit facilities	14	**(702)**	(1,377)	-
Repayment of short-term loans		**-**	(2,300)	(10,487)(**)
Interest paid		**(26,427)**	(24,873)	(18,103)
Payment of lease liabilities		**(789)**	-	-
Compensation fee payments in respect of other financial liabilities	11	**(768)**	(537)	-
Payment from settlement of derivatives		**-**	(10)	-
Issuance of ordinary shares, net		***	-	-
Dividend distributed	12	**(33,098)**	(26,460)	(19,845)
Net cash from financing activities		**1,767**	136,537	346,295
Change in cash and cash equivalents during the year		**359,592**	(93,564)	(61,891)
Cash and cash equivalents at the beginning of the year		**27,966**	121,530	183,421
Cash and cash equivalents at the end of the year		**387,558**	27,966	121,530

(*) See note 2 regarding the adaptation of IFRS 16

(**) Immaterial adjustment of comparative data.

(***) Represents an amount less than EUR 1 thousand.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(In EUR thousand)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Reserve financial asset measured at fair value through other comprehensive income	Retained earnings	Total	Non-controlling interests	Total Equity
Balance as at January 1, 2019	**55**	**499,209**	**(859)**	**325,736**	**-**	**1,326,538**	**2,150,679**	**46,603**	**2,197,282**
Total comprehensive income for the year									
Profit for the year	**-**	**-**	**-**	**-**	**-**	**601,874**	**601,874**	**5,050**	**606,924**
Other comprehensive income for the year, net of tax	**-**	**-**	**9**	**-**	**(67,510)**	**-**	**(67,501)**	**-**	**(67,501)**
Total comprehensive income for the year	**-**	**-**	**9**	**-**	**(67,510)**	**601,874**	**534,373**	**5,050**	**539,423**
Transactions with owners, recognized directly in equity									
Issuance of ordinary shares, net (see note 12)	*	**1,399**	**-**	**-**	**-**	**(1,399)**	**-**	**-**	**-**
Changes in put option (see note 11)	**-**	**-**	**-**	**(6,692)**	**-**		**(6,692)**	**-**	**(6,692)**
Dividend distributed (see note 12)	**-**	**-**	**-**	**-**	**-**	**(33,098)**	**(33,098)**	**-**	**(33,098)**
Share-based payment	**-**	**-**	**-**	**-**	**-**	**1,530**	**1,530**	**-**	**1,530**
Balance as at December 31, 2019	**55**	**500,608**	**(850)**	**319,044**	**(67,510)**	**1,895,445**	**2,646,792**	**51,653**	**2,698,445**

(*) Represents an amount less than EUR 1 thousand.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(In EUR thousand)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2018	55	498,607	(1,036)	331,674	966,090	1,795,390	36,103	1,831,493
Total comprehensive income for the year								
Profit for the year	-	-	-	-	386,964	386,964	10,500	397,464
Other comprehensive income for the year, net of tax	-	-	177	-	-	177	-	177
Total comprehensive income for the year	-	-	177	-	386,964	387,141	10,500	397,641
Transactions with owners, recognized directly in equity								
Issuance of ordinary shares, net (see note 12)	(*)	602	-	-	(602)	-	-	-
Changes in put option (see note 11)	-	-	-	(5,938)	-	(5,938)	-	(5,938)
Dividend distributed (see note 12)	-	-	-	-	(26,460)	(26,460)	-	(26,460)
Share-based payment (see note 20)	-	-	-	-	546	546	-	546
Balance as at December 31, 2018	55	499,209	(859)	325,736	1,326,538	2,150,679	46,603	2,197,282

(*) Represents an amount less than EUR 1 thousand.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(In EUR thousand)

	Share capital	Share premium	Hedging reserves	Capital reserve from transactions with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at January 1, 2017	55	499,520	(2,312)	336,184	628,498	1,461,945	24,559	1,486,504
Total comprehensive income for the year								
Profit for the year	-	-	-	-	355,970	355,970	11,542	367,512
Other comprehensive income for the year, net of tax	-	-	1,276	-	-	1,276	2	1,278
Total comprehensive income for the year	-	-	1,276	-	355,970	357,246	11,544	368,790
Transactions with owners, recognized directly in equity								
Changes in put option (see note 11)	-	-	-	(4,520)	-	(4,520)	-	(4,520)
Dividend distributed	-	(913)	-	-	(18,932)	(19,845)	-	(19,845)
Share-based payment (see note 20)	-	-	-	10	554	564	-	564
Balance as at December 31, 2017	55	498,607	(1,036)	331,674	966,090	1,795,390	36,103	1,831,493

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 – ADO Properties S.A.

ADO Properties S.A. (the "Company") was incorporated on November 13, 2007 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 and sells units as a separate condominium in Berlin, Germany.

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 Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

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

The Company is a direct subsidiary of ADO Group Ltd ("ADO Group"), an Israeli company.

The consolidated financial statements of the Company as at December 31, 2019 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, 2019, 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 30, 2020.

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 financial 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.

Note 2 – Basis of Preparation (continued)

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:

- <u>Note 16 – Uncertain tax positions (judgments)</u>
  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. New information may become available that causes the Group to change its judgment, resulting in recognition of additional income tax expense in the period that such a change in judgment occurs.

- <u>Note 16 – Regarding the utilization of losses carried forward (estimations)</u>
  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 losses carried forward 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 estimation 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.

- <u>Note 5 – Regarding fair value measurement of investment properties (estimations)</u>
  The fair value of investment properties as at December 31, 2019 was assessed by CBRE, an industry specialist that has appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. 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, impacting the profit or loss from changes in fair value of investment properties in the period that such a change in estimations occurs.

- <u>Note 22 – Regarding measurement of derivatives at fair value (estimation)</u>
  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. New information may become available that causes the Group to change its estimation, impacting the profit or loss from changes in fair value of derivatives in the period that such a change in estimations occurs.

- <u>Note 3 – Regarding acquistions of companies holding real estate assets (judgment)</u>
  When buying a company holding real estate assets ("Property Company"), 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.

Note 2 – Basis of Preparation (continued)

E. Use of estimates, judgments and fair value measurement (continued)

- Note 17 – Regarding principle versus agent considerations (judgment)
  The Group provides ancillary services to tenants, mainly utilities, for which it re-charges the tenants. The Group uses judgment when it examines whether it acts as a principal or as an agent in providing the services to tenants. The Group examined the indicators in IFRS 15, mainly whether it is the primarily responsible for fulfilling the promise to perform the specific services and whether it has discretion in determining the price for the services. For charges with respect to utilities such as supply of cold water, draining, street cleaning etc., the Group believes that it is acting as an agent and such charges are recognized on a net basis. For other charges, such as cleaning, gardening and certain maintenance services, the Group believes that it is acting as a principal and accordingly they are recognized on a gross basis. Property tax and insurance are not within the scope of IFRS 15.

- Note 27 – Control analysis
  The Group exercises judgment in examining control over investees. For the purpose of this assessment, the Group examines the structure and characteristics of the investee companies, the relevant activities and shareholder agreements in these companies, as well as potential voting rights. In accordance with this examination, the Group exercises discretion as to whether it has the current ability to direct relevant activities in the investees, whether its rights in these companies are substantial and provide power over the investee and whether it has the ability to use its power to affect the returns from its investment. Determining the existence of control may affect the consolidation of the assets, liabilities and results of operations of the investee companies.

- Note 27 –Significant influence analysis
  The Group exercises judgment in examining significant influence over investees. For the purpose of this assessment, the Group examines its voting rights in the investee, whether it has board representation, the relative size and dispersion of the holdings of other shareholders and the existence of potential voting rights that are currently exercisable or convertible. In accordance with this examination, the Group exercises discretion as to whether it has power to participate in the financial and operating policy decisions of the investee. Determining the existence of significant influence may lead to equity accounting regarding the investee's assets, liabilities and results of operations.

Determination 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 22, 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 2 – Basis of Preparation (continued)

F. Changes in accounting policies

As from January 1, 2019, the Group applies the new standards and amendments to standards described below:

- IFRS 16 *Leases*

The Group has initially adopted IFRS 16 from January 1, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group elected to apply the standard using the modified retrospective approach, with an adjustment to the balance of retained earnings as at January 1, 2019 and without a restatement of comparative data. In respect of all the leases, the Group elected to apply the transitional provisions such that on the date of initial application it recognized a liability at the present value of the balance of future lease payments discounted at its incremental borrowing rate at that date calculated according to the average duration of the remaining lease period as from the date of initial application, and concurrently recognized a right-of-use asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application. Therefore, application of the standard did not have an effect on the Group's equity at the date of initial application.

Furthermore, as part of the initial application of the standard, the Group has chosen to apply the following expedients:

- Applying the practical expedient regarding the recognition and measurement of leases where the underlying asset has a low value;
- Applying the practical expedient regarding the recognition and measurement of short-term leases, for both leases that end within 12 months from the date of initial application and leases for a period of up to 12 months from the date of their inception for all groups of underlying assets to which the right-of-use relates.

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:
(1) The right to obtain substantially all the economic benefits from use of the identified asset; and
(2) The right to direct the identified asset's use.

For lease contracts that contain non-lease components, such as services or maintenance that are related to a lease component, the Group elected to account for the contract as a single lease component without separating the components.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized EUR 1,553 thousand of right-of-use assets and a EUR 1,553 thousand lease liability as at January 1, 2019.

Note 2 – Basis of Preparation (continued)

F. Changes in accounting policies (continued)

- IFRS 16 *Leases* (continued)

As at December 31, 2019, the balance of right-of-use assets amounted to EUR 814 thousand and of the lease liability to EUR 1, 296 thousand. Also in relation to those leases under IFRS 16, the Group recognized depreciation and interest costs instead of operating lease expense. During the year ended December 31, 2019, the Group recognized EUR 739 thousand of depreciation changes and EUR 531 thousand interest costs from these leases.

- IFRIC 23 *Uncertainty Over Income Tax Treatments*

The Group has initially adopted IFRIC 23 *Uncertainty Over Income Tax Treatments* from 1 January 2019, but it does not have a material effect on the Group's condensed consolidated interim financial statements.

G. New standards and interpretations not yet adopted

- IFRS 3 *Business Combinations*

The Amendment is effective for transactions to acquire an asset or business for which the acquisition date is in annual periods beginning on or after January 1, 2020, with earlier application being permitted.

In the opinion of the Group, application of the Amendment does not have a material effect on the accounting treatment of future acquisitions of operations.

- Amendment to IAS 1

The Amendment replaces certain classification requirements for current or non-current liabilities. Thus for example, according to the Amendment, a liability will be classified as non-current when the entity has the right to defer settlement for at least 12 months after the reporting period, and it "has substance" and is in existence at the end of the reporting period. A right is in existence at the end of the reporting period only if the entity complies with conditions for deferring settlement at that date. Furthermore, the Amendment clarifies that the conversion option of a liability will affect its classification as current or non-current, other than when the conversion option is recognized as equity.

The Amendment is effective for reporting periods beginning on or after January 1, 2022 and is applicable retrospectively, including an amendment to comparative data.

The Group has not yet commenced examining the effects of applying the Amendment on the financial statements.

H. Change in classification

The Group performed immaterial reclassifications in the comparative figures in order to align the classification in the comparative figures to the figures of the year ended December 31, 2019.

Note 3 – Basis of Consolidation

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, 199 subsidiaries (2018: 206) have been included in these consolidated financial statements.

When buying a company holding real estate assets ("Property Company"), 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.

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 at 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 properties 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 of deposits in banks that the Group has pledged to secure banking facilities, deposits received from tenants, and restricted proceeds from condominium sales. The Group cannot use these deposits freely for operations. The basis of measurement of the restricted bank deposits is amortized cost.

D. 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. The basis of measurement of the cash and cash equivalents is amortized cost.

E. Financial instruments

(1) Non-derivative financial assets – policy applicable as from January 1, 2018

Initial recognition and measurement of financial assets

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

The Group initially recognizes trade receivables and debt instruments issued on the date that they are created. 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. Except of items measured at fair value through profit or loss, a financial asset is initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. A trade receivable without a significant financing component is initially measured at the transaction price. Receivables originating from contract assets are initially measured at the carrying amount of the contract assets on the date classification was changed from contract asset to receivables.

Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the Group to the cash flows from the asset expire, or the Group 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. When the Group retains substantially all of the risks and rewards of ownership of the financial asset, it continues to recognize the financial asset.

Classification of financial assets into categories and the accounting treatment of each category

Financial assets are classified at initial recognition to one of the following measurement categories: amortized cost, fair value through profit or loss or fair value through other comprehensive income.

Financial assets are not reclassified in subsequent periods unless, and only if, the Group changes its business model for the management of financial debt assets, in which case the affected financial debt assets are reclassified at the beginning of the period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets so as to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows representing solely payments of principal and interest on the principal amount outstanding on specified dates.

All financial assets not classified as measured at amortized cost as described above, as well as financial assets designated at fair value through profit or loss, are measured at fair value through profit or loss.

In certain cases, on initial recognition of an equity investment that is not held for trading, the Group irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

(1) Non-derivative financial assets – policy applicable as from January 1, 2018 (continued)

Classification of financial assets into categories and the accounting treatment of each category (continued)

The Group has balances of trade and other receivables and deposits that are held within a business model whose objective is collecting contractual cash flows. The contractual cash flows of these financial assets represent solely payments of principal and interest that reflects consideration for the time value of money and the credit risk. Accordingly, these financial assets are measured at amortized cost.

Assessment whether cash flows are solely payments of principal and interest

For the purpose of assessing whether the cash flows are solely payments of principal and interest, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the timing or amount of the cash flows;
- Terms that may change the stated interest rate, including variable interest; and
- Terms that limit the Group's claim to cash flows from specified assets (for example a non-recourse financial asset).

Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss
These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in profit or loss (other than certain derivatives designated as hedging instruments).

Financial assets at amortized cost
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial assets at fair value through other comprehensive income
These assets are subsequently measured at fair value. Net gains and losses, including any interest income or dividend income, are recognized in other comprehensive income.

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

(2) Non-derivative financial assets – policy applicable before January 1, 2018

The Group's non-derivative financial assets are receivables. The Group initially recognizes receivables 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.

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

(3) Non-derivative financial liabilities

Non-derivative financial liabilities include bonds, loans and borrowings from banks and others, trade and other payables.
The Group initially recognizes financial liabilities on the trade date when 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.

The accounting policy with regard to non-derivative financial liabilities in 2019 is similar to the accounting policy in 2018.

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

(4) <u>Share capital – ordinary shares</u>

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.

(5) <u>Derivative financial instruments, including hedge accounting</u>

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.

The accounting policy applied in the comparative information presented for 2019 and 2018 is similar to that applied for 2019. For cash flow hedges that were terminated before 2017, the change in fair value that is attributed to the forward element was recognized immediately in profit or loss.

Note 4 – Significant Accounting Policies (continued)

E. Financial instruments (continued)

(5) <u>Derivative financial instruments, including hedge accounting (continued)</u>

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 financial liabilities and other financial asset.

(6) <u>Hybrid financial instruments (convertible bond)</u>

Liabilities that are convertible into shares at the option of the holder, including a cash settlement option in favor of the Group, are a hybrid instrument (combined) that is fully presented as a financial liability.
The instrument is split into two components for measurement purposes: a liability component without a conversion feature that is measured at amortized cost according to the effective interest method, and a conversion option that is an embedded derivative and is measured at fair value at each reporting date.

Separable embedded derivatives that do not serve hedging purposes
Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset. Embedded derivatives are separated from the host contract and accounted for separately if: (a) the economic characteristics and risks of the host contract and the embedded derivative are not closely related, (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and (c) the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives are recognized in profit or loss, as financing income or expense.

F. Impairment

(1) Non-derivative financial assets – policy applicable as from January 1, 2018

Financial assets

The Group recognizes a provision for expected credit losses in respect of financial assets at amortized cost.

The Group has elected to measure the provision for expected credit losses in respect of trade receivables at an amount equal to the full lifetime credit losses of the instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available with no undue cost or effort. Such information includes quantitative and qualitative information, and an analysis based on the Group’s past experience and informed credit assessment, and it includes forward looking information.

The Group assumes that the credit risk of a financial asset has increased significantly since initial recognition when contractual payments are past due for more than 180 days.

Note 4 – Significant Accounting Policies (continued)

F. Impairment (continued)

(1) Non-derivative financial assets – policy applicable as from January 1, 2018 (continued)

Financial assets (continued)

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full; or
- The contractual payments of the financial asset are past due for more than 180 days.

Lifetime expected credit losses are expected credit losses that result from all possible default events over the expected life of the financial asset. The maximum period considered when assessing expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the nominal value of the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or payments being past due.

Presentation of provision for expected credit losses in the statement of financial position

Provisions for expected credit losses of financial assets measured at amortized cost are deducted from the gross carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group does not have reasonable expectations of recovering a financial asset at its entirety or a portion thereof. This is usually the case when the Group determines that the debtor does not have assets or sources of income that may generate sufficient cash flows for paying the amounts being written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Write-off constitutes a derecognition event.

Note 4 – Significant Accounting Policies (continued)

F. Impairment (continued)

(2) Non-derivative financial assets– policy applicable before January 1, 2018

A financial asset not carried at fair value through profit or loss is tested for impairment when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized (such as repayment by the debtor). For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(3) Non-financial assets

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) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

G. Provisions

Provisions are recognized in other payables 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. Provisions are measured on the basis of discounted expected future cash flows.

Note 4 – Significant Accounting Policies (continued)

H. 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 transactions with the controlling shareholder. Share-based payment arrangements in which the Company's equity instruments are granted are recognized in the retained earnings.

I. Revenue recognition

Policy applicable as from January 1, 2018
The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties.

Identifying the contract

The Group accounts for a contract with a customer only when the following conditions are met:

(a) The parties to the contract have approved the contract (in writing, orally or according to other customary business practices) and they are committed to satisfying the obligations attributable to them;
(b) The Group can identify the rights of each party in relation to the goods or services that will be transferred;
(c) The Group can identify the payment terms for the goods or services, that will be transferred;
(d) The contract has a commercial substance (i.e. the risk, timing and amount of the entity's future cash flows are expected to change as a result of the contract); and
(e) It is probable that the consideration, to which the Group is entitled to in exchange for the goods or services transferred to the customer, will be collected.

For the purpose of paragraph (e) the Group examines, inter alia, the percentage of the advance payments received and the spread of the contractual payments, past experience with the customer and the status and existence of sufficient collateral.

If a contract with a customer does not meet all of the above criteria, consideration received from the customer is recognized as a liability until the criteria are met or when one of the following events occurs: the Group has no remaining obligations to transfer goods or services to the customer and any consideration promised by the customer has been received and cannot be returned; or the contract has been terminated and the consideration received from the customer cannot be refunded.

Note 4 – Significant Accounting Policies (continued)

I. Revenue recognition (continued)

Determining the transaction price

The transaction price is the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer, other than amounts collected for third parties. The Group takes into account the effects of all the following elements when determining the transaction price: the existence of a significant financing component, non-cash consideration, and consideration payable to the customer.

Satisfaction of performance obligations

Revenue is recognized when the Group satisfies a performance obligation by transferring control over promised goods or services to the customer.

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.

Principal or agent

When another party is involved in providing goods or services to the customer, the Group examines whether the nature of its promise is a performance obligation to provide the defined goods or services itself, which means the Group is a principal and therefore recognizes revenue in the gross amount of the consideration, or to arrange that another party provides the goods or services, which means the Group is an agent and therefore recognizes revenue in the amount of the net commission.

The Group is a principal when it controls the promised goods or services before their transfer to the customer. Indicators that the Group controls the goods or services before their transfer to the customer include, inter alia, as follows: the Group is the primary obligor for fulfilling the promises in the contract; the Group has inventory risk before the goods or services are transferred to the customer; and the Group has discretion in setting the prices of the goods or services.

Policy applicable before January 1, 2018

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.

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.

Note 4 – Significant Accounting Policies (continued)

J. 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 instruments 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.

K. 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.

Note 4 – Significant Accounting Policies (continued)

L. 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.

Note 5 – Investment Properties

A. Reconciliation of carrying amount

	December 31,	
	2019	**2018**
	Thousands EUR	**Thousands EUR**
Balance as at January 1	**4,044,023**	3,271,298
Additions by way of acquiring subsidiaries (see note 3B)	**-**	229,077
Additions by way of acquiring assets	**-**	87,150
Capital expenditure	**44,013**	51,562
Transfer from investment properties to property and equipment (1)	**(5,100)**	-
Disposal of subsidiaries (see note 27C)	**(920,000)**	-
Fair value adjustments	**461,517**	404,936
Balance as at December 31	**3,624,453**	4,044,023

(1) During the reporting period, the Group reclassified a building from investment properties to property and equipment in a total amount of EUR 5,100 thousand, representing its fair value for the reclassification date. The transfer was evidenced by a change in use (commencement of owner-occupation).

As at December 31, 2019, the closing balance of investment properties consisted of 16,115 (2018: 22,067) residential units with a total residential lettable area of 1,056,930 (2018: 1,454,255) sqm, 1,377 (2018: 1,450) commercial units (retail, office and other commercial) with a total commercial lettable area of 161,721 (2018: 171,199) sqm and 4,914 (2018: 5,401) parking spaces and spaces for storage, antennas, etc., all in Berlin.

According to the Group's fair value valuation policies for investment properties, investment properties generally undergo a detailed valuation as at June 30 and December 31 of each year. The valuations are based on a discounted cash flow model. The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.
The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs. secondary), tenant credit quality and lease terms.

Note 5 – Investment Properties (continued)

A. Reconciliation of carrying amount (continued)

Within the discussions to embark the increasing rents in Berlin, several citizens and politicians requested for the expropriation of housing associations and rental freezing. On November 26, 2019, the Berlin Senate of the governing social democrat-socialist-green coalition concluded the Rental Freeze Proposition for Berlin. The rental freezing covered by the "Gesetz zur Neuregelung gesetzlicher Vorschriften zur Mietenbegrenzung" was passed on January 30, 2020 and entered into force on February 23, 2020.

The law is divided into two phases:
1) Rents will be frozen retroactively at the level of the rent effectively agreed on June 18, 2019: the rent level of existing and new leases of residential apartments completed before 2014 and with exception of publicly subsidized apartments will remain stable for five years. As of January 2022 rent increases that equal the inflation since the effective date (limited to 1.3%) will be permitted.

2) Furthermore rent caps will apply nine months after the law commencement. Starting from December 1, 2020 the key regulation will be as follows:.
The rent caps are based on the rental table ("Mietspiegel") of Berlin of 2013 in accordance to the year of construction and equipment. In addition, surcharges and discounts for the location and modern equipment up to EUR 1.00/sqm can be taken into account. These rent caps may not be exceeded by more than 20%, otherwise the tenant may demand a reduction of the rent.
- Existing rents (plus, if applicable, individual adjustments) will have to be decreased to the rent level of the local rental table 2013 plus 20%
-Rents of re-lettings (plus, if applicable, individual adjustments) will have to be decreased to the rent level of the local rental table 2013 plus 13.5% (compensation for inflation)

Not affected by the rental freezing are mainly publicly subsidized properties, living space subject to a fixed rent and new buildings after 01 January 2014. In addition, the law grants tenants the right to freeze rents if the rent caps specified in the law (depending on the year of construction, the standard of equipment and the location) are exceeded by more than 20%.

From the point of view of CBRE the realization of the "Berliner Mietendeckel" in detail as at December 31, 2019 is still uncertain. Currently it is legally uncertain whether the law is constitutionally permissible and whether the legislative competence lies with the State of Berlin. This means that there are discussions among lawyers, whether the rental law for privately financed housing is exclusively regulated by federal law (Building Code; rent control) or whether single laws or regulations can be passed on level of the federal state and/or municipality. A standard control procedure at the Berlin Constitutional Court or the Federal Constitutional Court was announced by members of the opposition CDU and FDP after the law entered into force on 23 February 2020. As at December 31, 2019 economical and legal effects / outcomes of the "Berliner Mietendeckel" are not predictable. CBRE states that in terms of market sentiment from the direct investors' side, they so far haven't seen any decreases in pricing. Also, CBRE states that they are continuing to monitor the pricing of recent transactions, which will be relevant for the valuation as of December 31, 2019. So far, CBRE did not incorporate any changes in the cash flow of the DCF model as there is no existing legal framework for it. Further, CBRE carried out a survey based on real transaction prices from the local land valuation board and asking prices, both for multifamily houses in Berlin. By comparing July to October 2019 with the first half of 2019 the result of our analysis is that both sources of information indicate stable to slightly increasing prices despite the announcement of the rental freeze proposition. However, the valuer noted, that investors are more cautious and sometimes transactions are on hold. Therefore, the discount and exit cap rates, as of the date of approving these financial statements, generally remain stable.

According to German law, residential rental contracts are unlimited in their duration or lease period. The tenants have the sole right to terminate the contract with three 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 two months' rent. The termination or cancellation of the contract must be in writing. Contracts are denominated in euro. Tenants are generally required to pay a rental deposit of three months' "cold" rent or to provide a bank guarantee in the same amount at the inception of any lease contract. Further, they are requested to pay rent, facility management, utilities and heating prepayments for a one month period in advance. The right to increase the rent is subject to German law and can be further defined in the lease contract (e.g. index rent or stepped rent). Rent prices are set according to the market prices or upon a given price index that is dependent on property characteristics ("Mietspiegel"). The latter is also available for the Berlin residential market.

The rent development is restricted by the German law (§558 BGB). Hence, the landlord can only increase the rent upon the local comparable rent, that is stated in the Mietspiegel, if:

- current rent paid has remained unchanged for the last fifteen months
- no rent increase over 20% (capping limit) was made in the course of the past three years; the capping limit is reduced to 15% for tense residential markets such as Berlin

In addition, a rent control regulation ("Mietpreisbremse") passed by the German parliament in June 2015 aims to restrict landlords in areas with stressed housing markets such as Berlin from rent increases by more than 10% above the local comparable rent that is stated in the Mietspiegel. The rent control regulation is not applicable for new residential properties or residential properties that were significantely modernized. The regulation is applicable for existing buildings only, where the current rent paid is below the stated threshold. According to the rent control regulation, the landlord is not allowed to increase the current rent paid (existing lease) or the newly agreed rent (new lease) by more than 10% above the local comparable rent.

Some of the residential buildings of the Group's investment property portfolio include commercial units on the ground floor. Lease renewals are negotiated with the lessee.

As at December 31, 2019, approximately 2.5% of the residential units were subject to rent restrictions ("Cost Rent").

B. Measurement of fair value

(1) Fair value hierarchy

The fair value of investment properties was determined by the valuation expert CBRE, an industry specialist with appropriate and recognized professional qualifications and up-to-date experience regarding the location and category of the properties. According to the Group's fair value valuation policies for investment properties, investment properties generally undergo a detailed valuation as at June 30 and December 31 of each year.

The fair value measurement for all of the investment properties has been categorized as a level 3 fair value due to prevailing use of unobservable inputs to the adopted valuation method.

(2) Valuation technique and significant unobservable inputs

The Group values its portfolio using the discounted cash flow method (DCF). Under the DCF methodology, the expected future income and costs of the property are forecasted over a period of 10 years and discounted to the date of valuation. 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:

Note 5 – Investment Properties (continued)

B. Measurement of fair value (continued)

	December 31, 2019					
	Central	**S-Bahn ring**	**S-Bahn ring (1960-1990)**	**City ring**	**City ring (1960-1990)**	**Total**
Fair value (EUR thousand)	**1,614,243**	**625,410**	**704,630**	**414,330**	**265,840**	**3,624,453**
Value per sqm (EUR)	**3,332**	**2,839**	**2,750**	**2,725**	**2,380**	**2,959**
Average residential in-place rent (EUR/sqm)	**7.71**	**7,42**	**7,25**	**8,50**	**6,67**	**7,50**
CBRE market rent (EUR/sqm)	**9.64**	**9.16**	**8.52**	**8.86**	**7.76**	**9.03**
Avg. new letting rent (EUR/sqm)	**11.97**	**10.34**	**10.25**	**9.84**	**9.51**	**10.91**
Multiplier (current rent)	**34.07**	**32.80**	**31.06**	**29.89**	**29.45**	**32.35**
Multiplier (CBRE market rent)	**27.79**	**25.99**	**26.09**	**25.03**	**25.05**	**26.58**
Multiplier (new letting rent)	**22.38**	**23.02**	**21.68**	**22.54**	**20.45**	**21.99**
Discount rate (%)	**4.53%**	**4.63%**	**4.63%**	**4.80%**	**4.76%**	**4.61%**
Capitalization interest rate (%)	**2.57%**	**2.71%**	**2.76%**	**2.85%**	**2.88%**	**2.69%**

	December 31, 2018					
	Central	**S-Bahn ring**	**S-Bahn ring (1960-1990)**	**City ring**	**City ring (1960-1990)**	**Total**
Fair value (EUR thousand)	1,478,973	481,740	678,360	316,010	1,088,940	4,044,023
Value per sqm (EUR)	3,011	2,650	2,435	2,494	1,970	2,479
Average residential in-place rent (EUR/sqm)	7.23	6.98	7.10	7.24	5.93	6.70
CBRE market rent (EUR/sqm)	9.00	8.77	7.99	8.59	6.96	8.02
Avg. new letting rent (EUR/sqm)	11.90	9.77	10.13	8.91	7.30	9.42
Multiplier (current rent)	32.73	31.96	28.53	28.34	27.93	30.14
Multiplier (CBRE market rent)	26.85	25.31	24.69	23.84	23.23	25.01
Multiplier (new letting rent)	20.30	22.70	19.47	23.00	22.16	21.28
Discount rate (%)	4.61%	4.73%	4.77%	4.93%	4.97%	4.77%
Capitalization interest rate (%)	2.65%	2.79%	2.91%	2.96%	3.02%	2.84%

Note 5 – Investment Properties (continued)

B. Measurement of fair value (continued)

(3) Sensitivity analysis

The main value drivers influenced by the market are the market rents and their development, current 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 due to the complexity of the interrelationships:

December 31, 2019

Valuation parameters	Change in parameters	Change in values thousands EUR	Change in values %
Average new letting rent (EUR/sqm)	+10%	**258,997**	**7.1**
Vacancy rate (%)	+1%	**(45,471)**	**(1.2)**
Discount and Capitalization rate (%)	25bps	**(321,501)**	**(8.8)**

December 31, 2018

Valuation parameters	Change in parameters	Change in values thousands EUR	Change in values %
Average new letting rent (EUR/sqm)	+10%	277,967	6.8
Vacancy rate (%)	+1%	(48,181)	(1.2)
Discount and Capitalization rate (%)	25bps	(341,351)	(8.3)

Assuming all other variables remain constant, a negative change in the parameters at the same percentage would have a 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 December 31, 2019	2018	2017
	thousands EUR		
Rental income from investment property	**134,141**	127,982	103,300
Direct operating expenses arising from investment property that generated rental income during the period	**(26,746)**	(20,736)	(15,551)
Total	**107,395**	107,246	87,749

Note 6 – Trading Properties

During the reporting period, the Group completed the sale of 63 condominium units for a total consideration of EUR 14,948 thousand (2018: 66 units for EUR 20,265 thousand).

Note 7 – Restricted Bank Deposits

As at December 31, 2019 and December 31, 2018, the restricted bank deposits are denominated in euro and they carry no interest.

The balance as at December 31, 2019 includes EUR 21,123 thousand of pledged bank deposits received from tenants (December 31, 2018: EUR 23,250 thousand), EUR 5,371 thousand pledged to secure banking facilities (December 31, 2018: EUR 1,501 thousand) and EUR 3,873 thousand of restricted proceeds from condominium sales (December 31, 2018: EUR 3,860 thousand).

Note 8 – Trade Receivables

A. The balances represent amounts receivable from leases of residential and commercial units less any allowance for expected credit losses (see note 23A). The Group recognizes provisions in accordance with future-looking estimates. The breakdown of trade receivables is as follows:

	December 31, 2019		
	Gross carrying amount	Provision for impairment	Credit-impaired financial asset
	thousands EUR		
Not past due	**9,476**	**-**	**9,476**
0-30 days past due	**119**	**(44)**	**75**
31-180 days past due	**3,477**	**(397)**	**3,080**
180 days to one year past due	**1,725**	**(818)**	**907**
More than one year past due	**4,929**	**(2,897)**	**2,032**
Total	**19,726**	**(4,156)**	**15,570**

	December 31, 2018		
	Gross	Impairment	Total
	thousands EUR		
Not past due	7,896	-	7,896
0-30 days past due	1,724	(187)	1,537
31-180 days past due	3,713	(680)	3,033
180 days to one year past due	2,211	(1,490)	721
More than one year past due	5,566	(5,440)	126
Total	21,110	(7,797)	13,313

Trade accounts receivables are non-interest bearing and are generally subject to 30 days' terms.
There were no material transitional adjustments to IFRS 9.

B. Impairment losses on trade receivables changed as follows:

	2019	2018
	thousands EUR	thousands EUR
Balance as at January 1	**(7,797)**	(6,315)
Additions	**(1,575)**	(3,194)
Reversals*	**3,827**	1,541
Write off of irrecoverable debts	**1,389**	171
Balance as at December 31	**(4,156)**	(7,797)

* EUR 1,969 thousands relate to provisions reversals released due to the sale of a portfolio (see note 27C).

Note 9 – Other Receivables

	December 31, 2019 thousands EUR	December 31, 2018 thousands EUR
Advance to suppliers	**372**	**1,244**
Prepaid expenses	**4,567**	**655**
VAT	**948**	**728**
Parent company (ADO Group) (see note 26)	**-**	**280**
Others	**2,955**	**392**
Total	**8,842**	**3,299**

Note 10 – Cash and Cash Equivalents

As at December 31, 2019 and December 31, 2018, cash and cash equivalents include cash on hand and demand deposits denominated in euro and free from any restrictions.

Note 11 – Other Financial Liabilities

In relation to purchase agreements of 94%-94.9% of the shares of German, Dutch and Luxembourgish property holding companies, the Company entered into an agreement with ADO Group to purchase the remaining 5.1%-6% of the shares of the German, Dutch and Luxembourgish property holding companies.

As part of the agreement, it was decided that upon the completion of a period of ten years following the closing 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.

Based on profit transfer agreements, ADO Group is entitled to an annual compensation fee in respect of its interest in the German property holding companies.

The Company recognized the put option and compensation fee as a financial liability measured at fair value at each reporting date, whereas the changes in the fair value are recognized in equity. In respect of the put option and the compensation fee, the following balances are included in the consolidated statement of financial position:

	December 31, 2019 thousands EUR	December 31, 2018 thousands EUR
Current liabilities		
Compensation fee	**1,535**	1,535
Non-current liabilities		
Compensation fee	**998**	1,766
Put option	**45,418**	38,726
Total	**47,951**	42,027

Note 12 – Equity

A. Share capital and share premium

	Ordinary shares (in thousands of shares)	
	2019	**2018**
In issue as at January 1	**44,131**	44,100
Share issuance under the LTI plan (1)	**64**	31
In issue as at December 31	**44,195**	44,131

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 July 5, 2019, based on their Long Term Incentive plan the Company issued 63,850 shares without nominal value free of charge to the previous Senior Management.

(2) A dividend in the amount of EUR 33.1 million (EUR 0.75 per share) was paid based on a decision of the Annual General Meeting which took place on June 20, 2019.

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 transactions with controlling shareholder

The capital reserve from transactions with controlling shareholder comprises the differences between the fair value and the consideration received/paid in relation to transactions with the controlling shareholder. The change in the capital reserve from transactions with controlling shareholder is driven by the change in put option of ADO Group (see note 11).

D. Capital reserve from financial asset measured at fair value through other comprehensive income

The capital reserve from financial asset measured at fair value through other comprehensive income comprises the differences between the fair value of the investment date and the the reporting period

Note 13 – Corporate Bonds and Convertible Bonds

A. On July 20, 2017, the Company placed unsecured, fixed-rate corporate bonds with a total nominal amount of EUR 400 million with institutional investors. The bonds carry an interest rate of 1.5% (effective interest rate of 1.64%) per annum and mature on July 26, 2024. The gross proceeds resulting from the transaction amounted to EUR 398.6 million with an issue price of 99.651%. The net proceeds of the bond were mainly used to fund future acquisitions.

B. On November 16, 2018, the Company placed senior, unsecured convertible bonds in a total nominal amount of EUR 165 million with institutional investors, convertible into new and/or existing ordinary registered shares of the Company. The initial conversion price has been set at EUR 60.5690, which represents a 27.5% premium over the reference share price on the pricing date. The bondholders may exercise their conversion right from (and including) January 4, 2019 to (and including) the earlier of (i) the 40th business day prior to the maturity date; or (ii) in the event of early redemption, the 10th business day prior to the date fixed for redemption. The coupon has been set at 1.25% p.a. (effective interest rate of 1.34%), payable semi-annually in arrear. The bonds will mature on November 23, 2023.

The Company will be entitled to redeem the convertible bonds at their principal amount (plus accrued interest) at any time (i) on or after December 14, 2021, if the price per share is equal or exceeds 130% of the then prevailing conversion price over a certain period; or (ii) if 15% or less of the aggregate principal amount of the bonds remain outstanding.

ADO Group received an allocation in the accelerated bookbuilding reflecting pro rata its shareholding in the Company at the time of the placement. The Company used the net proceeds to repay existing short-term debt, extend the Company's debt maturity profile as well as to strengthen the Company's liquidity position.

C. The Company undertakes not to incur any financial indebtedness after the issue date of the bonds, and will also procure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) Loan-to-Value Ratio (LTV) ≤ 60%; (ii) Secured Loan-to-Value Ratio ≤ 45%; (iii) Unencumbered Asset Ratio ≥ 125%; and (iv) Interest Coverage Ratio (ICR) ≥ 1.8.

As at December 31, 2019, the Company is fully compliant with all covenant requirements.

Note 14 – Other Loans and Borrowings

	December 31, 2019		December 31, 2018	
	Non-current	Current	Non-current	Current
	Thousands EUR			
Loans from banks	**692,078**	**37,605**	993,809	17,064
Other creditors	**48,134**	-	47,100	-
Total	**740,212**	**37,605**	1,040,909	17,064

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 include a loan from Harel Insurance Company Ltd to finance its holding in a common transaction with the Company, and unsecured Schuldscheindarlehen.

C. Re-pricing on the variable interest loans is done on a quarterly basis. As at December 31, 2019 other loans and borrowings carry an average effective interest rate (i.e. considering the swap interest hedge deals from variable to fixed) of 1.8% per annum (as at December 31, 2018: 1.8%). The average maturity of other loans and borrowings is 4 years (as at December 31, 2018: 4 years)

D. On March 9, 2018, the Group signed a EUR 200 million revolving credit facility agreement with a 2-year term and two extension options, each for one year. The relating upfront fees were recognized under deferred expenses in the statement of financial position and will be amortized over four years. On January 30, 2019, the Group exercised one extension option for one year in an amount of EUR 175 million. On February 2020, the Group exercised the second option for one year in an amount of EUR 50 million.

E. On June 28, 2019, the Group received a bank loan in the amount of EUR 80 million to finance existing assets. The new loan carries an annual fixed interest rate of 1.07% per annum for an 8-year term.

F. On December 15, 2019, the Company signed a EUR 3,463 million bridge facility agreement with a 1-year term and four extension options, each for six months (see note 27A). The maximum amount of the bridge facility agreement has subsequently been reduced and, as of 31 March 2020, is EUR 2,424 million

G. Following the Company's announcement on December 15, 2019 for a voluntary public takeover offer for all shares in ADLER Real Estate AG, and the acquisition of a 22.18% strategic minority stake in CONSUS Real Estate AG, S&P and Moody’s have placed the Company’s long term corporate credit rating of BBB- / Baa3 under review. S&P and Moody’s will conclude their review processes once the transaction has been finalised and the rating agencies have more visibility on the combined business and credit profile, amongst others debt leverage ratios, financing needs, liquidity position and also corporate governance. The Company continues to reiterate the benefits of the combination and continues to communicate with the agencies to address their outstanding concerns. It is management's intention to maintain financial discipline and strong credit profile.

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Note 15 – Other Payables

	December 31, 2019 thousands EUR	December 31, 2018 thousands EUR
Accrued expenses	**14,075**	3,061
Accrued interest payable	**2,924**	3,172
Tenants' deposits	**21,133**	23,260
Parent company (ADO Group) (see note 26)	**63**	5
Deferred income	**2,154**	2,503
Corporate tax	**3,108**	3,416
VAT	**738**	1,068
Other	**5,418**	1,306
Total	**49,613**	37,790

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. Trade tax at the relevant rate (trade tax rate depends on the municipality of the company) is also levied on the income of the companies, except for non-residents with no permanent establishment in Germany or if the companies' business purpose is restricted to the holding and letting of real estate property (property holding companies). 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 for property holding companies as long as the sale of the asset is classified as part of that business (detailed and strict regulations apply). Capital gains realized by a company on the sale of shares in a property holding company are 95% tax exempt.

Note 16 – Taxes (continued)

A. The main tax laws imposed on the Group companies in their countries of residence: (continued)

(1) Germany (continued)

- German real estate owned at the start of the calendar year is subject to annual property tax at 3.5% to 6.5% (depending on the location of the property, 6.0% for Berlin) 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% (expected to reduce to 90%) 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 that 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, 2019 and as at December 31, 2018 is 15.825% for the property holding companies which only hold real estate assets and 30.18% for the management companies that operate the real estate in Berlin, as these management companies are subject to corporate income tax of 15.825% and trade tax at the relevant rate.

In 2018, a Group tax audit for the financial years 2013 until 2016 was commenced by the tax authorities. Currently, 32 companies are included in the sample, representing the entire Group. The authorities reserve the right to extend the sample. So far, no tax audit findings have been made.

(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 24.94% for the fiscal year ending 2019 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 assets 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.

Note 16 – Taxes (continued)

A. The main tax laws imposed on the Group companies in their countries of residence: (continued)

(2) Luxembourg (continued)

- 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.

(4) Malta

- A Malta tax resident company is subject to corporation tax on its worldwide income (subject to any relevant exemptions) at 35%. Any capital gains recognized by a Maltese company (subject to any relevant exemptions) will also be subject to corporation tax.

- The corporation income tax rate of a Maltese company may be reduced to 3.5%, based on the Notional Interest Deduction (NID) provision, and subject to conditions, or based on the refund mechanism subject to the conditions under the domestic law in Malta.

- Malta does not impose any withholding tax on an outbound payment of dividends. Consequently, dividends distribution by a Maltese resident company to its shareholder should not be subject to withholding tax in Malta.

- Interest payments generated in Malta by non-residents should not be subject to withholding tax in Malta based on the domestic tax law.

Note 16 – Taxes (continued)

B. Income taxes:

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Current year	**(3,722)**	(3,562)	(2,026)
Adjustments for prior years	**(3,817)**	(1,894)	(179)
Deferred tax expense	**(69,557)**	(64,906)	(65,830)
Total	**(77,096)**	(70,362)	(68,035)

C. Reconciliation of statutory to effective tax rate:

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Statutory income tax rate	**24.94%**	26.01%	27.08%
Profit before taxes	**684,020**	467,826	435,547
Tax using the Company's domestic tax rate	**170,595**	121,682	117,946
Non-deductible expense	**720**	142	152
Utilization of tax losses from prior years for which deferred taxes were not created	**(8,053)**	(7,598)	(1,413)
Effect of tax rates in foreign jurisdictions	**(42,142)**	(49,457)	(49,033)
Deferred tax assets not recognized for tax losses and other timing differences	**3,919**	14,227	7,296
Inter-company transaction effect	**(10,742)**	(10,528)	(7,092)
Tax exempt income from sale of assets held for sale	**(19,486)**	-	-
Income subject to special tax rate	**(22,219)**		
Adjustments for prior years	**3,817**	1,894	179
Other differences, net	**687**	-	-
Income tax expenses	**77,096**	70,362	68,035

Note 16 – Taxes (continued)

D. Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

	December 31, 2019	December 31, 2018
	thousands EUR	thousands EUR
Assets		
Derivatives	**184**	185
Convertible bonds	**-**	732
Tax losses carried forward	**20,178**	12,057
Investment in financial instrument (Consus) (22D)	**538**	-
	20,900	12,974
Liabilities		
Investment properties	**(257,249)**	(259,503)
Trading properties	**(1,188)**	(1,853)
Convertible bonds	**(1,082)**	-
Call option (22D)	**(728)**	-
	(260,247)	(261,356)
Net tax liabilities	**(239,347)**	(248,382)

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

	Investment properties	Trading properties	Derivatives	Convertible bonds	Tax losses	Call option	Investment in financial instruments	Total
	thousands EUR							
Balance as at January 1, 2017	(194,286)	(2,750)	216	-	13,377	-	-	(183,443)
Changes recognized in profit or loss	(65,217)	897	2	732	(1,320)			(64,906)
Changes recognized in equity or other comprehensive income	-	-	(33)	-	-	-	-	(33)
Balance as at December 31, 2018	**(259,503)**	**(1,853)**	**185**	**732**	**12,057**	**-**	**-**	**(248,382)**
Changes recognized in profit or loss	**(75,801)**	**666**	**1**	**(1,815)**	**8,121**	**(728)**	**-**	**(69,557)**
Changes recognized in equity or other comprehensive income	**-**	**-**	**(2)**	**-**	**-**	**-**	**538**	**537**
Transfer to disposal group held for sale	**78,056**	**-**	**-**	**-**	**-**	**-**	**-**	**78,056**
Balance as at December 31, 2019	**(257,249)**	**(1,187)**	**184**	**(1,082)**	**20,178**	**(728)**	**538**	**(239,346)**

Note 16 – Taxes (continued)

D. Recognized deferred tax assets and liabilities (continued)

Losses for tax purposes carried forward to future years, based on the Group's estimation:
Tax losses carried forward amounted to EUR 103,460 thousand at December 31, 2019 (2018: EUR 70,277 thousand). Tax losses can be carried forward indefinitely.

Deferred tax assets are recognized for tax losses carried forward 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 4,650 thousand as at December 31, 2019 (2018: EUR 6,065 thousand) in respect of losses carried forward amounting to EUR 29,385 thousand as at December 31, 2019 (2018: EUR 38,324 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 December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Net rental income	**134,141**	127,982	103,300
Selling of condominiums	**14,948**	20,265	19,671
Income from facility services	**7,431**	6,606	5,881
Total	**156,520**	154,853	128,852

Note 18 – Cost of Operations

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Salaries and other expenses (*)	**11,443**	10,320	7,995
Cost of utilities recharged, net	**1,630**	1,843	1,409
Selling of condominiums – cost	**11,058**	15,817	15,760
Property operations and maintenance	**19,880**	14,016	11,010
Total	**44,011**	41,996	36,174

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

Note 19 – General and Administrative Expenses

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Salaries and related expenses (A)	**7,727**	3,671	2,605
Share-based payment	**1,724**	376	387
Directors fee (A)	**1,165**	887	714
Rent	**15**	1,056	1,015
Professional services	**8,973**	6,952	3,417
Traveling	**383**	331	188
Office, communication and IT expenses	**1,635**	1,459	1,284
Advertising and marketing	**535**	601	438
Impairment loss on trade receivables	**1,037**	1,646	1,900
Depreciation	**1,354**	450	452
Services from parent company (see note 26)	**87**	46	64
Others	**415**	976	298
Total	**25,050**	18,451	12,762

A. As at December 31, 2019, the Group has 366 full-time employees (2018: 354, 2017: 295). On an annual average 416 people (2018: 327, 2017: 271) were employed.

During the year the contracts of the of some of the senior management were expired or terminated. According to the agreement they were entitled to a total amount of EUR 4,042 thousand to be settled in cash.

Note 20 – Net Finance Costs

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Interest received on bank deposits	**39**	143	3
Change in fair value of derivative component of convertible bond	**10,180**	-	-
Change in fair value of other financial assets	**92,256**	1,256	1,599
Total finance income	**102,475**	1,399	1,602
Interest on bonds	**(10,670)**	(6,927)	(2,824)
Change in fair value of derivative component of convertible bond	**-**	(3,896)	-
Interest on other loans and borrowings	**(19,046)**	(19,214)	(18,279)
One-off refinance costs	**-**	(613)	(6,741)
Other finance expenses	**(2,659)**	(2,265)	(1,765)
Total finance costs	**(32,375)**	(32,915)	(29,609)
Total net finance costs	**70,100**	(31,516)	(28,007)

Note 21 – Earnings per Share

A. Basic and diluted earnings per share

The calculation of basic earnings per share as at December 31, 2019 was 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 (basic)

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands EUR	
Profit attributable to the owners of the Company	**601,874**	386,964	355,970

(2) Weighted average number of ordinary shares

	For the year ended December 31,		
	2019	**2018**	**2017**
		thousands of shares	
Balance as at January 1	**44,131**	44,100	44,100
Effect of issuance of regular shares	**31**	1	-
Weighted average number of shares	**44,162**	44,101	44,100

	For the year ended December 31,		
	2019	**2018**	**2017**
		in EUR	
Basic earnings per share	**13.63**	8.77	8.07
Diluted earnings per share	**12.74**	8.78	8.07

Note 22 – Financial Instruments

The Group has exposure to the following risks arising from its use of financial instruments:

A. Credit risk
B. Market risk
C. Liquidity risk

A. Credit risk:

The Group is exposed to a default risk resulting from the potential failure of a 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The revenue of the Company is primarily driven by rental income from more than 17,000 tenants. Accordingly, the Group does not bare any concentration credit risk.

Note 22 – Financial Instruments (continued)

A. Credit risk (continued):

Cash and cash equivalents
The Company holds cash and cash equivalents with banks and financial institutions. The Company considers that its cash and cash equivalents have low credit risk based on the credit ratings of the counterparties.

The carrying amount of financial assets represents the maximum credit exposure, notwithstanding the carrying amount of security or any other credit enhancements.

The maximum exposure to credit risk for cash and cash equivalents at the reporting date was as follows:

	December 31	
	2019	**2018**
	thousands EUR	**thousands EUR**
Cash and cash equivalents in banks and financial institutions:		
Rated AA	763	-
Rated A+	275,641	1,643
Rated A	844	-
Rated AA-	3,345	3,646
Rated A-	106,956	21,097
Rated BBB-	-	916
Other	9	664
	387,558	27,966

Assessment of expected credit losses for individual customers

The Group uses a provision matrix that is based on, inter alia, an aging of trade receivables, to measure the expected credit losses from individual customers, which comprise a very large number of small balances.

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:

Note 22 – Financial Instruments (continued)

B. Market risk (continued):

	December 31,	
	2019	2018
	thousands EUR	thousands EUR
Fixed rate instruments		
Financial assets	**417,925**	56,577
Financial liabilities	**1,365,947**	1,622,768
Variable rate instruments		
Financial liabilities	**75,758**	76,895

On the basis of the valuation as at December 31, 2019, the Group performed a sensitivity analysis to determine the change in profit and loss given a parallel shift in the interest rate structure:

	Change in interest basis points	Effect on the profit before tax thousands EUR
December 31, 2019	+50	(12)
Variable rate instruments		
December 31, 2018		
Variable rate instruments	+50	(12)

Assuming all other variables remain constant, a negative change in the interest rate at the same amount would have a similar impact on the profit and loss, but 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. Fulfilling these financial covenants is continually monitored as part of risk management.

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

Note 22 – Financial Instruments (continued)

C. Liquidity risk (continued):

	December 31, 2019					
	Carrying amount	**Contractual cash flows**	**2020**	**2021**	**2022**	**Due after 3 years**
Corporate bonds	**397,433**	**430,000**	**6,000**	**6,000**	**6,000**	**412,000**
Convertible bonds	**156,334**	**175,314**	**2,063**	**2,063**	**2,063**	**169,125**
Other loans and borrowings	**777,817**	**829,247**	**57,526**	**131,401**	**68,335**	**571,985**
Other financial liabilities	**47,951**	**47,951**	**1,535**	**561**	**437**	**45,418**
Trade payables	**22,079**	**22,079**	**22,079**	**-**	**-**	**-**
Tenants' security deposits	**21,133**	**21,133**	**21,133**	**-**	**-**	**-**
Other payables	**18,958**	**18,958**	**18,958**	**-**	**-**	**-**
Derivatives (*)	**2,766**	**2,295**	**163**	**375**	**194**	**1,563**
Total	**1,444,471**	**1,546,977**	**129,457**	**140,400**	**77,029**	**1,200,091**

(*) Cash flow hedges only. Does not include the derivative component of the convertible bond.

	December 31, 2018					
	Carrying amount	Contractual cash flows	2019	2020	2021	Due after 3 years
Corporate bonds	396,899	436,000	6,000	6,000	6,000	418,000
Convertible bonds	154,252	175,314	2,063	2,063	2,063	169,125
Other loans and borrowings	1,057,973	1,133,308	34,875	82,321	141,306	874,806
Other financial liabilities	42,027	42,027	1,535	768	561	39,163
Trade payables	18,497	18,497	18,497	-	-	-
Tenants' security deposits	23,260	23,260	23,260	-	-	-
Other payables	6,755	6,755	6,755	-	-	-
Derivatives (*)	2,776	2,969	92	220	378	2,279
Total	1,702,439	1,838,130	93,077	91,372	150,308	1,503,373

(*) Cash flow hedges only. Does not include the derivative component of the convertible bond.

C. 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:

	December 31, 2019			
	Carrying amount	**Fair value**		
		Level 1	**Level 2**	**Level 3**
	thousands EUR			
Liabilities:				
Corporate bonds	**397,433**	**397,140**	**-**	**-**
Convertible bonds	**156,334**	**-**	**172,348**	**-**
Variable rate loans and borrowings (*)	**75,758**	**-**	**-**	**78,878**
Fixed rate loans and borrowings (*)	**702,059**	**-**	**-**	**713,609**
Total	**1,331,584**	**397,140**	**172,348**	**792,487**

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

Note 22 – Financial Instruments (continued)

D. Fair value (continued):

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

	December 31, 2018			
	Carrying amount	Fair value		
		Level 1	Level 2	Level 3
	thousands EUR			
Liabilities:				
Corporate bonds	**396,899**	**375,992**	**-**	**-**
Convertible bonds	**154,252**	**-**	**156,387**	**-**
Variable rate other loans and borrowings (*)	**76,895**	**-**	**-**	**79,207**
Fixed rate other loans and borrowings (*)	**981,078**	**-**	**-**	**1,002,513**
Total	**1,609,124**	**375,992**	**156,387**	**1,081,720**

(*) 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.
In respect of the liability component of convertible bonds, the market rate of interest is determined by bid and ask quotes in the market.
The market interest rates used to determine the fair value of other loans and borrowings are the discount rate of Euribor+1.2% for the variable interest bank loans (2018: Euribor+1.2%) and the discount rate of 1.07% for the fixed interest bank loans (2018: 1.73%).

(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:

	December 31, 2019			December 31, 2018	
	Level 1	Level 2	Level 3	Level 2	Level 3
	thousands EUR				
Investment in Consus	**186,158**	**-**	**-**	**-**	**-**
Other financial assets (a)	**-**	**-**	**98,871**	**-**	**6,615**
Derivative financial liabilities (b)	**-**	**6,150**	**-**	**16,339**	**-**
Other financial liabilities (c)	**-**	**-**	**47,951**	**-**	**42,027**

(a) Other financial assets relate to the Group's option for purchasing the non-controlling interest in a transaction completed at the end of 2013 (EUR 6,862 thousand) which is measured at fair value and a call option agreement with a major shareholder of Consus Estate AG (“Consus”) to acquire an additional 50.97% in Consus in the amount of EUR 92,009 thousand (see note 27D). The model used by an external and independent valuator for Consus’ call option is based on a multivariate Monte-Carlo simulation applying a Cholesky decomposition with correlated random numbers in order to model two correlated stock prices.

Note 22 – Financial Instruments (continued)

D. Fair value (continued):

(b) The fair value of the interest rate swaps, including both current and non-current 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.

The fair value of the derivative component of convertible bonds is determined by an external valuer, calculated by reference to the market terms of similar convertible securities.

(c) Other financial liabilities relate to a put option and an annual compensation fee granted to ADO Group (see note 11) 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.

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

The table hereunder presents a reconciliation from the opening balance to the closing balance of financial instruments carried at fair value level 3 of the fair value hierarchy:

	2019	
	Other financial asset	Other financial liabilities
	thousands EUR	
Balance as at January 1, 2019	**6,615**	**42,027**
Fair value adjustment	**247**	**6,692**
Fair value adjustment (27B)	**92,009**	**-**
Dividend payment	**-**	**(768)**
Balance as at December 31, 2019	**98,871**	**47,951**

	2018	
	Other financial asset	Other financial liabilities
	thousands EUR	
Balance as at January 1, 2018	**5,359**	**28,105**
Fair value adjustment	**1,256**	**5,938**
New acquistions	**-**	**8,522**
Dividend payment	**-**	**(537)**
Balance as at December 31, 2018	**6,615**	**42,027**

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 Ratio, 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 maximum 40%.

Note 22 – Financial Instruments (continued)

E. Capital management (continued):

	December 31, 2019 thousands EUR	December 31, 2018 thousands EUR
Corporate bonds	**397,433**	**396,899**
Convertible bonds	**156,334**	**154,252**
Other loans and borrowings	**777,817**	**1,057,973**
Other financial liabilities	**47,951**	**42,027**
Cash and other deposits	**(387,558)**	**(27,966)**
Net financial liabilities	**991,977**	**1,623,185**
Investment properties and advances in respect of investment properties	**3,630,753**	**4,050,323**
Trading properties	**25,860**	**35,028**
Total assets	**3,656,613**	**4,085,351**
Loan-to-Value Ratio	**27.1%**	**39.7%**

F. Movement in liabilities deriving from financing activities

	Corporate bonds	Convertible bonds	Other loans and borrowings	Other financial liabilities	Total
	thousands EUR				
Balance as at January 1, 2019	**396,899**	**154,252**	**1,057,973**	**42,027**	**1,651,151**
Changes from financing cash flows					
Receipt of loans and borrowings	-	-	79,427	-	79,427
Repayment of loans and borrowings	-	-	(15,876)	-	(15,876)
Compensation fee payments	-	-	-	(768)	(768)
Total net financing cash flows	**-**	**-**	**63,551**	**(768)**	**62,783**
Changes arising from selling group of assets and liabilities classified as held for sale	**-**	**-**	**(345,777)**	**-**	**(345,777)**
Changes in fair value	**-**	**-**	**-**	**6,692**	**6,692**
Other changes	**534**	**2,082**	**2,071**	**-**	**4,687**
Balance as at December 31, 2019	**397,433**	**156,334**	**777,817**	**47,951**	**1,379,535**

Note 22 – Financial Instruments (continued)

F. Movement in liabilities deriving from financing activities (continued)

	Corporate bonds	Convertible bonds	Other loans and borrowings	Other financial liabilities	Total
			thousands EUR		
Balance as at January 1, 2018	396,396	-	1,026,723	28,105	1,451,224
Changes from financing cash flows					
Receipt of loans and borrowings	-	165,000	121,637	-	286,637
Repayment of loans and borrowings	-	-	(95,583)	-	(95,583)
Transaction costs related to borrowings	-	(1,260)	-	-	(1,260)
Compensation fee payments	-	-	-	(537)	(537)
Total net financing cash flows	-	163,740	26,054	(537)	189,260
Changes arising from obtaining control of subsidiaries	-	-	2,498	8,308	10,806
Changes in fair value	-	-	-	5,938	5,938
Derivative component of convertible bond	-	(9,667)	-	-	(9,667)
Other changes	503	179	2,698	214	3,591
Balance as at December 31, 2018	396,899	154,252	1,057,973	42,027	1,651,151

Note 23 – Contingent Liabilities and Commitments

A. Contingent liabilities

The Group is involved in few legal actions arising in the ordinary course of business. It is management's opinion, on the basis of a legal 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. An exception for that, the Company recorded a provision for a broker fees accured as a result of the sale of shares of certain subsidaries (see note 27B)

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 a 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 23 – Contingent Liabilities and Commitments (continued)

C. Future minimum lease payments

The Group leases out to external parties a number of commercial properties (investment property). The lease agreements are usually for five years (on average), are non-cancellable and linked to the CPI. Renewal of the agreements at the end of the period is subject to the consent of the Group and the lessees. The average renewal period of these agreements is ranging from three to five years.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are as follows:

	December 31,	
	2019	2018
	thousands EUR	thousands EUR
Less than one year	**35,517**	33,682
Between one and three years	**28,349**	26,727
More than three years	**27,347**	25,605

Note 24 – 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 generates rental income for non-vacant units.

A group-wide planning and controlling system ensures that resources for both segments are efficiently allocated and their successful use is monitored. The CODM does not view assets and liabilities 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.

Note 24 – Segments Reporting (continued)

A. Information about reportable segments

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

	For the year ended December 31, 2019		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	**141,000**	**572**	**141,572**
External income from selling condominiums	**-**	**14,948**	**14,948**
Consolidated revenue	**141,000**	**15,520**	**156,520**
Reportable segment gross profit	**108,061**	**4,448**	**112,509**
General and administrative expenses			**(25,050)**
Changes in fair value of investment properties			**461,517**
Other income			**78,132**
Other expenses			**(13,188)**
Finance income			**102,475**
Finance expense			**(32,375)**
Consolidated profit before tax			**684,020**
Income tax expense			**(77,096)**

	For the year ended December 31, 2018		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	**133,736**	**852**	**134,588**
External income from selling condominiums	**-**	**20,265**	**20,265**
Consolidated revenue	**133,736**	**21,117**	**154,853**
Reportable segment gross profit	**107,966**	**4,891**	**112,857**
General and administrative expenses			**(18,451)**
Changes in fair value of investment properties			**404,936**
Finance income			**1,399**
Finance expense			**(32,915)**
Consolidated profit before tax			**467,826**
Income tax expense			**(70,362)**

Note 24 – Segments Reporting (continued)

A. Information about reportable segments (continued)

	For the year ended December 31, 2017		
	Residential property management	Privatization	Total consolidated
		thousands EUR	
External income from residential property management	108,303	878	109,181
External income from selling condominiums	-	19,671	19,671
Consolidated revenue	**108,303**	**20,549**	**128,852**
Reportable segment gross profit	**88,368**	**4,310**	**92,678**
General and administrative expenses			(12,762)
Changes in fair value of investment properties			383,638
Finance income			1,602
Finance expense			(29,609)
Consolidated profit before tax			**435,547**
Income tax expense			(68,035)

B. Entity level disclosures

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

Note 25 – Related Parties

A. Related companies:

In these financial statements, ADO Group, Harel Insurance Company Ltd and ADLER Real Estate AG are considered as related parties.

Transactions with related companies:

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

	December 31,	
	2019	2018
	thousands EUR	
Current assets		
ADO Group (presented under other receivables)	**-**	280
Current liabilities		
ADO Group (presented under other payables)	**63**	5
Other financial liabilities (see note 11)	**1,535**	1,535
Interest payable	**82**	83
Non-current liabilities		
Other financial liabilities (see note 11)	**46,416**	40,492
Convertible bond (see note 13B)	**59,782**	58,940
Derivative (see note 13B)	**1,294**	5,182
Other loans and borrowings (see note 14B)	**23,634**	22,600

Note 25 – Related Parties (continued)

A. Related companies (continued):

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

	For the year ended December 31,		
	2019	2018	2017
	thousands EUR		
Consolidated statement of profit or loss			
Services and management fee charges from ADO Group	**87**	46	64
Interest expense payable to ADO Group (see note 13B)	**1,584**	165	-
Interest expense payable to Harel Insurance Company Ltd (see note 14B)	**1,035**	990	946

B. Transactions 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 December 31,		
	2019	2018	2017
	thousands EUR		
Short-term employee benefits	**849**	800	955
Share-based payments	**108**	335	350
Other compensation (see note 19B)	**2,132**	279	-
Total	**3,089**	1,414	1,305

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.

C. Emoluments granted to the members of the management and supervisory bodies:

The emoluments granted to the members of the supervisory bodies in that capacity for the financial year are broken down as follows:

	For the year ended December 31,	
	2019	2018
	thousands EUR	
Directors fee granted to the members of the Board of Directors	**1,165**	608
One-time termination payment (see note 12A)	**1,515**	279
Total	**2,680**	887

Note 25 – Related Parties (continued)

C. Emoluments granted to the members of the management and supervisory bodies (continued):

The emoluments granted to the members of the senior management (CEO, CFO and COO) are broken down as follows:

	For the year ended December 31,	
	2019	**2018**
	thousands EUR	
Fixed salary	**936**	662
Short-term cash incentive	**329**	349
Long-term incentive to be paid in shares or cash	**1,724**	376
Office rent	**3**	3
One-time termination payment (see note 12A)	**3,241**	-
Total	**6,233**	1,390

The Group was renting an office from the previous CFO for a monthly amount of EUR 300. The total amount for 2019 is EUR 2,700.

Note 26 – Auditors' Fees

Fees billed to the Company and its subsidiaries by KPMG Luxembourg, Société coopérative, Luxembourg, and other member firms of the KPMG network during the year are as follows (excluding VAT):

	For the year ended December 31,	
	2019	**2018**
	thousands EUR	
Audit fees (*)	**1,171**	828
Thereof: KPMG Luxembourg, Société coopérative	**113**	90
Tax consultancy services	**166**	55
Thereof: KPMG Luxembourg, Société coopérative	**16**	16
Other non-audit related services	**100**	164
Thereof: KPMG Luxembourg, Société coopérative	**-**	12

(*) Including audit-related services in relation to bond issuance.

Note 27 – Material events in the reporting period and Subsequent Events

A. On January 30, 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of Coronavirus. Since 11 March 2020, the WHO has classified the spread of the Coronavirus as a pandemic. The further spread of the coronavirus and its consequences on the business of ADO Properties S.A. are constantly monitored. The impact of the Coronavirus on the overall economy in Germany is uncertain at the time the financial statements were prepared and could be considerable. However, it is not yet expected to have any direct or significant effects on the German real estate market. Currently in Germany the rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general conditions on the residential market.

As of 25 March 2020, the Federal Government issued a legislative package to mitigate the consequences of the coronavirus which also affects rental and lease agreements. The landlord is not entitled to terminate a contract solely on account of default of payment by the tenant in the period 1 April to 30 June 2020, if the default is due to the effects of the pandemic and the tenant can provide credible evidence of the connection between the pandemic and the delay in payment. The Federal Government is authorised to extend the regulations from 1 July to 30 September 2020.

ADO Properties S.A. is continuously monitoring the impact of the Covid-19, however this event has been considered a non-adjusting events in the preparation of these consolidated financial statements.

B. On September 26, 2019 the Company has announced the entering into of a share purchase agreement for the sale of 100% of the shares of certain subsidiaries owning 23 properties consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares is EUR 920 million, less approximately EUR 340 million of net debt of the companies being sold, as a result, the company recognized increase in fair value of investment property in an amount of 84m. The assets are located in the Spandau and Reinickendorf districts in the West and the North of Berlin, most of which were acquired in 2015. The Company recognized transaction costs in a total amount of EUR 10.8 million including broker fees, bonuses and professional services related to the sale. In addition, the Company also recognized profit from the sale in an amount of EUR 78m for deferred tax liabilities which were not included in the purchase price calculation. On November 29, 2019 the Company announced the completion of its sale.

C. On 15 December 2019, the Company resolved to make a voluntary public takeover offer in the form of an exchange offer ("Offer") to the shareholders of ADLER Real Estate Aktiengesellscahft ("Adler"). ADO Properties has offered 0.4164 new shares in ADO Properties as consideration in exchange for each tendered share in Adler. The offered ADO Properties shares will be created on 31 March 2020, by way of capital increase by exercising the authorized capital of ADO Properties pursuant to Section 5 of its articles of association (via a board of directors' resolution of ADO Properties).

The Offer closed on 25 March 2020 with an acceptance rate of 91.93%. The newly issued shares of ADO Properties will be listed at the Frankfurt stock exchange.

Closing of the Offer will trigger change-of-control rights under, inter alia, a EUR 885 million bridge loan of ADLER and certain other financings entered into by Adler and/or its respective subsidiaries. ADO Properties intends to refinance the EUR 885 million bridge loan and all other debt of ADLER and ADLER's subsidiaries in relation to which creditors exercise their change-of-control rights with loans utilized under the EUR 3,4643 million bridge facility agreement with J.P. Morgan Securities Plc, J.P. Morgan AG and J.P. Morgan Europe Limited. As at March 31, 2020 the maximum nominal amount of the bridge facility agreement has been reduced to EUR 2,424 million.

As of the reporting date, the business combination agreement have not been completed and therefore are not reflected in these financial statements.

D. On 15 December 2019, the Company also entered into an agreement with several shareholders of Consus Real Estate AG ("Consus") to acquire 22.18% of the outstanding shares. Additionally, the Company entered into a call option agreement with a major shareholder of Consus to acquire an additional 50.97% in Consus. As a last step, the Company committed itself to also make a voluntary public takeover offer over the remaining Consus' shares should the Company exercise the call option. As at 31 December 2019 the company acquired 18.62% of Consus shares. The remaining 3.56% was acquired in January 2020.

Upon investment of the Company into Consus, the Company did not receive any right to appoint any board members and does not have any representation in any of the boards of Consus as of December 31, 2019. The option is exercisable from the date of signing of the option agreement, i.e. 15 December 2019, until 16 June 2021. If the Company wants to exercise the option, it needs to issue an exercise notice and the assignment of the shares needs to occur within 15 business days after all relevant merger clearance approvals have been obtained. Under the put option, the shareholder of Consus shall have the right to request from the Company that it acquires the relevant shares, if a change of control event at the Company occurs. It shall be exercisable by the shareholder within 5 business days after the occurrence of a change of control event by giving written notice thereof to the Company.

The Group has assessed its investment in Consus and determined that it does not have significant influence due to, inter alia, its current voting rights, the lack of board representation, the relative size and dispersion of the holdings of other shareholders. In addition, the option is not currently exercisable as it requires various approvals which are not mere formality. Therefore, the investment is classified as a financial asset and measured at fair value through OCI.

E. Following the conclusion of the Strategic Cooperation Agreement, on January 17, 2020, the Company entered into a letter of intent with Consus Swiss Finance AG, which as amended on February 21, 2020, for the purchase of 89.9% of the shares in all companies that hold plots of land belonging to the Holsten Quartier project development in Hamburg (the "Holsten Quartier"). The provisional purchase price for 100% of the shares in Holsten Quartier is €320 million on a cash-free debt-free basis, subject to finalization of the Company's due diligence. In exchange for a €50 million down-payment, of which €40 million do not have to be paid before certain collateral requirements have been fulfilled, Consus Swiss Finance AG granted the Company exclusivity for twelve months to continue and finalize the legal, technical, economic and tax due diligence. There is no obligation to enter into a share purchase agreement and the signing of the share purchase agreement is subject to the satisfactory completion of the due diligence.

F. On February 6, 2020 ADO Properties granted an interest bearing loan of EUR 43,542,242 to Taurecon Invest IX GmbH i.Gr. ("Taurecon"). The loan has a term until February 15, 2023 and was used by Taurecon to purchase from ADO Group Ltd. (a wholly owned subsidiary of Adler) its minority shareholdings in various entities in which ADO Properties (directly or directly) owns the majority of shares. The loan amount may increase or decrease, as the case may be, if and to the extent the final purchase price to be paid by Taurecon for the purchase or the shares may be adjusted going forward.

G. On March 25, 2020 the Company decided to make a voluntary public takeover offer (the "Takeover Offer") to all shareholders of WESTGRUND Aktiengesellschaft (the "Target") for the acquisition of all bearer shares in the Target, each share representing a proportionate amount of EUR 1.00 of the share capital of the Target (the "WESTGRUND Shares") against payment of a cash consideration, the amount of which at least corresponds to the value of the business calculated on the basis of a valuation of the Target in accordance with Section 31 para. 1, 2 and 7 WpÜG in conjunction with Section 5 para. 4 of the German WpÜG Offer Ordinance (WpÜG-Angebotsverordnung).

H. In respect of the revolving credit facility agreement (see note 14D), on March 26, 2020, the Group drawdown an amount of EUR 175m.

Note 28 – List of the Company Shareholdings

	Company	Country	Shareholding and control at December 31, 2019	2018
			%	
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	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
26	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav Grundstücks GmbH	Germany	99.64	99.64
29	Mastik Grundstücks GmbH	Germany	99.64	99.64
30	Maya Grundstücks GmbH	Germany	99.64	99.64
31	Mezi Grundstücks GmbH	Germany	99.64	99.64
32	Muse Grundstücks GmbH	Germany	99.64	99.64
33	Papun Grundstücks GmbH	Germany	99.64	99.64
34	Nehederet Grundstücks GmbH	Germany	99.64	99.64
35	Neshama Grundstücks GmbH	Germany	99.64	99.64
36	Osher Grundstücks GmbH	Germany	99.64	99.64
37	Pola Grundstücks GmbH	Germany	99.64	99.64
38	ADO Properties GmbH	Germany	100	100

Note 29 – List of the Company Shareholdings (continued)

			Shareholding and control at December 31,	
			2019	2018
	Company	Country	%	
39	Reshet Grundstücks GmbH	Germany	99.64	99.64
40	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
41	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
42	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa32 Grundstücks GmbH	Germany	99.64	99.64
55	Shemesh Grundstücks GmbH	Germany	-	99.64
56	Stav Grundstücks GmbH	Germany	99.64	99.64
57	Tamuril Grundstücks GmbH	Germany	99.64	99.64
58	Tara Grundstücks GmbH	Germany	99.64	99.64
59	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
60	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
61	Tehila Grundstücks GmbH	Germany	99.64	99.64
62	Trusk Grundstücks GmbH	Germany	99.64	99.64
63	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Germany	99.64	99.64
64	Yarok Grundstücks GmbH	Germany	99.64	99.64
65	Yahel Grundstücks GmbH	Germany	99.64	99.64
66	Yussifun Grundstücks GmbH	Germany	99.64	99.64
67	Bombila Grundstücks GmbH	Germany	99.64	99.64
68	ADO SBI Holdings S.A. & Co. KG	Germany	94	94
69	Central Facility Management GmbH	Germany	100	100
70	Sheket Grundstücks GmbH	Germany	100	100
71	Seret Grundstücks GmbH	Germany	100	100
72	Melet Grundstücks GmbH	Germany	100	100
73	Yabeshet Grundstücks GmbH	Germany	100	100
74	ADO Finance B.V.	Holland	100	100
75	Yadit Grundstücks GmbH	Germany	100	100
76	Zamir Grundstücks GmbH	Germany	100	100
77	Arafel Grundstücks GmbH	Germany	100	100
78	Sharav Grundstücks GmbH	Germany	100	100
79	Sipur Grundstücks GmbH	Germany	100	100
80	Matok Grundstücks GmbH	Germany	100	100
81	Barbur Grundstücks GmbH	Germany	94.9	94.9

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019	2018
			%	
82	Parpar Grundstücks GmbH	Germany	100	100
83	Jessica Properties B.V.	Holland	94.50	94.50
84	Alexandra Properties B.V.	Holland	94.44	94.44
85	Marbien B.V.	Holland	94.90	94.90
86	Meghan Properties B.V.	Holland	94.44	94.44
87	Matok Löwenberger Straße Grundstücks GmbH	Germany	100	100
88	Songbird 1 ApS	Denmark	60	60
89	Songbird 2 ApS	Denmark	60	60
90	Joysun 1 B.V.	Holland	60	60
91	Joysun 2 B.V.	Holland	60	60
92	Yona Investment GmbH & Co. KG	Germany	60	60
93	Yanshuf Investment GmbH & Co. KG	Germany	60	60
94	Ziporim Investment GmbH	Germany	60	60
95	Ofek 1 Grundstücks GmbH	Germany	-	100
96	Ofek 2 Grundstücks GmbH	Germany	-	100
97	Ofek 3 Grundstücks GmbH	Germany	-	100
98	Ofek 4 Grundstücks GmbH	Germany	-	100
99	Ofek 5 Grundstücks GmbH	Germany	-	100
100	Galim 1 Grundstücks GmbH	Germany	-	100
101	Galim 2 Grundstücks GmbH	Germany	-	100
102	Galim 3 Grundstücks GmbH	Germany	-	100
103	JS Nestorstrasse Grundstücks GmbH	Germany	60	60
104	JS Florapromenade Grundstücks GmbH	Germany	60	60
105	JS Cotheniusstrasse Grundstücks GmbH	Germany	60	60
106	JS Tauroggener Grundstücks GmbH	Germany	60	60
107	JS Kiehlufer Grundstücks GmbH	Germany	60	60
108	JS Rubenstrasse Grundstücks GmbH	Germany	60	60
109	Yona Stettiner Grundstücks GmbH	Germany	60	60
110	Yona Schul Grundstücks GmbH	Germany	60	60
111	Yona Otawi Grundstücks GmbH	Germany	60	60
112	Yona Strom Grundstücks GmbH	Germany	60	60
113	Yona Gutenberg Grundstücks GmbH	Germany	60	60
114	Yona Kameruner Grundstücks GmbH	Germany	60	60
115	Yona Schichauweg Grundstücks GmbH	Germany	60	60
116	Yona Alt-Tempelhof Grundstücks GmbH	Germany	60	60
117	Yona Gruberzeile Grundstücks GmbH	Germany	60	60
118	Yona Schloss Grundstücks GmbH	Germany	60	60
119	Yona Lindauer Grundstücks GmbH	Germany	60	60
120	Yona Nogat Grundstücks GmbH	Germany	60	60
121	Yona Bötzow Grundstücks GmbH	Germany	60	60
122	Yona Herbst Grundstücks GmbH	Germany	60	60
123	Yona Danziger Grundstücks GmbH	Germany	60	60
124	Yona Schön Grundstücks GmbH	Germany	60	60

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019	2018
			%	
125	Yanshuf Kaiser Grundstücks GmbH	Germany	60	60
126	Yanshuf Binz Grundstücks GmbH	Germany	60	60
127	Yanshuf Antonien Grundstücks GmbH	Germany	60	60
128	Yanshuf See Grundstücks GmbH	Germany	60	60
129	Yanshuf Hermann Grundstücks GmbH	Germany	60	60
130	Yanshuf Schmidt-Ott Grundstücks GmbH	Germany	60	60
131	Hanpaka Holding GmbH	Germany	100	100
132	Hanpaka Immobilien GmbH	Germany	94.90	94.90
133	Dvash 1 Holding GmbH	Germany	100	100
134	Dvash 2 Holding GmbH	Germany	100	100
135	Dvash 3 B.V.	Holland	100	100
136	Rimon Holding GmbH	Germany	100	100
137	Bosem Grundstücks GmbH	Germany	100	100
138	Rimon Grundstücks GmbH	Germany	94.90	94.90
139	Dvash 21 Grundstücks GmbH	Germany	94.90	94.90
140	Dvash 22 Grundstücks GmbH	Germany	94.90	94.90
141	Dvash 23 Grundstücks GmbH	Germany	94.90	94.90
142	Dvash 24 Grundstücks GmbH	Germany	94.90	94.90
143	Dvash 11 Grundstücks GmbH	Germany	94.90	94.90
144	Dvash 12 Grundstücks GmbH	Germany	94.90	94.90
145	Dvash 13 Grundstücks GmbH	Germany	94.90	94.90
146	Dvash 14 Grundstücks GmbH	Germany	94.90	94.90
147	ADO FC Management Unlimited Company	Ireland	100	100
148	5. Ostdeutschland Invest GmbH	Germany	94.90	94.90
149	8. Ostdeutschland Invest GmbH	Germany	94.90	94.90
150	Horef Holding GmbH	Germany	100	100
151	ADO 9110 Holding GmbH	Germany	100	100
152	Silan Holding GmbH	Germany	100	100
153	ADO Sonnensiedlung S.à.r.l.	Luxembourg	94.90	94.90
154	Horef Grundstücks GmbH	Germany	94.93	94.93
155	Sprengelstraße 39 GmbH	Germany	94	94
156	Scharnweberstraße 112 Verwaltungsgesellschaft mbH	Germany	94.90	94.90
157	Kantstraße 62 Grundstücks GmbH	Germany	100	100
158	ADO Treasury GmbH	Germany	100	100
159	ADO 9160 Grundstücks GmbH	Germany	94.90	94.90
160	ADO 9200 Grundstücks GmbH	Germany	94.90	94.90
161	ADO 9210 Grundstücks GmbH	Germany	94.90	94.90
162	ADO 9220 Grundstücks GmbH	Germany	94.90	94.90
163	ADO 9230 Grundstücks GmbH	Germany	94.90	94.90
164	ADO 9240 Grundstücks GmbH	Germany	94.90	94.90
165	ADO 9250 Grundstücks GmbH	Germany	94.00	94.00
166	ADO 9260 Grundstücks GmbH	Germany	94.90	94.90

Note 28 – List of the Company Shareholdings (continued)

	Company	Country	Shareholding and control at December 31, 2019	2018
			%	
167	ADO 9270 Grundstücks GmbH	Germany	94.80	94.80
168	ADO 9280 Grundstücks GmbH	Germany	94.90	94.90
169	ADO 9290 Grundstücks GmbH	Germany	94.90	94.90
170	ADO 9300 Grundstücks GmbH	Germany	94.90	94.90
171	ADO 9310 Grundstücks GmbH	Germany	94.90	94.90
172	ADO 9320 Grundstücks GmbH	Germany	94.90	94.90
173	ADO 9330 Grundstücks GmbH	Germany	94.90	94.90
174	ADO 9340 Grundstücks GmbH	Germany	94.90	94.90
175	ADO 9350 Grundstücks GmbH	Germany	94.90	94.90
176	ADO 9360 Holding GmbH	Germany	100	100
177	ADO 9370 Grundstücks GmbH	Germany	94.90	94.90
178	ADO 9380 Grundstücks GmbH	Germany	94.90	94.90
179	ADO 9390 Grundstücks GmbH	Germany	94.90	94.90
180	ADO 9400 Grundstücks GmbH	Germany	94.90	94.90
181	ADO 9410 Grundstücks GmbH	Germany	94.90	94.90
182	ADO 9420 Grundstücks GmbH	Germany	94.90	94.90
183	ADO 9430 Grundstücks GmbH	Germany	94.90	94.90
184	ADO 9440 Grundstücks GmbH	Germany	94.90	94.90
185	ADO 9450 Grundstücks GmbH	Germany	94.90	94.90
186	ADO 9460 Grundstücks GmbH	Germany	94.90	94.90
187	ADO 9470 Grundstücks GmbH	Germany	94.90	94.90
188	ADO 9480 Grundstücks GmbH	Germany	94.90	94.90
189	ADO 9490 Grundstücks GmbH	Germany	94.90	94.90
190	ADO 9500 Grundstücks GmbH	Germany	94.90	94.90
191	ADO 9510 Grundstücks GmbH	Germany	94.90	94.90
192	ADO 9520 Grundstücks GmbH	Germany	94.90	94.90
193	ADO 9530 Grundstücks GmbH	Germany	94.90	94.90
194	ADO 9540 Holding GmbH	Germany	100	100
195	ADO Lux Finance S.à.r.l.	Luxembourg	100	100
196	ADO 9550 Grundstücks GmbH	Germany	94.90	94.90
197	ADO 9560 Grundstücks GmbH	Germany	94.90	94.90
198	ADO 9570 Grundstücks GmbH	Germany	94.90	94.90
199	ADO 9580 Holding GmbH	Germany	100	100
200	RVB Angerburgerallee B.V.	Holland	94	94
201	ADO 9600 Grundstücks GmbH	Germany	94.90	94.90
202	ADO 9610 Grundstücks GmbH	Germany	94.90	94.90
203	ADO 9620 Grundstücks GmbH	Germany	94.90	94.90
204	ADO 9630 Grundstücks GmbH	Germany	94.90	94.90
205	ADO Living GmbH	Germany	100	100
206	ADO 9640 Grundstücks GmbH	Germany	94.90	94.90
207	ADO Lux-EEME S.á.r.l	Luxemburg	100	-
208	ADO Malta Limited	Malta	100	-

ADO Properties S.A.
Management Report

As at and for the year ended
December 31, 2019

Registered office:
1B Heienhaff
L-1736 Senningerberg
RCS Luxembourg: B197554

CORPORATE GOVERNANCE REPORT

GENERAL

ADO Properties S.A.'s ("**ADO**" or the "**Company**") corporate governance practices are governed by Luxembourg Law (particularly the Luxembourg law of 10 August 1915 on commercial companies as amended (the "**Luxembourg Companies Law**")) and the Company's articles of incorporation ("**Company Articles**"). As a Luxembourg company with its shares listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange, the Company is not subject to any specific mandatory corporate governance rules. The corporate governance practices applied by the Company are those applied under general Luxembourg law.

The governing bodies of ADO are the Board of Directors (the **"Board"**) and the general meeting of the shareholders (the **"General Meeting"**). The powers of these governing bodies are defined in the Luxembourg Companies Law and the Company Articles. ADO's Board together with the senior management (which is currently composed only of the chief executive officer (CEO)) (the **"Senior Management"**) manages the Company in accordance with the provisions of Luxembourg law. The Board's duties, responsibilities and business procedures are laid down in its rules of procedure.

The Board consists of seven members. As a general rule, the Board members are elected by the General Meeting. In the event of a vacancy in the office of a Board member, the remaining members of the Board may fill such vacancy and appoint a successor to act until the next General Meeting. Two Board members are representatives of A.D.O. Group Ltd., the largest shareholder in the Company. Four Board members are independent Board members and one Board member is also acting as the CEO of the Company.

The Board develops the strategic direction of the Company together with the Senior Management and ensures its implementation.

The Senior Management of the Company is integral to the management of the Company and its subsidiaries and is responsible for the day-to-day management of the business of such subsidiaries. Mr. Thierry Beaudemoulin is acting both as CEO of the Company and as Board member.

COMMITTEES

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

Audit Committee – The purpose of the Audit Committee is (i) to assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the financial statements and the adequacy of internal control systems over financial reporting, (ii) to monitor the effectiveness of the Company's internal quality control and risk management systems and (iii) to make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of, the external auditors. It is further responsible for evaluating whether any transaction between the Company and a related party is a material transaction which would require approval of the Board of Directors and publication. The Audit Committee also performs other duties imposed by applicable laws and regulations of the regulated market or markets on which the Company's shares are listed, as well as any other duties entrusted to the committee. The Audit Committee reports periodically to the Board of Directors on its activities.

Nomination and Compensation Committee – The purpose of the Nomination and Compensation Committee is to determine, revise and assist with the implementation of the remuneration policy (which shall be subsequently submitted to the Board and therefore, if required by law, to the General Meeting), make proposals as to the remuneration of Board members 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. The Nomination and Compensation Committee shall furthermore assist with the preparation of any remuneration report of the Company, to the extent such a report is legally required.

Ad Hoc Committee – The purpose of the Ad Hoc Committee is to resolve on the disclosure of information by the Company to meet its obligation under MAR. The Ad Hoc Committee shall, sometimes at short notice, review, identify and resolve if information is to be considered inside information and if it should be subject to disclosure or whether the prerequisites for a delay in the disclosure of such inside information are applicable. It is a key requirement of the Ad Hoc Committee that its members be available at short notice.

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 such 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 on 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 the Luxembourg Law of 24 May 2011, (the **"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 (*Recueil Electronique des Sociétés et Associations*), and a Luxembourg newspaper as well as 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 no 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.

CONFLICTS OF INTEREST AND RELATED PARTIES TRANSACTIONS

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 financial interest ("*intérêt de nature patrimoniale oppose à celui de la société*") within the meaning of Article 442-18 of the Luxembourg Companies Law 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. If by reason of a conflict of interest the quorum or majority requirements for a vote on an agenda item is not met, the Board shall be able to refer the agenda item in question to the general meeting of shareholders for decision.

Any material transaction between the Company and a related party shall be subject to the prior approval of the Board and the Company shall publicly announce material transactions with related parties at the latest at the time of conclusion of the transaction. For the purposes of the preceding sentence:-

> “**material transaction**” shall mean any transaction between the Company and a related party whose publication or disclosure would be likely to have a significant impact on the economic decisions of shareholders of the Company and which could create a risk for the Company and its shareholders who are not related parties, including minority shareholders. The nature of the transaction and the position of the related party shall be taken into consideration;
>
> “**related party”** has the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.

ISSUANCE & BUY-BACKS OF SHARES

The Company has issued shares, registered with a single settlement organization in Luxembourg, LuxCSD, and has an 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 6 April 2013 on dematerialized securities. Pursuant to the Company Articles, 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 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. The Company does not currently hold any of its own shares, nor does a third party hold any of the Company’s shares on behalf of the Company. 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 430-23 (1) of the Luxembourg Companies Law, 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 in accordance with the provisions of Article 430-15.

COMPLIANCE

Compliance with legal provisions and standards as well as the treatment of business partners and competitive principles are important to us.

Mr. Kay Engbring, the General Counsel of the Company, is also acting as Chief Risk- and Compliance Officer to ensure compliance with standards of conduct and norms prescribed by Luxembourg and German law. The Chief Risk and Compliance Officer also manages the Company's Insider Register and informs employees and business partners about the relevant legal framework in relation to insider transactions and regulations.

The Chief Risk and Compliance Officer additionally serves as the main contact person for questions and reports of suspected violations.

Our code of conduct prescribes and defines conduct in accordance with the law and applies to all the company's employees. Employees are trained in compliance on a regular basis in different regular fields.

Our employees are not permitted to accept gifts in exchange for promising a possible business transaction. The guidelines also prohibit unlawfully influencing business partners through favors, gifts or the granting of other advantages.

Compliance risks are monitored by an extensive compliance risk management system which identifies and monitors major Compliance Risks. The system is continuously being developed and adapted to changing conditions. All business divisions and processes within the Company are subject to regular review with regard to compliance risks.

RISK MANAGEMENT AND CONTROL OVER FINANCIAL REPORTING IN THE COMPANY

The Company considers Integrated Risk Management (IRM) to be a key part of effective management and internal control. The Company strives for effective IRM and financial navigation to safeguard the assets of the Company and to proactively support the Company's strategic and compliance initiatives.

The goal of IRM is to help the Company to operate more effectively in a dynamic environment by providing a framework for a systematic approach to risk management and exploring opportunities with an acceptable level of risk. The Board of Directors regularly discusses the operational and financial results including the related risks.

Risk management covers financial, strategic, compliance as well as operational aspects. Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The Company's policy on managing financial risks seeks to ensure effective liquidity and cash flow management and to protect Company equity capital against financial risks.

As part of its continuing evolution, the Company aims to make continuous improvements to its risk management and internal control system. Our internal accounting control system is designed to ensure all business transactions are correctly and promptly accounted for and that reliable data on the Company's financial situation is available. It ensures compliance with legal stipulations, accounting standards and accounting rules.

A Group-wide calendar of deadlines helps ensure the complete and timely processing of financial statements. By separating financial functions and through ongoing review, we ensure that potential errors are identified on a timely basis and accounting standards are complied with. Our internal control system is an integral component of IRM. The purpose of our internal control system for accounting and reporting is to ensure its compliance with legal regulations, the principles of proper accounting, the rules on the International Financial Reporting Standards as adopted by the EU and with Company standards. In addition, we perform assessments to help identify and minimize any risk with a direct influence on our financial reporting. We monitor changes in accounting standards and enlist the advice of external experts to reduce the risk of accounting misstatements in complex issues. The Company and individual entity financial statements are subject to external audits which act as an independent check and monitoring mechanism of the accounting system and its output.

AUDIT

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.

DIVERSITY POLICY

Overall there is significant diversity amongst the Company's employees and within the Company's board of directors/ senior management.

The understanding that all people should be treated equally and that their individuality should be respected to the greatest possible extent is fundamental to the Company. We support our employees/members of the board and senior management equally regardless of their gender, age, sexual orientation and identity, race, nationality, ethnic origin, religion or world views. Within our company and when interacting with our customers, we benefit from a wealth of perspectives, backgrounds, ways of thinking and approaches every day that are the result of the social, cultural and linguistic backgrounds of our people. Our ability to operate a successful business and create value for our stakeholders is a direct result of the skills and competence of our widely diverse workforce/management.

The Company has successfully achieved a high level of diversity at every level within the Company without a formal written policy although the question of whether a formal diversity would be required in the future, is monitored closely.

CHANGES IN THE BOARD OF DIRECTORS

On 24 January 2019, the Board appointed Mr. David Daniel by co-optation as a member and Executive Vice Chairman of the Board in replacement of Mr. Shlomo Zohar who had resigned in December 2018. At the next following General Meeting after that co-optation which was held on 11 April 2019, the General Meeting ratified and confirmed the appointment of Mr. David Daniel until the annual General Meeting to take place in 2023.

On 12 March 2019, Mr. Moshe Lahmani resigned from his position as a member and Chairman of the Board. Mr. Moshe Dayan was appointed by co-optation by the Board to succeed Mr. Moshe Lahmani as a new member and Chairman of the Board. Furthermore Dr. Sebastian-Dominik Jais was appointed by co-optation by the Board as a new member of the Board in replacement of Mr. Yuval Dagim who had resigned in July 2018. At the next following General Meeting after that co-optation which was held on 11 April 2019, the General Meeting ratified the appointment of Mr. Moshe Dayan and Dr. Sebastian-Dominik Jais with effect from the date of that meeting and resolved on their continued appointed until the annual General Meeting to take place in 2023.

In the General Meeting held on 11 April 2019, the General Meeting appointed Mr. Constantin Papadimitriou as a Board member from the date of that meeting until the annual General Meeting to take place in 2023.

In the annual General Meeting held on 20 June 2019:-

- Mr. Rabin Savion was re-appointed as a Board member from the date of that meeting until the annual General Meeting to take place in 2020 on the condition that Mr. Savion remained in his position as CEO of the Company;

- Dr. Michael Bütter was re-appointed as a Board member from the date of that meeting until the annual General Meeting to take place in 2020;
- Mr. Amit Segev was re-appointed as a Board member from the date of that meeting until the annual General Meeting to take place in 2020;
- Mr. Jörn Stobbe was re-appointed as a Board member from the date of that meeting until the annual General Meeting to take place in 2020.

On 22 July 2019, Mr. Rabin Savion ceased to be a Board member (automatically upon him ceasing to be CEO of the Company).

On 10 December 2019, Dr. Sebastian-Dominik Jais and Mr. Constantin Papadimitriou resigned and the Board appointed Dr. Peter Maser (Chairman) and Florian Sitta in replacement.

Immediately thereafter, but in the same Board meeting, Mr. Moshe Dayan (Chairman) and Mr. Amit Segev, resigned and the Board appointed Mr. Thierry Beaudemoulin and Dr. Ben Irle in replacement.

Immediately thereafter, but in the same Board meeting, Mr. David Daniel resigned from the Board and Ms. Arzu Akkemik was appointed in replacement.

All these appointments by co-optation were with immediate effect until the next General Meeting which is expected to be the annual General Meeting on 10 June 2020.

CHANGES IN THE SENIOR MANAGEMENT

Mr. Rabin Savion’s term as CEO expired on 22 July 2019; the Company and Mr. Rabin Savion agreed by mutual consent not to extend his appointment as CEO of the Company.

Mr. Ran Laufer was appointed as Chief Executive Officer (“**CEO**”) of the Company with effect as of 23 July 2019.

On 30 September 2019, the extension contracts with the Chief Financial Officer (“**CFO**”), Mr. Florian Goldgruber and the Chief Operating Officer (“**COO**”), Mr. Eyal Horn expired.

Mr. Eyal Merdler was appointed as new CFO and Mr. Eran Amir was appointed as new COO, with effect as of 1 October 2019.

The mandates of Mr. Ran Laufer as CEO, Mr. Eyal Merdler as CFO and Mr. Eran Amir as COO were terminated on 10 December 2019; on the same date, Mr. Thierry Beaudemoulin was appointed as CEO with immediate effect.

COMPOSITION OF THE SENIOR MANAGEMENT AND THE BOARD AND THE BOARD’S COMMITTEES

Board as at 31 March 2020

Dr. Peter Maser, Chairman (Independent Director)

Thierry Beaudemoulin (Director)

Dr. Ben M. Irle LL.M. (Director)

Florian Sitta (Director)

Arzu Akkemik (Independent Director)

Dr. Michael Bütter (Independent Director)

Jörn Stobbe (Independent Director)

Senior Management as at 31 March 2020

Thierry Beaudemoulin, CEO

Audit Committee as at 31 March 2020

Dr. Michael Bütter (Chairman)

Dr. Peter Maser

Mr. Jörn Stobbe

Nomination and Compensation Committee as at 31 March 2020

Dr. Peter Maser (Chairman)

Mr. Jörn Stobbe

Ms. Arzu Akkemik

Ad Hoc Committee as at 31 March 2020

Mr. Thierry Beaudemoulin

Mr. Florian Sitta

Ms. Nicole Müller

DISCLOSURES PURSUANT TO ARTICLE 11 OF THE LUXEMBOURG LAW ON TAKEOVERS OF MAY 19, 2006

a) With reference to article 11(1) (a) of the abovementioned law: the Company has issued a single category of shares. Each share entitles the holder to one vote. For further information regarding the structure of capital, reference is made to Note 6 of the Annual Accounts.
b) The Articles of Incorporation of the Company do not contain any restrictions on the transfer of shares of the Company except that the Board may impose transfer restrictions for shares that are registered, listed, quoted, dealt in or on have been placed in certain jurisdiction in compliance with the requirements applicable therein.
c) According to the voting rights notifications received in fiscal year 2019, the following shareholders held more than 5% of total voting rights attached to Company shares as at December 31, 2019: A.D.O. Group Ltd., registered office at 1A HaYarden Street, Airport City 70100, Israel; and Union Investment Privatfonds GmbH (indirectly), registered office at 7 Weißfrauenstraße, 60311 Frankfurt am Main, Germany.
d) No securities have been issued with special control rights.
e) The control rights of shares issued in connection with employee share schemes (if any) are exercised directly by the respective employees.
f) The Articles of Incorporation of the Company do not contain any restrictions on voting rights.

g) There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of Directive 2004/ 109 / EC (Transparency Directive).

h) **Rules governing the appointment and replacement of Board members**

- So long as the Company has more than one shareholder, the Board shall be composed of at least three members. The Board shall be appointed by the General Meeting which determines the number, the duration of their mandate and the remuneration of the members of the Board of Directors.
- The members are appointed for a duration which may not exceed six years. They can be removed at any time without justification by the General Meeting by a simple majority vote, irrespective of the number of shares represented at such General Meeting.
- In the event of a vacancy in the office of a member of the Board because of death, retirement, resignation, dismissal, removal or otherwise, the remaining members of the Board of Directors may fill such vacancy and appoint a successor to act until the next meeting of the General Meeting at which such appointment shall be confirmed by the General Meeting or at which the General Meeting may appoint another member of the Board of Directors.
- According to the Company Articles, the Board shall elect from among its ranks a chairman of the Board (the **"Chairman of the Board"**) and, if the Board is composed of more than one member, an executive vice-chairman and one or more deputy chairmen. No executive vice-chairman or deputy chairmen have been appointed. According to the rules of procedure governing the Board, notwithstanding the reference to “Executive” in the Company Articles, if any (executive) vice-chairman or deputy chairman is appointed, such person shall not take part in the daily management of the Company nor carry out any executive-type role in the Company.

Rules governing the amendment of the Articles of Incorporation:

- At any extraordinary General Meeting for the purpose of amending the Company's Articles of Incorporation or voting on resolutions whose adoption is subject to the quorum and majority requirements for amendment of the Articles of Incorporation, the quorum shall be at least one half of all the shares issued and outstanding. If the said quorum is not present, a second meeting may be convened at which there shall be no quorum requirement. In order for the proposed resolutions to be adopted at a meeting, and save as otherwise provided by law, a two thirds (2/3) majority of the votes of the Shareholders present or represented is required at any such General Meeting without counting the abstentions.

i) Powers of the Board:

- The management of the Company is incumbent on the Board; for this, it has the most extensive powers. Its competence extends to all legal acts which are not, expressly by law or these Articles of Association, the prerogative of the General Meeting. The Board may, in particular, purchase real estate directly or through intervening companies, Issue bonds and other debt obligations, provide mortgages or other security, reduce or forgive debts and conclude settlements on behalf of the Company.
- The Company shall be bound by (i) the joint signatures of two members of the Board or (ii) by the sole or joint signature(s) of any person or persons to whom such signatory power shall have been delegated by the Board.
- The Board (or delegates duly appointed by the Board) may from time to time issue shares with the limits of the authorized capital which is currently set at EUR750,000,000, at such times and on such terms and conditions, including the issue price, as the Board (or its delegates) resolve and the Board is further authorized to arrange for a requisite change in the Company Articles to reflect such capital increase. The Board is authorized to suppress, limit or waive any pre-emption subscription rights to the extent that it deems advisable for any issue of shares within the authorized capital. The Board is authorized to attribute existing shares or issue new shares to the following persons free of charge:-
    - o Employees or a certain category of employees of the Company;
    - o Employees of subsidiaries in which the Company holds directly or indirectly at least 10 per cent of capital or voting rights;
    - o Employees of companies of which at least 50% per cent of the capital or voting rights are held directly or indirectly by a company that itself holds directly or indirectly at least 50% of the capital of the Company;
    - o Officers of the Company or of any of the companies mentioned above or certain categories of such officers.

The Board is authorized to determine the conditions and modalities of any attribution of shares or issue of shares free of charge (including any required minimum holding period).

- The Company may proceed to the purchase of its own shares within the limits laid down by law.
- Interim dividends may be declared by the Board subject to observing the conditions laid down in the Luxembourg Companies Law

j) There are no significant agreements to which the Company is party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

k) As of the date of this report, the Company is a party to a service agreement with its current CEO pursuant to which the CEO is entitled to compensation in case of termination without material breach and in case of a change of control which materially affects the services or position of the CEO.

FUNDAMENTALS OF THE GROUP

BUSINESS MODEL

Our business model currently focuses on asset and property management, portfolio and facility management and identifying residential properties that present opportunities to create value by increasing rents, decreasing vacancy and privatizing condominiums. 17,637 units (16,255 residential units) are within the city borders of Berlin. Our 366 operational employees are based in Berlin bringing us closer to our assets and tenants. We look for value and rental growth in attractive areas offering good prospects. Central Locations form the largest part of our portfolio, approx. 45%, as these were the first areas to experience increased demand.

On December 15, 2019, the Company and ADLER Real Estate Aktiengesellschaft ("ADLER Real Estate") entered into a business combination agreement ("BCA") to combine the business of ADLER Real Estate and its subsidiaries with the business of the ADO Properties Group (the "Business Combination") following a public takeover offer for all shares in Adler Real Estate. Following the closing of the Business Combination, we will focus on becoming a leading integrated residential property group that is active throughout Germany. We will continue to create value by active portfolio and property management and opportunistic growth through strategic acquisitions, for which we broaden our scope from Berlin-only to Germany-wide.

In addition, on December 15, 2019, the Company the Company entered into a Strategic Cooperation Agreement ("SCA")with Consus Real Estate AG ("Consus Real Estate") to acquire 22.18 % of its shares. As at December 31, 2019 the Company purchased 18.62% of the shares. The remaining 3.56 % of the shares were purchased in January 2020. The Company receives now access to an experienced development platform focused on the German Top 9 Cities Berlin, Cologne, Düsseldorf, Dresden, Frankfurt am Main, Hamburg, Leipzig, Munich and Stuttgart, thereby securing a value-creating growth path for the future. In addition, we have acquired the option to purchase another 51% in Consus by June 2021.

OBJECTIVES AND STRATEGY

Our strategy is focused on creating a top-tier, fully-integrated residential real estate platform with a high quality portfolio, diversifying into core locations across Germany and implementing accretive growth.

Our strategy is focused on creating a top-tier, fully-integrated residential real estate company with a high-quality portfolio, diversifying into strong locations across Germany. Having entered into a BCA with ADLER Real Estate on December 15, 2019, we intend to create one of the largest listed residential real estate companies in Europe. The Company and ADLER Real Estate will consolidate approximately €8.5 billion in combined real estate assets.

Our high quality Berlin portfolio will be complemented by the ADLER Group's Germany-wide portfolio, focused on German cities with attractive yield potential. The Company will benefit from enhanced liquidity in its shares, due to an increased free float following the completion of the takeover of ADLER Real Estate, and may fulfill the requirements of inclusion in the MDAX index in the near-term. In addition, through the business combination, we expect between €25 million and €39 million of total operational and financing run-rate synergies per annum, the majority of which are expected to be realized until 24 months following the closing of the business combination.

We are committed to ease the pressure on the housing market through accelerating the construction of new housing stock suitable for rent. Through our strategic partnership with Consus Real Estate, we have access to a market-leading development platform with a high quality pipeline of over 15,000 residential rental units and thus create the needed new housing opportunities in the Top 9 Cities. Before June -, 2021, we intend to acquire a controlling stake in Consus Real Estate. Following such control, we expect an additional €155 million to €171 million of operational and financing run-rate synergies within 24 months.

With the acquisition of ADLER Real Estate and the strategic partnership with Consus Real Estate, we aim to grow and diversify our business throughout Germany by securing a profitable growth path. ADLER Real Estate enables us to increase economies of scale, diversify our portfolio outside of Berlin and benefit from management synergies and knowledge transfer. Consus Real Estate enables us to secure a growth path in the Top 9 Cities with high-quality projects. The rebalancing of the portfolio towards the Top 9 Cities and to newly-built residential real estate improves the quality of the portfolio of the Combined Group and de-risks the portfolio from an operational and regulatory perspective. This enables us to achieve critical scale across the Top 9 Cities and to establish a real estate portfolio that is accretive to the portfolio yield, resulting in greater cash flow generation and further upside potential.

Our scalable platform is capable of implementing accretive growth through further acquisitions based on significant sourcing capabilities and our cooperation with Consus Real Estate. Our current platform allows us to add additional units at marginal incremental costs, thereby improving our EBITDA from rental activities margin. 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 continue to focus on increasing rents through active asset management and targeted investments to modernize, refurbish and reposition our properties

We continue to focus on increasing rents through active asset management and targeted investments to modernize, refurbish and re-position our properties, while constantly screening and anticipating developments in different sub-markets. 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. 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 through 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 current demand.

Our sustainable financing strategy targets a LTV ratio of 50%

We have adopted a conservative financing strategy with a LTV of maximum 50%.

Following the Company's announcement on December 15, 2019 for a voluntary public takeover offer for all shares in ADLER Real Estate AG, and the acquisition of a 22% strategic minority stake in CONSUS Real Estate AG, S&P and Moody's have placed the Company's long term corporate credit rating of BBB- / Baa3 under review. S&P and Moody's will conclude their review processes once the transaction has been finalized.

The Company continues to reiterate the benefits of the combination and continues to communicate with the agencies.

We target continuous dividends with a payout ratio of up to 50% of our yearly FFO 1 (from rental activities).

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 (from rental activities). We intend to maintain this policy following the closing of the Business Combination with ADLER Real Estate.

For the year 2018, we paid a total dividend of EUR 33.1 million or EUR 0.75 per share after the approval of the Annual General Meeting on June 20, 2019, reflecting an increase of 25% per share compared with 2017.

COMPETITIVE STRENGTHS

We believe that our business is characterized by the following competitive strengths, which have been a primary driver of our success in the past and will continue to be a source for our future business development.

We currently benefit from an efficient, fully integrated, scalable in-house real estate portfolio management platform, led by an experienced management team and focused on growth and value creation.

We benefit from an efficient, fully integrated, scalable real estate portfolio management platform, led by an experienced management team and focused on growth and value creation. This platform enables us to create value across the entire spectrum of real estate portfolio management, including the identification of suitable real estate or real estate portfolios as well as their acquisition and administration. Our platform, combined with our in-depth knowledge of the real estate market, 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 allow us to be flexible in adapting to market conditions to sustain further portfolio growth. Our approach has led to a competitive EBITDA from rental activities margin of 68.6% for the fiscal year ended December 31, 2019 and a track record of decreasing vacancy in our portfolio.

We are committed to tenant satisfaction through our business approach.

We strive for high tenant satisfaction and 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.

We will compine our high-quality Berlin portfolio with ADLER Real Estate's German portfolio to achieve critical scale.

Our high quality Berlin portfolio will be complemented by the ADLER Group's Germany-wide portfolio, focused on German cities with attractive yield potential. Hereby, we intend to create one of the largest listed residential real estate companies in Europe. The Company and ADLER Real Estate will consolidate approximately EUR 8.5 billion in combined real estate assets. In addition, through the business combination, we expect between EUR 25 million and EUR 39 million of total operational and financing run-rate synergies per annum, the majority of which are expected to be realized until 24 months following the closing of the business combination.

We have entered into an SCA with Consus, a leading residential real estate developer, and we have also acquired a strategic shareholding in Consus along with the option to acquire control in the near to mid-term.

As part of the Strategic Cooperation, we have begun cooperating with Consus Real Estate, Germany's leading pure play developer of real estate properties in the Top 9 Cities in terms of square meters (source: Bulwiengesa—Consus Nr. 1). Under the SCA and within the scope of our cooperation with Consus, we are entitled to match any third-party offer for a residential development project. Through the 22.18% strategic minority shareholding in Consus, which we acquired in December 2019 and January 2020, we have gained additional access to, what is in our view, Consus' market leading development platform and high-quality development assets. Furthermore, Aggregate Holdings S.A., Consus' majority shareholder, has granted us a call option, which we may exercise until June 15, 2021, to acquire further 51% of the shares in Consus. If we decide to exercise this option, we intend to make a voluntary offer directed at minority shareholders at essentially the same terms as the call option, being a price of 0.239 new shares in the Company for every one (1) share in Consus. The SCA, the minority stake acquisition and the call option give us access to an experienced development platform securing the value-creating growth path for future NAV accretion through new assets in the most attractive German real estate markets.

We have a solid balance sheet structure with a conservative target LTV-Ratio and long-term maturity profile at low funding costs.

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. As at December 31, 2019, we have an LTV ratio of 27.0%, 1.6% cost of debt and long-term financing with no major maturities before 2021 and a weighted average maturity of 4.3 years. We target an LTV-Ratio of less than 50% and aim to maintain our investment grade rating.

FINANCIAL PERFORMANCE INDICATORS

We calculate our NAV and NNNAV based on the best practice recommendations of EPRA (European Public Real Estate Association). EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives anddeferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.

EPRA NAV makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.

CALCULATION OF EPRA NAV

Total equity attributable to owners of the Company

(+) Revaluation of trading properties1)
(−) Fair value of derivative financial instruments2)
(−) Deferred taxes

= EPRA NAV

1) Difference between trading properties carried in the balance sheet at cost (IAS 2) and the fair value of those trading properties.

2) Net of derivative assets and liabilities stated in the balance sheet.

EPRA NNNAV is derived by adjusting the EPRA NAV to include the fair values of financial instruments, debt and deferred taxes.

The objective of the EPRA NNNAV measure is to present net asset value including fair value adjustments in respect of all material balance sheet items that are not reported at their fair value as part of the EPRA NAV.

CALCULATION OF EPRA NNNAV

EPRA NAV

(+) Fair value of derivative financial instruments2)

(+) Fair value of debt[3)]
(+) Deferred taxes

= EPRA NNNAV

3) Difference between interest-bearing debts included in the balance sheet at amortized cost and the fair value of interest-bearing debts.

Starting from the revenues in relation to our rental activities, we calculate NOI (Net Operating Income) and EBITDA from rental activities.

NOI equals total revenue from the property portfolio less all reasonably necessary operating expenses. Aside from rent, a property might also generate revenue from parking and service fees. NOI is used to track the income generation capability of the real estate portfolio.

EBITDA from rental activities is an indicator of a company's financial performance and is calculated by deducting the overhead costs from NOI. It is used as a proxy to assess the recurring earning potential of the letting business.

EBITDA can be derived by adding the net profit from privatizations to the EBITDA from rental activities. It is used to assess the recurring earning potential of the business as a whole.

CALCULATION OF EBITDA (FROM RENTAL ACTIVITIES)

Net rental income
(+) Income from facility services
= Income from rental activities
(−) Cost of rental activities[4)]
= Net operating income (NOI)
(−) Overhead costs[5)]
= EBITDA from rental activities
(+) Net profit from privatizations[6)]
= EBITDA total
(−) Net cash interest[7)]
(+/−) Other net financial costs[8)]
(−) Depreciation and amortization

= EBT

4) Cost of rental activities is the aggregate amount of (a) Salaries and other expenses; (b) Cost of utilities recharged, net; and (c) Property operations and maintenance, as presented in the "Cost of operations" note to the consolidated financial statements.

5) Overhead costs represents the "General and administrative expenses" from the profit or loss statement excluding one-off costs and depreciation and amortization.

6) Net profit from privatizations is equal to revenue from "Selling of condominiums" minus "Selling of condominiums – cost" as presented in the "Revenue" and "Cost of operations" notes to the financial statements, respectively, minus current income taxes relating to the selling of condominiums.

7) Net cash interest is equal to "Interest on bonds" plus "Interest on other loans and borrowings" as presented in the "Net finance costs" note to the financial statements, excluding day-1 fair value non-cash adjustment.

8) Other net financial costs is equal to the total "Net finance costs" from the profit or loss statement minus "Net cash interest" as calculated in footnote (7) above.

In addition, we present the NOI from rental activities margin – calculated as NOI divided by net rental income, as well as EBITDA from rental activities margin – calculated as EBITDA from rental activities divided by net rental income. These metrics are useful to analyze the operational efficiency at real estate portfolio level as well as at company level.

Starting from EBITDA from rental activities, we calculate the main performance figure in the sector, the FFO 1 (from rental activities). This KPI serves as an indicator of the sustained operational earnings power after cash interest expenses and current income taxes of our letting business.

CALCULATION OF FFO 1 (FROM RENTAL ACTIVITIES)

EBITDA from rental activities
(−) Net cash interest[7)]
(−) Current income taxes[9)]

= FFO 1 (from rental activities)

9) Only current income taxes relating to rental activities.

Continuing from FFO 1 (from rental activities), we derive AFFO (from rental activities) which is adjusted for the impact of capitalized maintenance. AFFO (from rental activities) is used as an indicator of the sustained operational earnings power of our letting activities after cash interest expenses, current income taxes and recurring investment requirements in our real estate portfolio.

CALCULATION OF AFFO (FROM RENTAL ACTIVITIES)

FFO 1 (from rental activities)

(−) Maintenance capital expenditures 10)

= AFFO (from rental activities)

10) Maintenance capital expenditures relate to public areas investments, and form part of the total capitalized CAPEX presented in the "Investment properties" note to the financial statements.

FFO 2 (incl. disposal results) is calculated by adding the net effect of our privatization activities to our FFO 1 (from rental activities). By adding the net effect of disposals, it is used to indicate the total sustained operational earnings power.

CALCULATION OF FFO 2 (INCL. DISPOSAL RESULTS)

FFO 1 (from rental activities)

(+) Net profit from privatizations6)

= FFO 2 (incl. disposal results)

The Loan-to-Value Ratio (LTV ratio) indicates the degree to which the net financial liabilities, calculated as the nominal amount of the interest-bearing loans less cash and cash equivalents, are covered by the fair market value of the real estate portfolio. This indicator helps us to ensure a sustainable ratio of borrowings compared to the fair value of our real estate portfolio.

CALCULATION OF LTV

Bonds, other loans and borrowings and other financial liabilities

(–) Cash and cash equivalents

= Net financial liabilities

(/) Fair value of properties11)

= Loan-to-value ratio (LTV)

11) Including investment properties and trading properties at their fair value and advances paid in respect of investment properties and trading properties as at the reporting date.

Permanent debts are calculated by deducting the commercial papers and the drawings under the revolving credit facility (RCF) from bonds, other loans and borrowings and other financial liabilities.

CALCULATION OF PERMANENT DEBTS

Bonds, other loans and borrowings and other financial liabilities

(−) Commercial papers

(−) Drawings under the RCF

= Permanent debts

We believe that the alternative performance measures described in this section constitute the most important indicators for measuring the operating and financial performance of the Group's business.

We expect all of the above described alternative performance measures to be of use for our investors in evaluating the Group's operating performance, the net value of the Group's property portfolio, the level of the Group's indebtedness and of cash flow generated by the Group's business.

Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

NON-FINANCIAL PERFORMANCE INDICATORS

In addition to our financial performance indicators, we also use the following non-financial operating performance indicators.

The vacancy rate shows the ratio of m^2 of vacant units in our properties to total m^2. We calculate the vacancy rate separately for residential and commercial units. They are used as an indicator of the current letting performance.

The in-place rent per m^2 provides an insight into the average rental income from the rented properties. It serves as an indicator of the current letting performance.

The like-for-like rental growth is the change rate of the gross rents generated by the like-for-like residential portfolio over the last 12 months.

All of the previous non-financial performance indicators are key drivers for the development of rental income.

The total amount spent on maintenance, capitalized maintenance and modernization CAPEX in relation to the total lettable area of our portfolio is a further operational figure to ensure an appropriate level of investment in our real estate portfolio.

BUSINESS PERFORMANCE HIGHLIGHTS

The good operational performance of our existing portfolio is well on track concerning new rentals as well as the execution of our CAPEX program. The like-for-like rental growth of 5.0% in 2019 resulted in an average rent per m^2 of EUR 7.39 on the back of our CAPEX program.

PORTFOLIO OVERVIEW

PORTFOLIO OVERVIEW (*)

	Central	S-Bahn Ring	S-Bahn Ring (1960-1990)	City Ring	City Ring (1960-1990)	Total
Fair value (EUR m)	1,644	629	711	414	266	3,664
Fair value (EUR /m^2)	3,345	2,843	2,748	2,725	2,380	2,966
Share of fair value (%)	45%	17%	19%	11%	7%	100%
Number of residential units	6,484	2,224	4,179	1,494	1,904	16,255
Avg. in-place rent (EUR/m^2)	7.69	7.38	7.25	7.59	6.58	7.39
CBRE market rent (EUR/m^2)	9.64	9.16	8.52	8.86	7.76	9.03
Avg. new letting rent (EUR/m^2) (**)	11.97	10.34	10.25	9.84	9.51	10.91
Reversionary potential	56%	40%	41%	30%	45%	48%
Multiplier (current rent)	34.29	32.96	31.21	29.89	29.45	32.51
Multiplier (CBRE market rent)	27.91	26.02	26.07	25.03	25.05	26.64
Multiplier (new letting rent)	22.48	23.06	21.66	22.54	20.45	22.04
Discount rate (%)	4.52%	4.63%	4.62%	4.80%	4.76%	4.61%
Capitalization interest rate (%)	2.56%	2.71%	2.76%	2.85%	2.88%	2.68%
Tenant turnover (%) (***)	7.8%	9.0%	7.3%	11.5%	6.6%	8.0%

(*) All values except the fair value are for the residential portfolio only.

(**) Based on last three months.

(***) Last 12 months (LTM).

PORTFOLIO PERFORMANCE

RESIDENTIAL PORTFOLIO		
	Dec 31, 2019	Dec 31, 2018
Number of units	16,255	22,202
Average rent /m²/ month	EUR 7.39	EUR 6.73
Vacancy	2.7%	3.2%

The average rent per m² increased by EUR 0.66 per m² from the beginning of the year, while the vacancy rate decreased by 50 bps to 2.7%.

COMMERCIAL PORTFOLIO		
	Dec 31, 2019	Dec 31, 2018
Number of units	1,382	1,456
Average rent /m²/ month	EUR 10.04	EUR 9.42
Vacancy	3.6%	4.6%

The commercial part of our portfolio also confirms Berlin's positive development. It shows higher rents compared to the residential properties, having now grown to EUR 10.04 per m² which represents an increase of EUR 0.62 per m² from the beginning of the year. The vacancy rate of the commercial units decreased to 3.6%.

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		
In %	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
New lettings after CAPEX	2.7%	2.4%
New lettings fluctuation	0.9%	0.8%
Regular rent increases	1.4%	2.3%
Total	5.0%	5.6%

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 that require modernization, we invest CAPEX to improve quality to meet today's standards. Units that do not require CAPEX are being let at market rent levels. Applying the relevant regulatory framework accurately and efficiently is key to our success in maximizing rental growth for our let units.

Maintenance and CAPEX		
In EUR per m²	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Maintenance	9.0	7.5
Capitalized maintenance	7.2	8.1
Energetic modernization	1.9	3.6
Modernization CAPEX	18.1	20.0
Total	36.2	39.2

Targeted investments in our portfolio are at the core of our strategy. Total investment in the portfolio amounted to EUR 58.7 million. The maintenance and CAPEX cost per m^2 of EUR 36.2 in 2019 was in line with our expectations for our long-term average levels. During Q3 and Q4 2019, we decreased our maintenance and CAPEX.

VACANCY SPLIT

Our active asset management aims to minimize our vacancy rate while keeping the necessary flexibility for our portfolio optimization. In 2019 we have seen a decrease of 46 bps in the vacancy rate due to the increased speed of unit modernization

Vacancy Split		
Residential	**Dec 31, 2019**	**Dec 31, 2018**
Units for sale	**0.1%**	**0.2%**
Units under construction	**1.7%**	**2.2%**
Marketing (available for letting)	**0.9%**	**0.8%**
Total vacancy (units)	**457**	**727**
Total vacancy (m^2)	**29,076**	**46,721**
Total vacancy rate	**2.7%**	**3.2%**
Total EPRA vacancy rate	**2.7%**	**3.1%**

For our privatization activities, it is important that we keep some vacant units available for sale as most individual buyers, who are looking to purchase for their own use, prefer to purchase vacant units. The purchase prices for vacant units are higher than for rented ones, which compensates for the increased vacancy loss during the selling period.

FUNDAMENTALS OF THE GROUP

Economic and Industry-Specific Parameters

General Market Conditions

In 2019, the German economy will have grown for the tenth time in a row. However, the increase in price-adjusted gross domestic product (GDP) of 0.6% was significantly lower than in the previous year (+1.4%) and was only less than half the average of the past ten years (+1.3%). The calendar-adjusted increase in GDP also amounted to 0.6%. Decisive growth impulses again came from the domestic economy, where private consumption expenditure rose by 1.6% and government consumption expenditure by 2.5%. Gross fixed capital formation also rose significantly. At +3.8%, investments in buildings in particular were significantly higher than in the previous year. The number of people in employment rose to 45.3 million, thus reaching a new high. (Source: Federal Statistical Office of Germany)

The sustained positive labour market trend is expected to continue to provide positive impetus for private consumption and is also a fundamentally positive framework for the rental housing markets in Germany. As the European Central Bank (ECB) has not yet raised its main refinancing rate again since it was lowered to 0.00% in March 2016, the conditions for real estate loans are likely to remain favourable.

Demographics and Housing Demand in Berlin

Berlin is the most populous city in Germany and has recorded a steady growth in population since 2005. At the end of 2019, the number of people with their main residence in the federal capital rose to 3,769,495, which means that the population of Berlin has grown by 21,347 people compared to the previous year. For the first time since 2010, however, the increase was below one percent. *(Source: Berlin-Brandenburg Statistics Office – Press release dated 14/02/2020)* The Berlin administration expects the population of Berlin to increase to about 3.8 million by 2030. The starting point for this forecast was a population of about 3.562 million people as of 31 December 2014, which already exceeded the upper variant of the last forecast from 2012 by about 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 until 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. At this time, the Berlin-Brandenburg metro region and Berlin proper are expected to see a demographic growth by 7% and 6%, respectively, until 2030. If the incoming migration maintained its present momentum, almost 194,000 new flats would be necessary to stay abreast of the associable demand. Although the number of completions has admittedly surged since 2012 and stood at 16,706 newly built units by 2018, it lags hopelessly behind the anticipated growth in demand. *(Source: IWK; Michael Bauer Research GmbH, Ziegert Condominium Report Berlin 2017/2018, Berlin-Brandenburg Statistics Office)*

Although the unemployment rate in Berlin remained above the current German average in the year under review, it has also fallen significantly in 2019 to 7.7% (2018: 8.1%). The number of people in employment in Berlin rose to around 2.066 million in 2019, which represents an increase of 49,600 people or 2.5% over the previous year. This means that Berlin once again recorded the highest growth rate in jobs of all German federal states. *(Source: Employment Agency, Berlin-Brandenburg Statistics Office)*

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 tandem with the demographic growth in recent years, causing the housing supply to dry up and both rents and prices to soar. Against this background, housing construction has gathered considerable momentum lately, yet it continues to lag behind the anticipated demand. In 2018, for instance, a total of 16,956 new flats in multi-family dwellings were completed. *(Source: Berlin-Brandenburg Statistics Office)* This means that the number of housing completions, while having once again surged year on year, still falls well short of the volume that would be required to meet actual demand. Specifically the stated objective of completing 20,000 flats annually in Berlin was quite obviously missed again. Despite the strong demand, the number of building permits in 2019 – as in the previous year – declined. It was only 15,324 in the first nine months of the year (January-September 2018: 17,157), and empirical data shows that the number of actual housing completions tends to be lower than the number approved because the total always includes a certain quantity of speculative planning permissions whose purpose is to secure zoning rights early on and to resell the zoned properties later. *(Source: Berlin-Brandenburg Statistics Office)* Nonetheless, demand for rental housing in Berlin will continue to go unmet in the years to come, because in order to satisfy demand, a rate of over 20,000 new flats coming on-stream annually would have to be sustained for several years in a row.

The decision to the Berlin rent cap ("Berliner Mietendeckel", as well as bureaucratic obstacles and dwindling space potential, are hampering investment incentives on Berlin's real estate market and are leading to a shift of investment activities to other cities and an increasing halt to modernization and refurbishment. The development of rents in Berlin has recently slowed noticeably following the sharp increases of recent years. At an average rent of EUR 12.55/ m²/month, the rent level in the second half of the year was around 4.1% higher than in the previous year. The development stagnated in the area of minimum rents in particular, while high price increases continued to be recorded in the top segment and for micro-living. *(Source: JLL, Residential City Profile Berlin, 2nd half of 2019, published in February 2020)*

Financial Performance (*)

	For the year ended		For the three months ended	
In EUR thousand	**Dec 31, 2019**	Dec 31, 2018	**Dec 31, 2019**	Dec 31, 2018
Net rental income	134,141	127,982	32,414	33,345
Income from facility services	7,431	6,606	1,664	1,659
Income from rental activities	**141,572**	**134,588**	**34,078**	**35,004**
Cost of rental activities	(32,953)	(26,179)	(9,050)	(7,275)
NET OPERATING INCOME (NOI)	**108,619**	**108,409**	**25,028**	**27,729**
NOI from rental activites margin (%)	**81.0%**	**84.7%**	**77.2%**	**83.2%**
Overhead costs (**)	(16,622)	(14,632)	(5,406)	(4,647)
EBITDA from rental activities	**91,997**	**93,777**	**19,622**	**23,082**
EBITDA from rental activities margin (%)	**68.6%**	**73.3%**	**60.5%**	**69.2%**
Net profit from privatization	1,809	2,478	**60**	**355**
EBITDA total	**93,806**	**96,255**	**19,681**	**23,437**
Net cash interest	(27,183)	(25,408)	(6,761)	(6,332)
Other net financial costs (***)	97,283	(6,108)	**94,283**	**(5,059)**
Depreciation and amortization	(1,354)	(526)	(284)	(189)
EBT	**162,552**	**64,213**	**106,919**	**11,857**

(*) Excluding effects from the changes in fair value
(**) Excluding one-off costs and depreciation and amortization

(***) 2019 figures includes mostly profit from valuation of a call option.

FFO	For the year ended		For the three months ended	
In EUR thousand	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
EBITDA from rental activities	91,997	93,777	19,622	23,082
Net cash interest	(27,183)	(25,408)	(6,761)	(6,332)
Current income taxes	(1,641)	(1,592)	(49)	(884)
FFO 1 (from rental activities)	63,173	66,777	12,811	15,866
Maintenance capital expenditures (*)	(11,648)	(13,038)	(1,211)	(3,527)
AFFO (from rental activities)	51,525	53,739	11,601	12,339
Net profit from privatizations	1,809	2,478	60	355
FFO 2 (incl. disposal results)	64,982	69,255	12,871	16,221
No. of shares (**)	44,163	44,101	44.193	44,106
FFO 1 per share	1.43	1.51	0.29	0.36
FFO 2 per share	1.47	1.57	0.29	0.37

(*) 2018 figures are adjusted for energetic modernization CAPEX

(**) On July 5, 2019 the Company issued 63,850 new shares to the previous senior management. On December14, 2018 the Company issued 30,757 new shares to the former Executive Vice Chairman of the Board. The number of shares is calculated as weighted average for the related period.

FFO

Our funds from operation of rental activities without disposal (FFO 1) for the full year fell by approx. 5% in comparison to the previous year.

CASH FLOW

The cash flow of the Group breaks down as follows:

Cash-flow		
In EUR thousand	Jan 1 – Dec 31, 2019	Jan 1–Dec 31, 2018
Net cash from operating activities	88,764	103,933
Net cash used in investing activities	269,062	(334,034)
Net cash from financing activities	1,767	136,537
Net change in cash and cash equivalents	359,593	(93,564)
Opening balance cash and cash equivalents	27,965	121,530
Closing balance cash and cash equivalents	387,558	27,966

The change in cash flow was mainly driven by the sale of shares of certain subsidiaries owning 23 properties for EUR 578 million and purchase of minority shares of Consus Real Estate AG for EUR 254 million.

FINANCIAL AND ASSET POSITION

The changes in the assets and liabilities result mainly from the sale of the shares of certain subsidiaries owning 23 properties, an agreement with several shareholders of Consus Real Estate AG to acquire 18.62% of the outstanding shares and a call option agreement with a major shareholder of Consus to acquire additional 50.97%. The fair value of the investment properties is based on valuations for December 31, 2019 performed by CBRE. The current average cap rate is 2.7% (2018: 2.8%) and 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.

Financial Position

In EUR thousand	Dec 31, 2019	Dec 31, 2018
Investment properties and advances in respect of investment properties	**3,630,753**	**4,050,323**
Other non-current assets	**301,388**	**15,492**
Non-current assets	**3,932,141**	**4,065,815**
Cash and cash deposits	**387,558**	**27,966**
Other current assets	**76,766**	**76,392**
Current assets	**464,324**	**104,358**
Total assets	**4,396,465**	**4,170,173**
Interest-bearing debts	**1,331,584**	**1,609,124**
Other liabilities	**127,086**	**114,653**
Deferred tax liabilities	**239,347**	**249,114**
Total liabilities	**1,698,017**	**1,972,891**
Total equity attributable to owners of the Company	**2,646,792**	**2,150,679**
Non-controlling interests	**51,653**	**46,603**
Total equity	**2,698,445**	**2,197,282**
Total equity and liabilities	**4,396,465**	**4,170,173**

On December 31, 2019, our EPRA NAV was EUR 65.80 per share and the EPRA Triple Net Asset Value (NNNAV) was EUR 59.55 per share.

NAV

In EUR thousand	Dec 31, 2019	Dec 31, 2018
Total equity attributable to owners of the Company	2,646,792	2,150,679
Fair value of derivative financial instruments	6,150	16,339
Deferred tax liabilities	239,347	249,114
Revaluation of trading properties	13,410	13,412
EPRA NAV	2,905,699	2,429,544
No. of shares (*)	44,163	44,131
EPRA NAV per share	65.80	55.05

(*) On July 5, 2019 the Company issued 63,850 new shares to the previous senior management.

EPRA TRIPLE NET ASSET VALUE (NNNAV)		
In EUR thousand	**Dec 31, 2019**	**Dec 31, 2018**
EPRA NAV	2,905,699	2,429,544
Fair value of derivative financial instruments	(6,150)	(16,339)
Fair value of debt	(30,391)	(4,975)
Deferred taxes	(239,347)	(249,114)
EPRA NNNAV	2,629,811	2,159,116
No. of shares (*)	44,163	44,131
EPRA NNNAV per share	59.55	48.93

(*) On July 5, 2019 the Company issued 63,850 new shares to the previous senior management.

FUNDING

We fund our properties based on a conservative financing strategy with a mix of secured mortgage loans and capital market instruments.

FINANCING

In EUR thousand	Dec 31, 2019	Dec 31, 2018
Bonds, other loans and borrowings and other financial liabilities	**1,379,535**	**1,651,151**
Cash and cash equivalents	(387,558)	(27,966)
Net financial liabilities	**991,977**	**1,623,185**
Fair value of properties (including advances)	**3,670,023**	**4,098,763**
Loan-to-value ratio	**27.0%**	**39.6%**
Average interest rate	**1.6%**	**1.7%**

As at the reporting date, our Loan-to-Value (LTV) was 27.0% with an average interest rate of the loan portfolio of 1.6% and a weighted average maturity of approx. 4.3 years. Almost all of our loans have a fixed interest rate or are hedged.

The following table shows the loan maturity profile:

In EUR million	Nominal Value	Avg. interest rate
2020	34.1	1.7%
2021	112.1	2.2%
2022	51.0	1.6%
2023	367.0	1.3%
2024	558.5	1.7%
2025+	156.3	1.6%
Total	**1,279.0**	**1.6%**

EPRA KEY FIGURES

The European Public Real Estate Association (EPRA) is a non-profit organization that has its registered headquarters in Brussels and represents the interest of listed European real estate companies. It aims to raise awareness for European listed real estate companies as a potential investment opportunity. Since its IPO in 2015, ADO Properties has been a member of EPRA.

EPRA has defined a framework for standardized reporting in its EPRA Best Practice Recommendations (BPRs) that goes beyond the scope of the IFRSs. ADO only uses some of the EPRA key figures, which are non-GAAP measures, as performance indicators.

EPRA Performance Measure	Definition	Purpose	Dec 31, 2019	Dec 31, 2018	Change in %
EPRA NAV (In EUR thousand)	EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallize in normal circumstances, such as the fair value of financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with long-term investment strategy.	2,905,699	2,429,544	20%
EPRA NNNAV (In EUR thousand)	EPRA NAV adjusted to include the fair values of financial instruments, debt and deferred taxes.	The objective of the EPRA NNNAV measure is to present net asset value including fair value adjustments in respect of all material balance sheet items that are not reported at their fair value as part of EPRA NAV.	2,629,811	2,159,116	22%
EPRA Vacancy rate (in %)	Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio	A ‘pure’ (%) measure of investment property space that is vacant on ERV	2.7%	2.7%	0 bps

MATERIAL EVENTS IN THE REPORTING PERIOD AND SUBSEQUENT EVENTS

A. On January 30, 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of Coronavirus. Since 11 March 2020, the WHO has classified the spread of the Coronavirus as a pandemic. The further spread of the coronavirus and its consequences on the business of ADO Properties S.A. are constantly monitored. The impact of the Coronavirus on the overall economy in Germany is uncertain at the time the financial statements were prepared and could be considerable. However, it is not yet expected to have any direct or significant effects on the German real estate market. Currently in Germany the rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general conditions on the residential market.

As of 25 March 2020, the Federal Government issued a legislative package to mitigate the consequences of the coronavirus which also affects rental and lease agreements. The landlord is not entitled to terminate a contract solely on account of default of payment by the tenant in the period 1 April to 30 June 2020, if the default is due to the effects of the pandemic and the tenant can provide credible evidence of the connection between the pandemic and the delay in payment. The Federal Government is authorised to extend the regulations from 1 July to 30 September 2020.

ADO Properties S.A. is continuously monitoring the impact of the Covid-19, however this event has been considered a non-adjusting events in the preparation of these consolidated financial statements.

B. On September 26, 2019 the Company has announced the entering into of a share purchase agreement for the sale of 100% of the shares of certain subsidiaries owning 23 properties consisting in aggregate of approximately 5,900 residential apartment units. The sale price for the shares is EUR 920 million, less approximately EUR 340 million of net debt of the companies being sold, as a result, the company recognized increase in fair value of investment property in an amount of 84m. The assets are located in the Spandau and Reinickendorf districts in the West and the North of Berlin, most of which were acquired in 2015. The Company recognized transaction costs in a total amount of EUR 10.8 million including broker fees, bonuses and professional services related to the sale. In addition, the Company also recognized profit from the sale in an amount of EUR 78m for deferred tax liabilities which were not included in the purchase price calculation. On November 29, 2019 the Company announced the completion of its sale.

C. On 15 December 2019, the Company resolved to make a voluntary public takeover offer in the form of an exchange offer ("Offer") to the shareholders of ADLER Real Estate Aktiengesellscahft ("Adler"). ADO Properties has offered 0.4164 new shares in

ADO Properties as consideration in exchange for each tendered share in Adler. The offered ADO Properties shares will be created on 31 March 2020, by way of capital increase by exercising the authorized capital of ADO Properties pursuant to Section 5 of its articles of association (via a board of directors' resolution of ADO Properties).

The Offer closed on 25 March 2020 with an acceptance rate of 91.93%. The newly issued shares of ADO Properties will be listed at the Frankfurt stock exchange.

Closing of the Offer will trigger change-of-control rights under, inter alia, a EUR 885 million bridge loan of ADLER and certain other financings entered into by Adler and/or its respective subsidiaries. ADO Properties intends to refinance the EUR 885 million bridge loan and all other debt of ADLER and ADLER's subsidiaries in relation to which creditors exercise their change-of-control rights with loans utilized under the EUR 3,4643 million bridge facility agreement with J.P. Morgan Securities Plc, J.P. Morgan AG and J.P. Morgan Europe Limited. As at March 31, 2020 the maximum nominal amount of the bridge facility agreement has been reduced to EUR 2,424 million.

As of the reporting date, the business combination agreement have not been completed and therefore are not reflected in these financial statements.

D. On 15 December 2019, the Company also entered into an agreement with several shareholders of Consus Real Estate AG ("Consus") to acquire 22.18% of the outstanding shares. Additionally, the Company entered into a call option agreement with a major shareholder of Consus to acquire an additional 50.97% in Consus. As a last step, the Company committed itself to also make a voluntary public takeover offer over the remaining Consus' shares should the Company exercise the call option. As at 31 December 2019 the company acquired 18.62% of Consus shares. The remaining 3.56% was acquired in January 2020.

Upon investment of the Company into Consus, the Company did not receive any right to appoint any board members and does not have any representation in any of the boards of Consus as of December 31, 2019. The option is exercisable from the date of signing of the option agreement, i.e. 15 December 2019, until 16 June 2021. If the Company wants to exercise the option, it needs to issue an exercise notice and the assignment of the shares needs to occur within 15 business days after all relevant merger clearance approvals have been obtained. Under the put option, the shareholder of Consus shall have the right to request from the Company that it acquires the relevant shares, if a change of control event at the Company occurs. It shall be exercisable by the shareholder within 5 business days after the occurrence of a change of control event by giving written notice thereof to the Company.

The Group has assessed its investment in Consus and determined that it does not have significant influence due to, inter alia, its current voting rights, the lack of board representation, the relative size and dispersion of the holdings of other shareholders. In addition, the option is not currently exercisable as it requires various approvals which are not mere formality. Therefore, the investment is classified as a financial asset and measured at fair value through OCI.

E. Following the conclusion of the Strategic Cooperation Agreement, on January 17, 2020, the Company entered into a letter of intent with Consus Swiss Finance AG, which as amended on February 21, 2020, for the purchase of 89.9% of the shares in all companies that hold plots of land belonging to the Holsten Quartier project development in Hamburg (the "Holsten Quartier"). The provisional purchase price for 100% of the shares in Holsten Quartier is €320 million on a cash-free debt-free basis, subject to finalization of the Company's due diligence. In exchange for a €50 million down-payment, of which €40 million do not have to be paid before certain collateral requirements have been fulfilled, Consus Swiss Finance AG granted the Company exclusivity for twelve months to continue and finalize the legal, technical, economic and tax due diligence. There is no obligation to enter into a share purchase agreement and the signing of the share purchase agreement is subject to the satisfactory completion of the due diligence.

F. On February 6, 2020 ADO Properties granted an interest bearing loan of EUR 43,542,242 to Taurecon Invest IX GmbH i.Gr. ("Taurecon"). The loan has a term until February 15, 2023 and was used by Taurecon to purchase from ADO Group Ltd. (a wholly owned subsidiary of Adler) its minority shareholdings in various entities in which ADO Properties (directly or directly) owns the majority of shares. The loan amount may increase or decrease, as the case may be, if and to the extent the final purchase price to be paid by Taurecon for the purchase or the shares may be adjusted going forward.

G. On March 25, 2020 the Company decided to make a voluntary public takeover offer (the "Takeover Offer") to all shareholders of WESTGRUND Aktiengesellschaft (the "Target") for the acquisition of all bearer shares in the Target, each share representing a proportionate amount of EUR 1.00 of the share capital of the Target (the "WESTGRUND Shares") against payment of a cash consideration, the amount of which at least corresponds to the value of the business calculated on the basis of a valuation of the Target in accordance with Section 31 para. 1, 2 and 7 WpÜG in conjunction with Section 5 para. 4 of the German WpÜG Offer Ordinance (WpÜG-Angebotsverordnung).

H. In respect of the revolving credit facility agreement (see note 14D), on March 26, 2020, the Group drawdown an amount of EUR 175m.

FORECAST REPORT

COMPARISON OF THE FORECAST WITH THE ACTUALS OF 2019

Our operations developed in 2019 as planned. The increasing demand in Berlin, but especially in City Ring locations, enabled us to achieve a like-for-like rental growth for the full year of 5%. This growth was supported by our targeted investment program which allowed us to let more units and further improve rents.
Our funds from operation of rental activities without disposal (FFO 1) for the full year fell by approximately 7% in comparison to the previous year due to disposal of assets.

On June 20, 2019 the Annual General Meeting approved a dividend payout totaling EUR 33.1 million or EUR 0.75 per share, representing a 49% payout of the total FFO 1 of the year 2018 which was in line with our guidance of up to 50% of FFO 1.

FORECAST FOR 2020

We anticipate that, following the combination with ADLER Real Estate, the existing combined portfolios and platforms can generate net rental income in the range of EUR340-360 million and FFO 1 in the range of EUR 120-140 million for 2020.
For 2020 we anticipate a dividend payout ratio of up to 50% of FFO 1.

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 that 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 to identify and assess material risks at all times within the Group and in the environment. The Board of Directors and the Senior Management Team of ADO Properties S.A. currently see no risks that threaten the Company's existence.

RISKS RELATED TO THE MARKET

The real estate we own is 100 percent 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 at attractive terms, particularly due to the high current and future market prices for real estate portfolios. The acquisition of ADLER Real Estate AG ("ADLER") will allow us to diversify our portfolio by extending our space of operations to encompass the entire German real estate market, thus allowing us to mitigate the risks caused by the dependency on our current single market Berlin.

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of coronavirus. Since March 11, 2020, the WHO has classified the spread of the Coronavirus as a pandemic. The further spread of the coronavirus and its consequences on the business of ADO Properties S.A. are constantly being monitored. The impact of the coronavirus on the overall economy in Germany is uncertain at the time the financial statements were prepared and could be considerable. However, it is not yet expected to have any direct or significant effects on the German real estate market. Currently in Germany the rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general conditions on the residential market.

As of March 25, 2020, the Federal Government issued a legislative package to mitigate the consequences of the coronavirus which also affects rental and lease agreements. The landlord is not entitled to terminate a contract solely on account of default of payment by the tenant in the period 1 April to 30 June 2020, if the default is due to the effects of the pandemic and the tenant can provide credible evidence of the connection between the pandemic and the delay in payment. The Federal Government is authorised to extend the regulations from 1 July to 30 September 2020.

ADO Properties S.A. is continuously monitoring the impact of the COVID-19, however this event has been considered a non-adjusting events in the preparation of these Consolidated financial statements.

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 earnings 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, which 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 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.

New Rental Law (Berlin Rental Cap – Berliner Mietendeckel)

On June 18, 2019, Berlin's municipal government (*Berliner Senat*) announced its intention to freeze rents in Berlin for the next five years. The Law on Rent Limitation in Housing in Berlin (*Gesetz zur Mietenbegrenzung im Wohnungswesen in Berlin – MietenWoGBln*), so-called "*Mietendeckel*" was passed on January 30, 2020 by Berlin's parliament (*Berliner Abgeordnetenhaus*) and entered into force on 23 February 2020. Based on this law, the rents for living space in Berlin (except for subsidized and newly built living space) shall be capped retroactively as of June 18, 2019. Key aspects of the draft bill are, among others:

- The rent freeze will last for a minimum of five years. As of 2022, lessors may annually increase rents by up to 1.3% of the current rent;
- The permissible rent limit is based on the figures of the official Berlin rent table ("Berliner Mietspiegel") of the year 2013 as adjusted to reflect the development of real wages until 2019;
- When re-letting apartments, the maximum rent may not exceed the amount of the rent that was agreed upon in the previous lease agreement as of June 18, 2019. If the previously agreed upon rent exceeds the rent limit, it shall be capped;
- In existing lease agreements, tenants may reduce the rent if it exceeds the rent limit by 20%. Certain allowances and deductions for the type of location shall be taken into account;
- If the rent of a modern equipped apartment is particularly low (i.e. below €5.02 per sqm), the lessor may raise the rent by a maximum of €1.00 per sqm to a maximum of €5.02 per sqm when re-letting the apartment; and
- The cost for modernization measures may only be passed on to the tenant in the amount of €1.00 per sqm. For costs of modernization exceeding this amount, up to a maximum of one additional euro per square meter of living space, the Senate will provide subsidy programs.

The new law provides that the administration can take action by its own initiative (ex officio) against landlords acting in violation of the permitted rent amount without a prior request by the tenant to lower the rent cap to the permissible level.

Furthermore, violations of the rent cap in connection with existing rents and future rent increases, insofar as these exceed the limits set by the rent Cap constitute administrative offenses.

These administrative offences can be sanctioned in individual cases with fines of up to EUR 500,000. If we would have agreed in individual or multiple cases to provisions in connection with our 16,000 existing residential tenancy agreements as of September 30, 2019, that violate the provisions of the "Mietbegrenzungsgesetz für den Wohnungsbau" in Berlin or comparable laws that restrict or reduce current rent levels or with new tenancy agreements, this could have material adverse effects on our business, our financial position, our results of operations, and our business prospects.

Any further tightening of existing or the introduction of additional rent restrictions could limit our ability to implement an increase in rental costs across any part of or our entire portfolio and, ultimately, negatively affect our strategy.

Any failure to comply with or violation of legislation regarding rent restrictions could result in our obligation to repay any surplus rents charged and, additionally, to pay substantial fines. Furthermore, any other kind of cap, tenant-friendly regulation or regulation serving the protection of tenants may considerably impair our ability to raise rents.

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; 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. The tendencies of lower interest rates by the European Central Bank are becoming more apparent due to the corona crisis.

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.

The global economy is being significantly affected by the coronavirus. Although massive monetary and fiscal policy measures are therefore being introduced in many countries, global growth will be significantly lower than in the previous year. In the euro zone, GDP growth in 2020 is expected to be of significantly below the currently forecast 1.0 % are to be expected. The increase is likely to be even lower in Germany.

For a detailed description of ADO's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used and exposure to price risk, credit risk, liquidity risk and cash flow risk, please refer to note 23 to the consolidated financial statements.

Our existing debt facilities require compliance with certain financial and maintenance covenants, some of which require us not to exceed a certain maximum loan-to-value ("LTV"), which could be negatively affected by revaluations, and/or require us to maintain a minimum debt service coverage ratio.

Our failure to comply with such covenants could trigger the respective creditor's right to terminate the relevant financing arrangement or require us to repay part of our debt to cure a breach in the covenants or may lead to higher interest payments.

An internal control process has been implemented at ADO to ensure compliance with financial covenants. The covenants stipulated in financing agreements were complied with at all times in the past financial year. There are no indications that financial covenants will not be complied with in future.

Ratings assigned to the Issuer by rating agencies are an indicator of the Issuer's ability to meet its obligations under the Notes in a timely manner. Rating agencies may change, suspend or withdraw their ratings at short notice. A change, suspension or withdrawal of a rating may affect the price and the market value of our debt instruments. A downgrade of the rating could have further negative consequences on our costs of debt financing and on our liquidity.

The voluntary public takeover offer in the form of an exchange offer of ADO to the shareholders of ADLER Real Estate Aktiengesellschaft ("ADLER"), for the acquisition of all outstanding shares in ADLER ("Offer") could lead to financial risks. The reason therefore is that due to restrictions in time and because ADLER is a stock-listed corporation, ADO was unable to conduct a complete due diligence exercise of ADLER prior to the launch of the Offer. As a result, thereof, important circumstances that could be relevant for a valuation of ADLER or in connection therewith, the determination of the consideration under the Offer and the assessment of the commercial benefits of the Integration may not have been adequately or sufficiently considered. In particular, we may not have been in a position to adequately and sufficiently identify and assess all risks in connection with the Offer or the completion of the Offer. Furthermore, the portfolio and assets of ADLER may develop differently than anticipated by us or than set out in public information provided by ADLER. Any inadequacy and insufficiency in the identification and assessment of risks associated and in connection with the Offer or the Completion could negatively affect the financial situation of ADO and could lead to reputation issues.

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 the residential units we own.

Changes in legislation and regulatory frameworks relating to construction, energy efficiency, the duty to implement safety precautions and tenant protection can affect the economic viability of planned measures or necessitate previously unplanned measures. The monetary impact of such requirements can usually be calculated in advance on account of the corresponding implementation periods, and are thus included in ADO´s business planning.

Regulatory intervention in tenancy law may affect the financial position of a residential property company. The legislative amendment adopted by the federal government in 2015 with regard to moderation of rent increases in Berlin restricts the scope for rent increases upon the re-letting of living space (and also see “New Rental Law (Berlin Rental Cap – Berliner Mietendeckel” above).

Other legislative amendments are subject of discussion regularly. The possibility that further regulatory amendments may be implemented cannot be excluded in the wake of the German parliamentary election.

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.

In order to preserve residential living space, certain restrictions are set out in the law against misuse (*Zweckentfremdungsverbotsgesetz*) and the regulation against misuse (*Zweckentfremdungsverordnung*) that both came into force on May 1, 2014. The regulation was amended with effect as of May 1, 2018. Violation may lead to fines in cases of ″change in the use″ of residential properties because nonresidential use requires prior approval of the competent district authority. A “change of use” is defined broadly and includes, inter alia, being let as a short-term holiday flat, used for commercial or professional purposes, changed in a way that renders it no longer habitable or left vacant for more than three months.

On March 3, 2015, the Berlin government passed a regulation (Umwandlungsverordnung) according to conversion of a building into condominiums is prohibited in milieu protection (Milieuschutz) areas of the city unless the relevant district has granted permission by means of an exception to this regulation. Although this should not affect the sale of a whole property, this regulation could hinder the conversion and sale of single apartments and could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations. Currently 60 areas of Berlin are defined as milieu protection (Milieuschutz) areas. At the federal state level, the government of Berlin is expected to introduce further changes, such as extending the milieu protection (Milieuschutz) areas.

We may incur environmental liabilities, for example, from residual pollution including wartime ordnance, soil conditions, asbestos and contaminants in building materials, as well as from possible building code violations.

The EU General Data Protection Regulation (GDPR), which came into force in May 2018, imposes more stringent requirements with regard to the handling of personal data. Non-compliance may lead to large fines, which would be calculated on the basis of the revenues of ADO. ADO implemented the new requirements of GDPR within a project in order to ensure its compliance. It also continually adapts and redesigns its processes to this end.

The Infringement of provisions of capital markets legislation such as the *Wertpapierhandelsgesetz*, (WpHG) and the Market Abuse Regulation (MAR) may also lead to large fines. The Chief Compliance Officer informs management, employees and business partners about relevant provisions of capital markets legislation and the consequences of any infringement of those regulations.

RISKS RELATED TO TAXATION

Our business is subject to the general tax environment in Germany and Luxembourg and to possible future changes in the taxation of enterprises in Germany, Luxembourg and in the European Union, which may change to our detriment.

We could be required to pay additional taxes following tax audits. In 2018 a Group tax audit for financial years 2013 until 2016 was commenced by the tax authorities. Currently, 32 companies are included in the sample, representing the entire Group. The authorities reserve the right to extend the sample. Up to now, the tax audit was completed for four companies. So far, no material tax audit findings have been made.

Between the ADO group companies exist several service and financing agreements. Especially the intercompany financing and management service agreements are cross border transactions and are as such subject to special transfer pricing regulations. Hence, the tax authorities might not accept all deductions for our interest and or service payments.

A direct or indirect unification of 95% or more of the shares of property holding corporations or a direct or indirect transfer of 95% or more of the interest in a property holding partnership within a five-year period may trigger German real estate transfer tax (RETT). In addition, transaction costs for the acquisition of real estate may increase due to a change in German tax law. The German Government plans to reduce the participation threshold, which would trigger German RETT to at least 90%. It is also planned to extend the holding period from five years to ten years subject to the so-called RETT-blocker companies (co-investors). Possible changes in German tax law in relation to RETT could affect our business model by inter alia higher structuring costs or triggering German real estate transfer tax.

Commercial business operations in Germany are subject to trade tax, if the company is resident in Germany or is trading through a German permanent establishment. However, if the income solely results from letting real estate and no other harmful services are rendered, property holding companies apply for the extended trade tax deduction

(ETTD). Hence, most of our property holding companies apply for the ETTD. In case the stringent rules are not fulfilled e.g. lease out business fixtures or will be qualified as a seller of real property, we may lose the tax benefits from the extended trade tax deduction.

Some of the ADO property companies are resident abroad and have no place of management in Germany. The income of companies, which have no place of management in Germany, is not subject to trade tax. In case the daily business of the companies would have been rendered in Germany or is rendered by a permanent representative the income of these companies would be subject to trade tax for the future and also for all open assessment periods.

The German ADO group companies are integrated in a value added tax group. Hence, the VAT group is regarded as one single VAT entrepreneur for German VAT purposes and all services carried out within the VAT group are non-taxable for German tax purposes. If one requirement of the VAT group may not be fulfilled (financial, economical and organizational integration) all intercompany services would be subject to German value added tax. Since the group companies are not fully entitled for input VAT deduction, ADO group companies would have to make - beside 6% interest per annum – a definite VAT payment

IT RISKS

ADO uses IT applications on a Group-wide basis. This theoretically exposes it to a risk of a total failure of these applications and, consequently, significant disruption to its business operations.

Also the risk that our IT systems may be exposed to attacks involving malicious software (malware), or that data may be accessed by unauthorized third parties, cannot be excluded. We optimize our security procedures on a regular basis and continually update the measures taken to counteract malware.

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 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.

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 2019, 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.

Chief Executive Officer

Thierry Beaudemoulin