ADO Properties S.A.

Offering of up to 23,100,000 Shares in Dematerialized Form

This is an offer to the public of (i) up to 10,000,000 newly issued shares in dematerialized form ("**New Shares**") from a capital increase against contribution in cash to be resolved by a resolution of the sole director of ADO Properties S.A., a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg (the "**Company**", "**ADO**", and together with its consolidated subsidiaries, "**we**", "**our**" or the "**Group**"), (ii) up to 11,000,000 shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) from the holdings of the Selling Shareholder (as defined herein) (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**") and (iii) up to 2,100,000 shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) from the holdings of ADO Group Limited (the "**Selling Shareholder**") in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the New Shares and the Existing Shares, the "**Offer Shares**"), each such share issued without a nominal value.

The offer consists of (i) an offer to the public of the Offer Shares in the Federal Republic of Germany ("**Germany**"), (ii) a private placement to qualified institutional buyers in the United States of America (the "**United States**") in reliance on Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (iii) private placements to institutional investors outside Germany and the United States in reliance on Regulation S ("**Regulation S**") under the Securities Act (the "**Offering**").

Prior to the Offering and the listing of the entire share capital of ADO (the "**Shares**"), the Shares have not been publicly traded. The Company will apply for admission of the Shares to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the sub-segment thereof with additional post-admission obligations (Prime Standard). Trading in the Shares is expected to commence on or about June 30, 2015.

International Securities Identification Number (ISIN): LU1250154413
German Securities Code (*Wertpapierkennnummer*, WKN): A14U78
Common Code: 125015441
Ticker Symbol: ADJ

Investing in the Shares involves risks. See "Risk Factors" beginning on page 1.

Offer Price Range of €20 – €25 per Offer Share

The Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction in the United States. The Offer Shares are being offered and sold in the United States only to qualified institutional buyers in reliance on Rule 144A, or other exemptions from the registration requirements under the Securities Act, and outside the United States in reliance on Regulation S. Prospective investors are hereby notified that sellers of Shares may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of the restrictions on resale and transfer of the Shares being offered, see "*Description of Share Capital of ADO Properties S.A. and Applicable Regulations—Transfer of Shares*".

This prospectus (the "**Prospectus**") constitutes a prospectus prepared pursuant to Part II of the Luxembourg law of July 10, 2005 concerning prospectuses relating to transferable securities, as amended (the "**Luxembourg Prospectus Law**") and has been prepared for the purpose of admission to listing and trading of the Shares and the offering to the public in Germany. The approval by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*) ("**CSSF**") and the notification to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("**BaFin**") cannot be considered as a judgment on, or as any comment on the merits of, the transaction nor on the situation of ADO and by approving the Prospectus the CSSF gives no undertaking as to the economic and financial soundness of the transaction and the quality or solvency of ADO.

The Offer Shares will be in the form of dematerialized shares and will be registered in a single securities issuance account with the single settlement organization LuxCSD S.A. ("**LuxCSD**"). The Offer Shares are expected to be delivered to investors against payment on July 2, 2015.

Joint Global Coordinators and Joint Bookrunners

Kempen & Co **UBS Investment Bank**

Joint Bookrunners

Barclays **COMMERZBANK**

June 17, 2015

CONTENTS

SUMMARY OF THE PROSPECTUS

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

A – Introduction and Warnings

A.1	**Warnings.**	This summary should be read as an introduction to this prospectus (the "**Prospectus**"). Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating the Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area. ADO Properties S.A. (the "**Company**", "**ADO**", and, together with its consolidated subsidiaries, "**we**", "**our**" or the "**Group**") assumes responsibility for the content of this summary and its German translation pursuant to Part II of the Luxembourg law of July 10, 2005 concerning prospectuses relating to transferable securities, as amended (the "**Luxembourg Prospectus Law**") and specifically pursuant to Article 9(2) thereof. Those persons who are responsible for the summary, including the translation thereof can be held liable but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, all necessary key information.
A.2	**Information regarding the subsequent use of the Prospectus.**	Subject to the following paragraphs, the Company gives consent to the use of the Prospectus with respect to a subsequent resale or a final placement of each of the shares of the Company ("**Shares**") by Kempen & Co N.V. ("**Kempen & Co**"), UBS Limited ("**UBS**") (together with Kempen & Co, the "**Joint Global Coordinators**"), Barclays Bank PLC ("**Barclays**") and COMMERZBANK Aktiengesellschaft ("**COMMERZBANK**") (together with Barclays, the "**Joint Bookrunners**", the Joint Global Coordinators and the Joint Bookrunners collectively referred to as the "**Underwriters**") in the public offer in the Federal Republic of Germany ("**Germany**"). Germany is the only EU member state in which the Underwriters may use the prospectus for a subsequent resale or a final placement of the Shares. **In the event of an offer being made by the Underwriters, the Underwriters will provide information to investors on the terms and conditions of the offer at the time the offer is made**. The Company does not intend to give consent to anyone other than the Underwriters to use the Prospectus in the future.
	Indication of the offer period.	From June 18, 2015 (inclusive) to June 29, 2015 (inclusive).
	Any other condition attached to the consent.	The Company accepts responsibility for the content of the Prospectus with respect to a subsequent resale or final placement of Shares by the Underwriters. The Prospectus may only be delivered to potential investors together with all supplements published before such delivery. Any supplement to the Prospectus is available for viewing in electronic form on the website of the Luxembourg Stock Exchange (http://www.bourse.lu) and on the website of the Company (http://www.ado.properties). When using the Prospectus, each Underwriter must ensure that it complies with all selling restrictions specified in the Prospectus as well

		as all applicable laws and regulations in force in the respective jurisdictions. The Prospectus must still be valid in accordance with Article 11 of the Luxembourg Prospectus Law.
B – Issuer		
B.1	**Legal and commercial Name.**	The Company's legal name is "ADO Properties S.A." and its commercial name is "ADO Properties".
B.2	**Domicile, legal form, legislation under which the issuer operates, country of incorporation.**	The Company has its registered office at 20 rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg, and is registered with the Luxembourg Register of Commerce and Companies (*registre de commerce et des sociétés de Luxembourg*) under the registration number B197554. The Company is a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg ("**Luxembourg**").
B.3	**Current operations and principal business activities and principal markets in which the issuer competes.**	We believe that following the Offering (as defined herein) we will be the only company listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange that is focused on residential real estate located solely in Berlin, Germany. Apart from three commercial buildings, we specialize in and focus on the purchase and management of income producing multi-family residential buildings located in Berlin. As of December 31, 2014, our property portfolio consisted of 6,601 residential units with a total residential lettable area of 408,594 sqm, 592 commercial units (retail, office and other commercial) with a total commercial lettable area of 61,893 sqm, 1,577 parking spaces and spaces for storage, antennas, etc. Our portfolio value as of March 31, 2015, and including the acquisition of a portfolio consisting of 5,749 residential units located in the districts of Spandau and Reinickendorf (the "**Carlos Portfolio**"), was approximately €1.2 billion. As of March 31, 2015, and including the Carlos Portfolio, our property portfolio consisted of 13,663 residential units with a total residential lettable area of 881,859 sqm, 713 commercial units (retail, office and other commercial) with a total commercial lettable area of 76,459 sqm, 3,228 parking spaces and spaces for storage, antennas, etc. Most of our residential units contain one or two rooms and have an average size of approximately 65 sqm, which means that we are well positioned to benefit from the growth of one- and two-person households in Germany, which is expected to be particularly strong in Germany's metropolitan areas (*Source: GPE – Population Development*). As of March 31, 2015, and including the Carlos Portfolio, our vacancy rate was 4.0% and 4.3% for our residential units and commercial units, respectively. The monthly net rent per sqm was €5.66 and €8.16 for our residential units and commercial units, respectively. We believe that the residential real estate market in Berlin benefits from positive demographic trends. Berlin is the most populous city in Germany, with 3.56 million inhabitants as of December 31, 2014 (*Source: Berlin-Brandenburg – Statistical Report 2015*). In 2014, Berlin's population grew by approximately 44,700 inhabitants, of which roughly 2,600 were due to birth surplus and 42,100 were due to migration to Berlin, and in 2013, the population grew by approximately 47,800, of which roughly 2,200 were due to birth surplus and roughly 45,600 were due to migration to Berlin (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin-Brandenburg*). It is expected that this growth trend will continue, with the Berlin population expected to increase from 3.56 million in 2014 to approximately 3.70 million in 2020 (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin Senate*). We also believe that we will continue to benefit from Berlin's status as the capital and largest city of Germany, which has one of Europe's strongest economies and is an important business, political and cultural center for continental Europe. In addition to a growing number of governmental employees in the city, Berlin is a growing

		business center for, among others, the services, pharmaceuticals, media, creative and technology sectors. The unemployment rate in Berlin, which in 2014 was higher than the unemployment rate in Germany as a whole, has been decreasing faster than the German average and this development is expected to continue (*Source: German Employment Agency*). Our business model focuses on asset and property management, portfolio and facility management and identifying and acquiring residential properties in Berlin that present opportunities for us to create value by increasing rents, decreasing vacancy and privatizing condominiums. The current relatively low rent levels in Berlin compared to the other big cities in Germany (*Source: CBRE Report 2015*) present opportunities for our business and future growth. Our residential units face strong demand from broad segments of the population: from the growing youth population to individuals with low and medium household income, some of which are being supported by social benefits and transfer payments from public authorities. We believe that our residential units provide tenants with an attractive value proposition and are suitable to market demand, which is further enhanced by our capital expenditure for refurbishment since 2007. In addition, we target value generation through the use of our efficient, fully integrated in-house management and tenant service platform, without legacy constraints, to manage our portfolios. We believe that due to our history and particularly through our operational efforts since our establishment in 2006, we have achieved significant recognition in the market and as evidenced by our track record in achieving continual rental growth (see our competitive strengths listed below). 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: • Our approximately €1.2 billion portfolio is located solely in Berlin and predominantly in the districts of Berlin with attractive growth perspectives. • We benefit from in-depth knowledge of the Berlin market from almost a decade of local presence and a local network with excellent access to information. • We benefit from an organically grown, efficient, fully integrated, scalable and in-house platform for portfolio management and privatizations, which is led by an experienced management team that has worked together since 2007. • We believe we have significant rental growth potential following 6.2% average annual like-for-like rental growth over the past three years (2012-2014). • We have a solid balance sheet structure with a conservative target adjusted loan-to-value ratio and long-term maturity profile at low funding costs. • We have a straightforward corporate governance structure supported by long-term shareholders.
B.4a	**Most significant recent trends affecting the issuer and the industry in which it operates.**	The Group is affected by the German residential real estate market as a whole and, in particular, the Berlin real estate market. The Group is strongly affected by recent and projected demographic trends and economic developments in Berlin, such as a population development, decrease in unemployment or gross domestic product ("**GDP**") growth and an increase in the number of households coupled with a reduction in average household size. Such trends have led and are expected to continue to lead to a further increase in demand for residential units suitable for one- and two-person households.

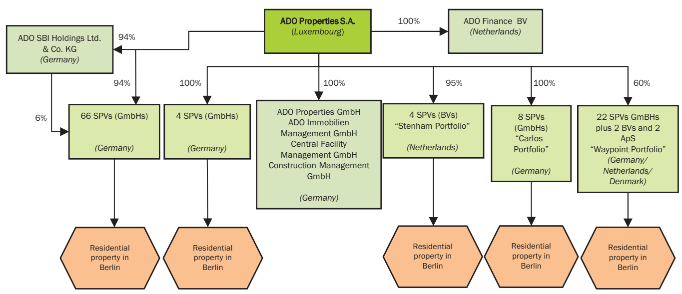
We generate two major types of income: rental income and income from property sales, both strongly influenced by market prices for properties in the relevant micro locations which, in turn, reflect rent levels, vacancies and other factors, including market expectations. Since 2012, the German real estate industry and our results were positively affected by positive developments in the real estate market. In particular, low interest rates, positive employment and wage prospects, the influx of immigrants and the fall in crude oil prices increasing households' purchasing power continue to drive demand for property in Germany (*Source: German Federal Bank, Report December 2014*). Additionally, the construction of new housing in Germany has been and is expected to continue to be characterized by a disequilibrium between supply and demand due to less attractive returns for new construction compared to rents in existing buildings.

More specifically, we are closely impacted by the developments of the population in Berlin and the Berlin real estate market, where all of our residential units are located. The demand for housing in Berlin is high and the number of households has been growing in recent years while the average household size in Berlin has been decreasing. Although new construction is projected to continue to increase further in an attempt to meet the growing demand for housing in Berlin, completed units are not expected to be sufficient in number to meet projected demand. As a result, the apartment vacancy rate has been decreasing steadily in Berlin since 2006 and this positively impacts our business activities.

B.5 **Description of the group and the issuer's position within the group.**

The Company is the holding company of the Group. The Company's business is primarily conducted by the relevant operating subsidiaries. The Group's consolidated financial statements include all material subsidiaries whose financial and business policy can be controlled, either directly or indirectly, by the Company and the equity interests of the material subsidiaries whose financial and business policy can be influenced by the Group to a significant extent. The group of consolidated companies include 132 subsidiaries as of the date of this Prospectus.

The following diagram sets forth a summary (in simplified form) of the Company's significant subsidiaries as of the date of this Prospectus taking into account the relevant successive interests (*durchgerechneter Beteiligungsanteil*). The shareholdings presented also include shareholdings of affiliated companies pursuant to Sections 15 et seq. German Stock Corporation Act (*Aktiengesetz*). The Group's limited partnerships (*Kommanditgesellschaften*) are held through third-party structures. The shareholdings presented below are rounded to whole numbers.



B.6	**Persons who, directly or indirectly, have a (notifiable) interest in the issuer's capital and voting rights.**	As of the date of the Prospectus, the following persons, directly or indirectly, have a notifiable interest in the Company's capital and voting rights: • ADO Group Limited (the "**Selling Shareholder**") a publicly listed company on the Tel Aviv Stock Exchange ("**TASE**"), incorporated in Israel with its registered address at 1A Hayarden Street, Airport City, Ben Gurion Airport, Tel Aviv, Israel, which holds a 100% interest in the Company prior to the Offering and has granted a loan to the Company and the Company has issued capital notes to the Selling Shareholder in a total amount of €287,545 thousand. The loan and the capital notes will be converted into equity as a non-refundable capital (surplus) contribution without issuance of new shares conditional solely upon the issuance of the New Shares (as defined herein); • Shikun & Binui Limited, a publicly listed company on TASE, incorporated in Israel with its registered address at 1A Hayarden Street, P.O. Box 1133, Airport City, Ben Gurion Airport, Tel Aviv, 7010000 Israel, which holds 39% of the shares in the Selling Shareholder; • Stenham Berlin Residential Fund Ltd. ("**Stenham**"), a company incorporated in Guernsey with its registered address at Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE, which holds a 17% interest in the Selling Shareholder. By way of a put option deed, upon the occurrence of a listing of ADO, Stenham has the right to convert its stake in the Selling Shareholder (as long as such total stake is at least 10% of the issued share capital of the Selling Shareholder) into ordinary dematerialized Shares (which are currently existing in registered form but which will be converted into dematerialized form on or before June 26, 2015), with no need for a capital increase, within thirty days after listing. Stenham has elected and declared that it will exercise its put option for no more than 40% of its stake in the Selling Shareholder; and • Harel Insurance Investments and Financial Services Ltd. ("**Harel**"), a publicly listed company on TASE incorporated in Israel with its registered address at Abba Hillel Str., P.O.B. 1951, Ramat Gan 5211802, which holds a 14% interest in the Selling Shareholder.
	Voting rights.	Each share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights.
	Direct or indirect control over the issuer and nature of such control.	The Company is directly controlled by the Selling Shareholder due to the Selling Shareholder's ownership of all voting rights in the Company and, resulting therefrom, its power to govern the financial and operating policies of the Company. The Company is 100% held by the Selling Shareholder prior to the Offering.
B.7	**Selected key historical financial information.**	The financial data contained in the following tables is extracted or derived from the audited consolidated financial statements of the Group as of and for the fiscal years ended December 31, 2014, 2013 and 2012 and the unaudited condensed consolidated interim financial statements of the Group as of and for the three-month period ended March 31, 2015 (the "**First Quarter 2015**"). These annual and interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). For historical reasons, KPMG Hungária Kft., with registered office at Váci út 31, H-1134 Budapest, Hungary and registered with the Chamber of Hungarian Auditors under number 000202 ("**KPMG**"), has audited and issued an unqualified auditor's report with respect to the consolidated financial statements for the fiscal years ended

December 31, 2014, 2013 and 2012 and for a funds from operation ("**FFO**") forecast. The aforementioned annual and interim consolidated financial statements of the Group and the related auditor's reports are included in this Prospectus.

Where financial data in the following tables is labeled "audited", this means that it has been extracted from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above, but was taken either from the Group's unaudited condensed consolidated interim financial statements or the Group's accounting or controlling records, or is based on calculations of these figures. All of the financial data presented in the text and tables below are shown in thousands of euro (in € thousand), except as otherwise stated. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal point unless stated otherwise. Financial data presented in parentheses denotes the negative of such number presented. In respect of financial data set out in the Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

Selected Financial Data

Selected Consolidated Statements of Comprehensive Income Data

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Revenue	13,491	7,426	34,329	22,673	15,698
Cost of revenue	(3,887)	(1,147)	(6,581)	(3,873)	(1,890)
Gross profit	**9,604**	**6,279**	**27,748**	**18,800**	**13,808**
General and administrative expenses	(1,108)	(603)	(3,162)	(2,686)	(2,635)
Changes in fair value of investment properties and assets held for sale	39,021	(309)	68,838	23,001	15,291
Results from operating activities	**47,517**	**5,367**	**93,424**	**39,115**	**26,464**
Finance income	556	3,943	4,669	17	106
Finance costs	(6,236)	(4,079)	(18,417)	(12,523)	(9,602)
Net finance costs	**(5,680)**	**(136)**	**(13,748)**	**(12,506)**	**(9,496)**
Profit before tax	**41,837**	**5,231**	**79,676**	**26,609**	**16,968**
Income tax expense	(11,010)	(187)	(10,398)	(3,668)	(2,211)
Profit for the period	**30,827**	**5,044**	**69,278**	**22,941**	**14,757**

Selected Consolidated Statements of Financial Position Data

	As of March 31,		As of December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Certain Assets					
Advances in respect of trading properties	—	1,363	31,972	—	—
Trading properties	43,591	—	13,750	—	—
Assets held for sale	—	5,192	1,117	7,395	—
Advances in respect of investment property	378,775	6,521	119,194	17,596	8,434
Investment properties	782,040	472,071	611,568	448,940	255,809
Total assets	**1,249,559**	**500,540**	**800,795**	**487,788**	**274,220**
Certain Liabilities					
Interest bearing loans from banks (current)	55,599	8,455	45,623	19,743	12,681
Current liabilities	**76,659**	**19,664**	**58,968**	**30,182**	**20,957**
Interest bearing loans from banks (non-current)	641,777	275,857	368,730	266,747	164,362
Amounts due to related parties (non-current)	306,130	120,783	204,633	114,629	52,944
Non-current liabilities	**999,024**	**419,255**	**610,756**	**401,865**	**233,965**

Selected Consolidated Cash Flow Statements Data

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Net cash from (used in) operating activities	9,277	3,383	(19,398)	15,229	12,243
Net cash from (used in) investing activities	(388,201)	(10,316)	(191,326)	(74,720)	(33,843)
Net cash from (used in) financing activities	393,460	6,458	215,715	62,581	16,830
Increase (decrease) in cash and cash equivalents during the period	14,536	(475)	4,991	3,090	(4,770)
Cash and cash equivalents at the beginning of the period	9,662	4,671	4,671	1,581	6,351
Cash and cash equivalents at the end of the period	24,198	4,196	9,662	4,671	1,581

Significant changes to the issuer's financial condition and operating results during and subsequent to the period covered by the historical key financial information.

The following significant changes in the Company's rental income and profit for the period occurred in the First Quarter 2015:

*First Quarter 2015 and the three-month period ended March 31, 2014 ("**First Quarter 2014**")*

Revenue increased 81.7% from €7,426 thousand as of and for the First Quarter 2014 to €13,491 thousand in the First Quarter 2015 primarily due to an increase in rental income from tenants, primarily due to an increase in units we owned, and realized revenues from the sale of housing units. In the First Quarter 2014, we did not sell any housing units.

Results from operating activities increased from €5,367 thousand in the First Quarter 2014 to €47,517 thousand in the First Quarter 2015 primarily due to changes in the fair value of investment property and assets held for sale.

Recent Developments

On April 1, 2015, the Group acquired the Carlos Portfolio and two additional properties in the Charlottenburg district that are not rent controlled. The two additional properties in the Charlottenburg district together have 99 residential units, with a total residential lettable area of 5,267 sqm, and one commercial unit. The monthly average rent per sqm for the two properties €5.85 and €12.67 and the vacancy is 3.8% and 0.0%, respectively.

The Company 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 into 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 legal name to "ADO Properties S.A." *Financing Structure and Strategy* The Company is currently in various phases of analysis for potential acquisitions of residential properties and residential portfolios with a total expected acquisition volume of €170–€185 million, most of which were built before 1918 ("*Altbau*") in inner city locations of Berlin. As the Company has done in the past, these potential acquisitions would be financed through loans from mortgage banks and existing cash. If successful, these potential acquisitions would be completed within the next six months.
B.8	**Selected key pro forma financial data.**	Not applicable. The Company has prepared no pro forma financial information.
B.9	**Profit forecast and estimate.**	Based on the trends of the fiscal year ending December 31, 2015 (the "**Fiscal Year 2015**") and taking into account that income from the Carlos Portfolio was received from April 1, 2015, the Company's management anticipates an FFO (excluding results of disposals) in the range of €27–28 million for the Fiscal Year 2015.
B.10	**Qualifications in the audit report on the historical financial information.**	Not applicable. The auditor's reports on the historical financial information included in this Prospectus have been issued without qualification.
B.11	**Insufficiency of the issuer's working capital for its present requirements.**	Not applicable. The Company is of the opinion that the Group is in a position to meet the payment obligations that become due within at least the next twelve months.
C – Securities		
C.1	**Type and class of the securities being admitted to trading.**	Ordinary shares in dematerialized form, without a nominal value.
	Security identification number.	International Securities Identification Number (ISIN): LU1250154413 German Securities Code (*Wertpapierkennnummer, WKN*): A14U78 Common Code: 125015441 Ticker Symbol: ADJ
C.2	**Currency.**	Euro.
C.3	**The number of shares issued and fully paid.**	Currently, 25,000,000 Shares which have been fully paid up and after the Offering up to 35,000,000 Shares which will be fully paid up.
	Nominal value.	The Shares will not have a nominal value.
C.4	**A description of the rights attached to the securities.**	Each share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. The Shares will entitle their holders to participate in all dividends declared by the Company after their issuance.
C.5	**A description of any restrictions on the free transferability of the securities.**	Not applicable. The Shares will be freely transferable in accordance with the legal requirements for shares in dematerialized form. There are no prohibitions or restrictions on disposals with respect to the transferability of the Shares.
C.6	**Application for admission to trading on a regulated market and identity of regulated markets where the securities are to be traded.**	The Company expects to apply for admission of its shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime

		Standard) on or about June 18, 2015. The listing approval is expected to be announced on June 29, 2015. Trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is currently expected to commence on June 30, 2015.
C.7	**Dividend policy.**	In the past, the Company did not pay any dividends. Following the Offering, the Company plans to pay dividends in the amount of approximately 30–40% of FFO.

D – Risks

D.1	**Key risks specific to the issuer and its industry.**	An investment in the Shares is subject to risks. Therefore, investors should carefully consider the following risks and the other information contained in this Prospectus when deciding whether to invest in the Shares. The market price of the Shares could fall if any of these risks were to materialize, in which case investors could lose some or all of their investment. The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could materially adversely affect our business, net assets, financial condition and results of operations. The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to our business, net assets, financial condition, cash flows or results of operations. The risks mentioned herein may materialize individually or cumulatively. ***Risks Related to the Market*** • We are dependent on regional real estate markets, particularly in Berlin. Further, we are dependent on our ability to adapt our business activities to developments in these markets. Negative market developments in Berlin or an inability on our part to adapt our business activities and/or properties could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations. • The continuing uncertainty regarding the development of the global economy, for example due to the ongoing sovereign debt crises and inflation and deflation risks in many parts of the world, particularly in Europe and the quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties. • The current economic environment is characterized by low interest rates and comparatively high valuations of residential real estate portfolios in Germany. Any rise in interest rates could have material adverse effects on the asset valuations, the German real estate market and on us. • It could become more difficult for us to implement our strategy of capturing additional growth opportunities by acquiring residential real estate portfolios on attractive terms, particularly due to the high current and future market prices for real estate portfolios. • Competition for the acquisition of assets from buyers that have lower costs of capital or lower return expectations than we do could limit our ability to compete for acquisitions and therefore to grow our business effectively. • We may be adversely affected by the illiquidity of real estate investments and we may be unable to sell any portion of our portfolio on favorable terms or may be unable to do so at all.

Risks Related to our Business

- Increased rent restrictions could adversely affect our results of operations because we rely significantly on earning from rentals.
- An increase in the vacancy rates or a decrease in achievable market rents of our residential real estate portfolio could have a material adverse effect on rental income and operating profit.
- We are exposed to risks related to the structural condition of our properties and their maintenance, repair and modernization.
- We bear risks in connection with possible acquisitions and investments. These risks include unexpected liabilities, wrong assessment of value as well as due diligence findings and challenges with respect to integrating acquisitions and achieving anticipated synergies.
- We bear risks in connection with greater indebtedness and higher interest expenses which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.
- Our current portfolios or portfolios that may be acquired in the future may not develop as favorably as expected.
- We may incur various liabilities arising from past and future acquisitions and the integration of any future portfolio acquisitions may not be successful due to legal and contractual restrictions and obligations or may take longer or lead to higher costs.
- Our strategy to operate our business successfully relies on assumptions and contingencies that may prove to be incorrect.
- We plan investments in modernization measures, which may not generate the expected return or may result in cost overruns or delays in implementation, including due to postponements caused by tenants.
- In connection with certain acquisitions, we have entered into contractual obligations that restrict our ability to freely divest parts of our portfolio or to increase rents for certain units, and thereby potentially prevent the Group from extracting the maximum value from the affected properties.
- Some of the properties that we have acquired are currently or have been subsidized by public authorities. As a result, the level of rents chargeable on a part of our portfolio is restricted. We may be required to repay subsidies that some of our properties have already received.
- We have an integrated platform for active asset management and privatization, which increases our personnel expenses and other fixed costs and may impose limitations to a more flexible business approach as compared to competitors that outsource these same services.
- We have limited knowledge of real estate markets outside of Berlin and consequently would face risks of managing properties outside of Berlin if we were to acquire such properties in the future.
- Sales prices of residential real estate could decrease.
- In addition to residential property management, our business includes condominium sales (privatizations) that may leave some units in a property unsold. The unsold units may require greater administrative resources and may lead to additional expenses and other negative consequences for the Group and could potentially not be sold at reasonable prices or at all.

- Some of our residential properties contain commercial units which are subject to different risks than those associated with our residential units.
- We employ and work together with a large number of service providers and are dependent on their performance.
- Damage to our reputation and any reduced tenant satisfaction may result in reduced demand for our residential units and may make it more difficult for us to raise capital on favorable terms or at all.
- We could sustain substantial losses from damage not covered by, or exceeding the coverage limits of, our insurance policies.
- The departure of one or more of the individuals that lead our business (the "**Senior Management**") or other employees could adversely affect our business and financial performance.
- Our internal control, compliance and risk management systems may not be sufficient to adequately protect us from all kinds of risks.
- Our information technology systems could malfunction or become impaired and the migration to the new information technology system presents additional risks.

Risks Related to the Valuation of Our Properties

- Property valuation is inherently subjective and uncertain and is based on assumptions which may prove to be inaccurate or affected by factors outside of the Company's control.
- If a downturn occurs in the real estate market, interest rates change, the market deteriorates or the Group's rent levels or vacancy rates develop unfavorably, the fair value model could require us to revise downward the current fair values of our investment properties (such as in the case of a change in interest rate levels), which could have adverse effects on our consolidated statement of financial position and our consolidated statement of comprehensive income.

Financial Risks

- A change in general interest rate levels may increase our financing costs, the values of our properties and the prices at which we are able to sell our properties may decrease.
- When we attempt to mitigate interest rate risk by entering into hedging agreements, we also become exposed to the risks associated with the valuation of hedging instruments and hedge counterparties and the hedging agreement may not be effective.
- We have a substantial level of debt and are dependent on refinancing significant amounts as they become due. We may not be able to extend our existing credit arrangements, refinance our debt on substantially similar terms when it matures or obtain acquisition financing on financially attractive terms when needed.
- Our level of debt, the terms of current and future borrowings, and the hedging transactions we have entered into or will enter into in the future could significantly constrain our operations and could make it more difficult or expensive to obtain new sources of financing without breaching financial covenants.
- Our cash flows and possible future dividend payments are dependent on the distributable capital and annual profit and profitability of our subsidiaries or must be augmented by borrowed capital.

Regulatory and Legal Risks

- Our business is subject to the general legal environment in Germany. Any disadvantageous changes in the legal environment, such as mandatory environmental modernization provisions, restrictions regarding modernization measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale may be detrimental to us.
- German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to increase the rents of residential units we own.
- Recently adopted regulations may impose restrictions on our ability to convert rented apartments into condominiums.
- Administrative decisions could affect the Company's ability to conduct its business at its discretion.
- The use of standardized contracts could result in claims for damages against us under a number of contracts, or in the loss of certain rights and privileges or of the respective rights to claim damages, if errors or problems arise in connection with the enforcement of such contracts.
- If former property owners displaced between 1933 and 1990 bring property restitution and/or allocation claims, we could incur significant costs in connection with such claims.
- 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.
- We may not be granted building permits, or may be granted them only subject to onerous conditions, or additional requirements may be imposed on existing building permits.
- We could be subject to liability claims for several years after selling properties.
- We could be affected by adverse litigation decisions against companies unrelated to us but could affect or impact our business practices.

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.
- The tax authorities might not accept all tax deductions for our interest payments.
- Our tax loss carry forwards may have been affected by past restructurings or may not survive the Offering or future changes of the shareholders.
- A transfer of 95% or more of the shares in the Company or in a subsidiary within a five-year period may trigger German real estate transfer tax.
- In addition, transaction costs for the acquisition of real estate may increase due to a recent change in German tax law.
- We may lose the tax benefits from the extended trade tax deduction.

- The Group companies may not benefit from value-added tax grouping.
- The Company may qualify as a corporate investment company in the meaning of the German Investment Tax Act in which case the applicability of the German participation exemption rules for business investors is subject to special prerequisites.
- German resident investors may be subject to an income attribution under the German Controlled Foreign Companies rules ("**German CFC rules**").
- German CFC rules may require German resident investors to disclose certain information.

D.3	**Key risks specific to the securities.**	***Risks Related to the Shares and the Offering***

- The market price and trading volume of the Shares could fluctuate significantly, resulting in substantial losses.
- Following the listing, the Company's Selling Shareholder and Stenham (when it exercises its put option for no more than 40% of its stake in the Selling Shareholder, as it has declared it will do) will still be in a position to exert substantial influence on us. The interests of the Company's Selling Shareholder could differ from the interests of the other shareholders. In addition, any future sales of Shares by the Selling Shareholder could depress the market price of the Shares.
- Future capital measures, such as future offerings of debt or equity securities, could lead to substantial dilution, i.e. a reduction in the value of existing shareholders' shareholdings in the Company and their voting rights and may adversely affect the market price of the Shares.
- The Shares have not been publicly traded, and a liquid trading market in the Shares may not develop.
- Investors with a reference currency other than the euro may be subject to foreign exchange risks when investing in the Shares.
- Fluctuation of market interest rates may have an adverse effect on the value of the Shares.
- The timing of dividend payments, if any, is subject to certain conditions including the ability to upstream sufficient cash to the holding company, and your investment will be subordinate to claims of the Company's creditors and the creditors of the Company's subsidiaries.
- The payment of future dividends will depend on the Group's business, net assets, financial condition cash flows and results of operations.
- Current or future pledges on the Shares or possible future sales of large numbers of Shares could adversely affect the Company's share price.
- The Offering may not take place and investors could therefore lose security commissions already paid and face risks associated with any short selling of the Shares.

E.1	**The total net proceeds.**	The Company will receive only the proceeds of the Offering resulting from the sale of New Shares (as defined herein). The Company will not receive any proceeds from the sale of Existing Shares (as defined herein) and Over-Allotment Shares (as defined herein) from the holdings of the Selling Shareholder.

	The Company is targeting gross proceeds from the Offering (as defined herein) in an amount of approximately €200.0 million by offering up to 10,000,000 New Shares (at the low end of the Price Range (as defined herein)). The Company estimates that at the low end, mid-point and high end of the price range (the "**Price Range**") set for the offering of the Offer Shares (as defined herein), the proceeds for the placement of the New Shares would be as follows: • at the low end of the Price Range, assuming the Offering consists of up to 10,000,000 New Shares, gross proceeds to the Company of approximately €200.0 million and net proceeds of €194.0 million; • at the mid-point of the Price Range, assuming the Offering consists of up to 8,888,889 New Shares, gross proceeds to the Company of approximately €200.0 million and net proceeds of €194.0 million; and • at the high end of the Price Range, assuming the Offering consists of up to 8,000,000 New Shares, gross proceeds to the Company of approximately €200.0 million and net proceeds of €194.0 million. The Company estimates that at the low end, mid-point and high end of the Price Range, the proceeds to the Selling Shareholder would be as follows: • at the low end of the Price Range, assuming the Offering consists of up to 12,000,000 Shares (10,000,000 Existing Shares and 2,000,000 Over-Allotment Shares as part of the Greenshoe Option (as defined herein)), gross proceeds to the Selling Shareholder of at least €240.0 million and net proceeds of at least €232.8 million; • at the mid-point of the Price Range, assuming the Offering consists of up to 12,438,889 Shares (10,500,000 Existing Shares and 1,938,889 Over-Allotment Shares as part of the Greenshoe Option), gross proceeds to the Selling Shareholder of at least €279.9 million and net proceeds of at least €271.5 million; and • at the high end of the Price Range, assuming the Offering consists of up to 12,900,000 Shares (11,000,000 Existing Shares and 1,900,000 Over-Allotment Shares as part of the Greenshoe Option), gross proceeds to the Selling Shareholder of at least €322.5 million and net proceeds of at least €312.8 million.
Estimate of the total expenses of the offer and listing, including estimated expenses charged to the investor by the issuer.	The costs of the Company related to the offering of the Offer Shares and listing of the Company's entire share capital are expected to total approximately €3 million (excluding commissions payable to the Underwriters); thereof approximately €1.5 million will be borne by the Selling Shareholder, which means that the Company will ultimately bear approximately €1.5 million thereof. The Selling Shareholder will bear the offering and listing related costs of the Company in the ratio of Existing Shares to Base Shares (as defined herein). Assuming an offer price at the low end, mid-point and high end of the Price Range and that the maximum number of Offer Shares is placed (and the Greenshoe Option has been fully exercised) and assuming further payment in full of the discretionary fee of up to €5.5 million, €6.0 million and €6.5 million, at the low end, mid-point and high end of the Price Range, respectively; the commission payable to the Underwriters will amount to €7.7 million €8.4 million and €9.1 million, respectively. Thereof, €6.0 million, €6.0 million and €6.0 million are attributable to the placement of the New Shares and will be borne by the Company; the remaining €7.2 million, €8.4 million and €9.7 million, respectively, are attributable to the placement of the Existing Shares and Over-Allotment Shares and will directly be borne by the Selling Shareholder.

		Investors will not be charged expenses by the Company or the Underwriters.
E.2a	**Reasons for the offering.**	The Company is conducting the Offering in order to gain better access to the capital markets and fund future growth. After the Offering, the Company intends to list the Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
	Use of proceeds, estimated net amount of the proceeds.	The Company intends to use the net proceeds of the offer of the New Shares for add-on acquisitions of residential properties or portfolios in Berlin, growth of the Company and general corporate purposes.
E.3	**Offer conditions.**	The offer (including any potential over-allotment) relates to the sale of up to 23,100,000 Offer Shares, without a nominal value which entitle their holders to participate in all dividends declared by the Company after their issuance, consisting of: • up to 10,000,000 newly issued shares in dematerialized form from a capital increase against contribution in cash to be resolved by a resolution of the sole director of the Company (the "**New Shares**"); • up to 11,000,000 existing shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**"), from the holdings of the Selling Shareholder; and • up to 2,100,000 existing shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) from the holdings of the Selling Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**"). The offer consists of an offer to the public of the Offer Shares in Germany (for purposes of this summary, the "**Offering**"). In addition to the Offering, there will be (i) a private placement to qualified institutional buyers in the United States of America (the "**United States**") in reliance on Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (ii) private placements to institutional investors outside Germany and the United States in reliance on Regulation S ("**Regulation S**") under the Securities Act. The Offering shall occur through the publication of this Prospectus in electronic form on the website of the Company (http://www.ado.properties).
	Offer Period.	The offer period, during which investors may submit purchase orders for the Offer Shares, will begin on June 18, 2015 and will end on June 29, 2015, at 12:00 CEST (Central European Summer Time) for private and retail investors (natural persons) and at 16:00 CEST (Central European Summer Time) for institutional investors. Private and retail investors (natural persons) may submit purchase orders for the offer to the public in Germany during the offer period at the branch offices of COMMERZBANK. Institutional investors may submit purchase orders at the branch offices of the Underwriters during the offer period. Purchase orders must be of at least 25 Offer Shares and be denominated in full euro amounts or euro cent figures of 25, 50, or 75 cents. There is no maximum subscription. Multiple purchase orders are permitted.
	Price Range and Offer Price.	The Price Range within which offers to purchase may be submitted is between €20 to €25 per Offer Share. The Company together with the

		Selling Shareholder expects to determine the final offer price after consultation with the Joint Global Coordinators on or about June 29, 2015, using the order book prepared during the bookbuilding process. The offer price is expected to be published on or about June 29, 2015 through an ad hoc announcement published in various media distributed across the entire European Economic Area, on the Company's website (www.ado.properties) and filed with the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*), all in accordance with Article 10 of the Luxembourg Prospectus Law.
	Amendments to the Term of the Offer.	The Company and the Selling Shareholder reserve the right, together with the Joint Global Coordinators, to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the offer period. Changes in the number of Offer Shares, changes to the Price Range or the extension or shortening of the offer period will not invalidate any offers to purchase that have already been submitted. Investors who have submitted offers to purchase will not be notified individually. Any amendments to the terms of the offer that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the offer to the public or the admission of the securities to trading, whichever is later, must be disclosed in a Prospectus supplement in accordance with Article 13(1) of the Luxembourg Prospectus Law. Under certain circumstances, the Joint Global Coordinators, on behalf of the Underwriters, may terminate the underwriting agreement relating to the offer entered into with the Company and the Selling Shareholder on June 17, 2015 (the "**Underwriting Agreement**"), even after commencement of trading (*Aufnahme des Handels*) of the Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
	Delivery and Payment.	The delivery of the Offer Shares against payment of the offer price by wire transfer is expected to take place on July 2, 2015. The Offer Shares will be made available to the shareholders in book-entry form.
	Stabilization Measures, Over-Allotments and Greenshoe Option.	Under the possible stabilization measures, investors may, in addition to the Shares being offered, be allocated up to 2,100,000 Over-Allotment Shares as part of the allocation of the shares to be placed ("**Over-Allotment**"). For the purpose of a possible Over-Allotment, UBS, for the account of the Underwriters, will be provided with up to 2,100,000 shares from the holdings of the Selling Shareholder in the form of a securities loan; this number of shares will not exceed 10% of the Base Shares. In addition, the Selling Shareholder will grant the Underwriters an option to acquire the borrowed shares at the offer price less agreed commissions (the "**Greenshoe Option**"). This option will terminate 30 calendar days after the commencement of the stock exchange trading of the shares.
E.4	**Interests material to the listing including conflicting interests.**	In connection with the Offering and the admission to listing and trading of the Shares, the Underwriters have formed a contractual relationship with the Company and the Selling Shareholder. The Underwriters act for the Company and the Selling Shareholder on the Offering and coordinate the structuring and execution of the Offering. In addition, both UBS and Kempen & Co have been appointed to act as the designated sponsors for the Shares and BNP Paribas Securities Services has been appointed to act as the Luxembourg paying agent and LuxCSD principal agent (the "**LuxCSD Principal Agent**"). Upon successful implementation of the Offering, the Underwriters will receive a commission. The Selling Shareholder will receive the proceeds of the Existing Shares sold in the Offering. Assuming placement of 12,438,889 Existing Shares and Over-Allotment Shares at the mid-point of the Price Range,

		and after deducting fees and expenses to be paid by the Selling Shareholder in connection with the Offering, the proceeds to the Selling Shareholder from the Offering would amount to approximately €271.5 million, or 58.3% of the total net offer proceeds. Some members of the Company's board of directors (the "**Board**") and some members of the Senior Management participate in long-term incentive plans and have stock options in the Selling Shareholder. Some of the Underwriters or their affiliates may from time to time in the future have business relations with the Group and the Selling Shareholder (including lending activities) or may perform services for the Group and the Selling Shareholder in the ordinary course of business.
E.5	**Name of the person or entity offering to sell the security.**	The Offer Shares are being offered for sale by the Underwriters (as defined under A.2 above).
	Lock-up agreement: the parties involved; and indication of the period of the lock-up.	In the Underwriting Agreement, the Company agreed with each Underwriter that the Company will not during the period ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on June 30, 2015), without the prior written consent of the Joint Global Coordinators, to the extent legally permissible: • announce or effect any capital increase from authorized capital; • submit a proposal for a capital increase to its shareholders for resolution; • announce its intention to issue, effect or submit a proposal for the issuance of any securities convertible into Shares or option rights for Shares; or • enter into a transaction or perform any action economically similar to those described in the bullet points above. The Company may, however, issue options, warrants and shares of the Company (i) under future employee share purchase and share option schemes or (ii) in consideration of all or a portion of the acquisition price of any business acquired by the Company or for purposes of entering into a joint venture, provided that the Company shall (i) consult with the Joint Global Coordinators prior to the issuance of the shares or other securities and (ii) use its best efforts to negotiate an undertaking of the recipient of the shares or such other securities of the Company to comply with certain restrictions on the disposal of shares contained in Underwriting Agreement. In the Underwriting Agreement, the Selling Shareholder undertook, except in case of enforcement, in whole or in part, of the already existing pledge on the Shares, used as collateral, in the amount equal to 150% of the Selling Shareholder's bond issuance in the amount of approximately €165 million, and for which the Selling Shareholder has the right of early repayment, during the period ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange, not to: • offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares of the Company or any other securities of the Company, including securities convertible into or exercisable or exchangeable for Shares of the Company; • propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any

		proposal for the issuance of any securities convertible into shares of the Company, with option rights for Shares of the Company; or • enter into a transaction or perform any action economically similar to those described in the bullet points above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of Shares of the Company, whether any such transaction is to be settled by delivery of Shares of the Company or such other securities, in cash or otherwise. In separate agreements between each Board and current Senior Management member and the Global Coordinators, each Board and current Senior Management member undertook, without the prior written consent of the Joint Global Coordinators (which consent will not be unreasonably withheld), for a period commencing on or around June 17, 2015 until 12 months after the date of admission of the Shares to the Frankfurt Stock Exchange ("**Restricted Period**"), not to: • offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, charge, assign, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities exchangeable for or convertible into, or substantially similar to, Shares (or any interest therein or in respect thereof) or any rights arising from or attaching to any such Shares at any time; • enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares; or • enter into any other transaction with the same economic effect as, or agree to do, or announce or otherwise publicise the intention to do any of the foregoing, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise.
E.6	**Amount and percentage of immediate dilution resulting from the offer.**	The Offering involves the issuance of New Shares. Total equity attributable to shareholders of the Company (before converting shareholders' loans and capital notes to equity) amounted to €170.3 million as of March 31, 2015. Total equity attributable to shareholders of the Company (after converting shareholders' loans and capital notes to equity) would amount to €457.9 million as of March 31, 2015 and would amount to €18.31 per share based on 25,000,000 outstanding Shares immediately before the Offering.

The dilutive effect of the Offering is illustrated in the table below demonstrating the amount by which the offer price at the low end, mid-point and high end of the Price Range exceeds the total equity attributable to shareholders per share after completion of the Offering. In this respect, the total equity attributable to shareholders is adjusted for the effects of the Offering, assuming (i) the execution of the capital increase in the maximum number of offered New Shares and (ii) an increase in the total equity attributable to shareholders at the low end, mid-point and high end of the Price Range by €194.0 million, €194.0 million and €194.0 million, respectively. The assumed increase is based on the expected net proceeds, taking into effect the reduction in deferred tax liabilities triggered through the incurrence of offer related costs by the Company. The adjusted total equity attributable to shareholders is expressed as a per share figure, assuming 35,000,000 outstanding Shares at the low end of the Price Range, 33,888,889 outstanding Shares at the mid-point of the Price Range and 33,000,000 oustanding Shares at the high end of the Price Range, upon completion of the Offering (these per share figures being referred to as "**Post-IPO Equity per Share**"). As each Share carries one vote, the respective voting rights of any shareholder will be diluted in the same percentage as a result of the Offering.

	Low End	Mid-Point	High End
Price per share (in €)	20.00	22.50	25.00
Total equity attributable to shareholders per share as of March 31, 2015 (based on 25,000,000 outstanding Shares before the Offering) (in €)	18.31	18.31	18.31
Post-IPO Equity per Share (in €)	18.62	19.24	19.75
Amount by which the price per share exceeds the Post-IPO Equity per Share (immediate dilution per share) (in €)	1.38	3.26	5.25
Immediate dilution (in %)	6.9	14.5	21.0
Voting rights per share	1	1	1

E.7 **Estimated expenses charged to the investor by the issuer.**

Not applicable. Investors will not be charged expenses by the Company or the Underwriters.

GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS
ZUSAMMENFASSUNG DES PROSPEKTS

*Zusammenfassungen bestehen aus Informationsblöcken, die als Angaben („**Angaben**") bezeichnet sind. Diese Angaben sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Angaben, die für die vorliegende Art von Wertpapier und Emittent in eine Zusammenfassung aufzunehmen sind. Da einige Angaben nicht aufgenommen werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn eine Angabe wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diese Angabe keine relevanten Informationen gegeben werden können. In solchen Fällen enthält die Zusammenfassung eine kurze Beschreibung der Angabe mit dem Hinweis „entfällt".*

A – Einleitung und Warnhinweise

A.1	**Warnhinweise.**	Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt (der „**Prospekt**") verstanden werden. Bei jeder Investitionsentscheidung in die Wertpapiere sollte sich der Anleger auf die Prüfung des gesamten Prospekts stützen. Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben. Die ADO Properties S.A. (die „**Gesellschaft**", „**ADO**" und, zusammen mit ihren konsolidierten Tochtergesellschaften, „**wir**", „**unser(e)**" oder die „**Gruppe**") übernimmt gemäß Teil II und insbesondere Artikel 9(2) des Luxemburger Gesetzes vom 10. Juli 2005 über Wertpapierprospekte in der geltenden Fassung (das „**Luxemburger Prospektgesetz**") die Verantwortung für den Inhalt dieser Zusammenfassung und ihrer Übersetzung ins Deutsche. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich der Übersetzung hiervon übernommen haben, können haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.
A.2	**Verwendung des Prospekts durch Finanzintermediäre.**	Vorbehaltlich der folgenden Absätze erteilt die Gesellschaft ihre Zustimmung zur Verwendung des Prospekts für eine spätere Weiterveräußerung oder endgültige Platzierung jeglicher Aktien der Gesellschaft („**Aktien**") durch die Kempen & Co N.V. („**Kempen & Co**"), die UBS Limited („**UBS**") (zusammen mit Kempen & Co die „**Joint Global Coordinators**"), die Barclays Bank PLC („**Barclays**") und die COMMERZBANK Aktiengesellschaft („**COMMERZBANK**") (zusammen mit Barclays die „**Joint Bookrunners**", die Joint Global Coordinators und die Joint Bookrunners zusammen als die „**Konsortialbanken**" bezeichnet) im Rahmen des öffentlichen Angebots in der Bundesrepublik Deutschland („**Deutschland**"). Deutschland ist der einzige EU-Mitgliedstaat, in dem die Konsortialbanken den Prospekt für eine spätere Weiterveräußerung oder endgültige Platzierung der Aktien verwenden dürfen. **Für den Fall, dass die Konsortialbanken ein Angebot machen, werden die Konsortialbanken den Anlegern zum Zeitpunkt der Vorlage des Angebots Informationen über die Bedingungen des Angebots zur Verfügung stellen**. Die Gesellschaft beabsichtigt nicht, in der Zukunft irgendeiner anderen Person als den Konsortialbanken die Zustimmung zur Verwendung des Prospekts zu erteilen.
	Angabe der Angebotsfrist	Vom 18. Juni 2015 (einschließlich) bis zum 29. Juni 2015 (einschließlich).

	Sonstige Bedingungen, an die die Zustimmung gebunden ist	Die Gesellschaft übernimmt die Verantwortung für den Inhalt des Prospekts hinsichtlich einer späteren Weiterveräußerung oder endgültigen Platzierung von Aktien durch die Konsortialbanken. Der Prospekt darf potenziellen Anlegern nur zusammen mit allen Nachträgen übermittelt werden, die vor einer solchen Übermittlung veröffentlicht wurden. Jeder Nachtrag zum Prospekt ist in elektronischer Form auf der Internetseite der Luxemburger Börse (http://www.bourse.lu) und auf der Internetseite der Gesellschaft (http://www.ado.properties) abrufbar. Bei der Verwendung des Prospekts muss jede Konsortialbank sicherstellen, dass sie alle im Prospekt angegebenen Verkaufsbeschränkungen sowie alle in den jeweiligen Rechtsordnungen geltenden Gesetze und Vorschriften einhält. Der Prospekt muss gemäß Artikel 11 des Luxemburger Prospektgesetzes noch gültig sein.
B – Emittent		
B.1	**Juristische und kommerzielle Bezeichnung**	Die juristische Bezeichnung der Gesellschaft lautet „ADO Properties S.A.“ und ihre kommerzielle Bezeichnung lautet „ADO Properties“.
B.2	**Sitz und Rechtsform des Emittenten, geltendes Recht, Land der Gründung.**	Die Gesellschaft hat ihren eingetragenen Sitz in 20 rue Eugène Ruppert, L-2453 Luxemburg, Großherzogtum Luxemburg, und ist im Luxemburger Handels- und Gesellschaftsregister (*registre de commerce et des sociétés de Luxembourg*) unter der Registernummer B197554 eingetragen. Die Gesellschaft ist eine Aktiengesellschaft (*société anonyme*) nach dem Recht des Großherzogtums Luxemburg („**Luxemburg**“).
B.3	**Derzeitige Geschäfts- und Haupttätigkeit sowie Hauptmärkte, auf denen der Emittent vertreten ist.**	Nach unserer Einschätzung werden wir nach der Durchführung des Angebots (wie nachstehend definiert) das einzige am regulierten Markt (Prime Standard) der Frankfurter Wertpapierbörse notierte Unternehmen mit Schwerpunkt auf ausschließlich in Berlin, Deutschland, gelegenen Wohnimmobilien sein. Abgesehen von drei Gewerbeimmobilienobjekten besteht unser Spezialgebiet und Schwerpunkt im Ankauf und in der Verwaltung von ertragsgenerierenden Mehrfamilienhäusern in Berlin. Zum 31. Dezember 2014 umfasste unser Immobilienbestand insgesamt 6.601 Wohneinheiten mit 408.594 m^2 Wohnmietfläche, 592 Gewerbeeinheiten (Einzelhandel, Büros und sonstiges Gewerbe) mit 61.893 m^2 Gewerbemietfläche, 1.577 Parkplätze sowie Lagerflächen, Flächen für Antennen etc. Der Gesamtwert unseres Portfolios betrug zum 31. März 2015 unter Berücksichtigung des Erwerbs eines Portfolios aus 5.749 Wohneinheiten in den Bezirken Spandau und Reinickendorf (das „**Carlos-Portfolio**“) ca. 1,2 Mrd. EUR. Zum 31. März 2015 und einschließlich des Carlos-Portfolios umfasste unser Immobilienbestand insgesamt 13.663 Wohneinheiten mit 881.859 m^2 Wohnmietfläche, 713 Gewerbeeinheiten (Einzelhandel, Büros und sonstiges Gewerbe) mit 76.459 m^2 Gewerbemietfläche, 3.228 Parkplätze sowie Lagerflächen, Flächen für Antennen etc. Die meisten unserer Wohneinheiten sind 1- oder 2-Zimmer-Wohnungen mit einer durchschnittlichen Größe von ca. 65 m^2, d. h. wir sind gut aufgestellt, um von der Zunahme der Ein- und Zwei-Personen-Haushalte in Deutschland zu profitieren, die laut den Prognosen in den städtischen Ballungszentren besonders stark ausfallen soll (*Quelle: GPE – Population Development*). Zum 31. März 2015 und einschließlich des Carlos-Portfolios betrug die Leerstandsquote für unsere Wohneinheiten 4,0% und für unsere Gewerbeeinheiten 4,3%. Die monatliche Nettomiete pro Quadratmeter betrug für unsere Wohneinheiten 5,66 EUR und für unsere Gewerbeeinheiten 8,16 EUR. Wir glauben, dass der Wohnimmobilienmarkt in Berlin von positiven demografischen Entwicklungen profitieren wird. Berlin ist mit

3,56 Mio. Einwohnern zum 31. Dezember 2014 (*Quelle: Berlin-Brandenburg – Statistischer Bericht 2015*) die bevölkerungsreichste Stadt Deutschlands. Die Einwohnerzahl von Berlin ist in 2014 um ca. 44.700 Personen gestiegen, von denen ca. 2.600 aus einem Geburtenüberschuss und 42.100 aus Zuwanderungen nach Berlin resultieren. In 2013 ist die Einwohnerzahl um ca. 47.800 Personen gestiegen, von denen ca. 2.200 aus einem Geburtenüberschuss und ca. 45.600 aus Zuwanderungen nach Berlin resultieren (*Quelle: Berlin-Brandenburg – Statistischer Bericht 2015; Berlin-Brandenburg*). Es wird erwartet, dass dieser Bevölkerungszuwachs anhält und die Einwohnerzahl Berlins von 3,56 Mio. in 2014 auf ca. 3,70 Mio. in 2020 ansteigen wird (*Quelle: Berlin-Brandenburg – Statistischer Bericht 2015; Senat von Berlin).* Ferner glauben wir, dass wir auch weiterhin von Berlins Status als Hauptstadt und größte Stadt Deutschlands, welches eine der stärksten Volkswirtschaften Europas hat und ein bedeutendes wirtschaftliches, politisches und kulturelles Zentrum Kontinentaleuropas ist, profitieren werden. Neben einer zunehmenden Anzahl von Personen in der Stadt, die im öffentlichen Dienst arbeiten, ist Berlin ein wachsendes Wirtschaftszentrum unter anderem für die Dienstleistungs-, Pharma-, Medien-, Kreativ- und Technologiebranche. Die Arbeitslosenquote in Berlin, die in 2014 höher war als die gesamtdeutsche Arbeitslosenquote, ist seither schneller als im gesamtdeutschen Durchschnitt gesunken, und diese Entwicklung wird voraussichtlich anhalten (*Quelle: Bundesagentur für Arbeit*).

Schwerpunkt unseres Geschäftsmodells ist die Immobilienverwaltung (Asset Management, Property Management, Portfoliomanagement und Facility Management) und die Identifizierung sowie der Erwerb von Wohnimmobilien in Berlin, die Potenziale zur Wertschöpfung durch Mietsteigerungen, Reduzierung von Leerstand und Wohnungsprivatisierungen bieten. Das derzeit niedrige Niveau der Mieten in Berlin im Vergleich zu anderen deutschen Großstädten (*Quelle: CBRE Bericht 2015*) bietet Chancen für unser Geschäft und zukünftiges Wachstum. Mit unseren Wohneinheiten treffen wir auf eine starke Nachfrage breiter Schichten der Bevölkerung: von der wachsenden jungen Bevölkerung bis zu Personen mit niedrigem und mittlerem Haushaltseinkommen, von denen einige staatliche Sozial- und Transferleistungen beziehen. Wir glauben, dass unsere Wohneinheiten den Mietern ein attraktives Preis-Leistungsverhältnis bieten und der Nachfrage am Markt entsprechen, und durch unsere Investitionen in Modernisierungsmaßnahmen seit 2007 weiter aufgewertet wurden.

Ferner streben wir an, Wertschöpfung zu erzielen, indem wir für die Verwaltung unserer Immobilien unsere effiziente und vollintegrierte unternehmenseigene Verwaltungs- und Mieterservice-Plattform einsetzen, die nicht durch vorgegebene Strukturen beschränkt ist. Wir glauben, dass wir durch unsere Unternehmensgeschichte und insbesondere unsere operativen Anstrengungen seit unserer Gründung in 2006 eine hohe Anerkennung im Markt erreicht haben, und dies zeigt sich auch an der kontinuierlichen Steigerung unserer Mieteinnahmen (siehe nachstehende Beschreibung unserer Wettbewerbsstärken).

Nach unserer Auffassung zeichnet sich unser Unternehmen durch folgende Wettbewerbsstärken aus, die der wesentliche Faktor für unseren bisherigen Erfolg waren und auch weiterhin die Grundlage für unsere zukünftige Geschäftsentwicklung darstellen werden:

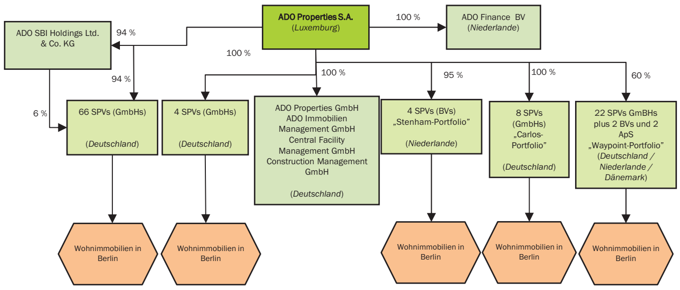
- Die Immobilien unseres Portfolios im Wert von ca. 1,2 Mrd. EUR liegen ausschließlich in Berlin und vorwiegend in den Bezirken Berlins, die attraktive Wachstumsaussichten bieten.
- Wir profitieren von profunden Kenntnissen des Berliner Marktes, auf dem wir seit fast einem Jahrzehnt präsent sind, und unserer lokale Vernetzung, durch die wir exzellenten Zugang zu Informationen erhalten.

		• Wir profitieren von einer organisch gewachsenen, effizienten, vollintegrierten, skalierbaren unternehmenseigenen Plattform für Portfolioverwaltung und Privatisierungen, die von einem erfahrenen Managementteam geleitet wird, das seit 2007 zusammenarbeitet. • Wir glauben, dass wir nach einem durchschnittlichen jährlichen Wachstum der Mieteinnahmen auf vergleichbarer Basis (like-for-like) um 6,2% in den letzten drei Jahren (2012-2014) über ein beträchtliches Potenzial zur Steigerung der Mieteinnahmen verfügen. • Wir haben eine solide Bilanzstruktur mit einem angestrebten konservativen bereinigten Verschuldungsgrad (Loan-to-Value Ratio, LTV) und einem langfristigen Fälligkeitsprofil mit niedrigen Finanzierungskosten. • Wir haben eine transparente Corporate-Governance-Struktur, die durch unsere langfristigen Anteilseigner unterstützt wird.
B.4a	**Wichtigste jüngste Trends, die sich auf den Emittenten und die Branche, in der er tätig ist, auswirken.**	Die Gruppe wird durch die Entwicklung des deutschen Wohnimmobilienmarktes insgesamt und insbesondere des Berliner Immobilienmarktes beeinflusst. Die Gruppe ist stark von aktuellen und voraussichtlichen demografischen Trends und wirtschaftlichen Entwicklungen in Berlin betroffen, wie z. B. der Bevölkerungsentwicklung, dem Rückgang der Arbeitslosigkeit oder dem Wachstum des Bruttoinlandsprodukts („**BIP**") und dem Anstieg der Anzahl der Haushalte und einer gleichzeitig niedrigeren durchschnittlichen Haushaltsgröße. Diese Trends haben zu einem Anstieg der Nachfrage nach Wohneinheiten, die für Ein- und Zwei-Personen-Haushalte geeignet sind, geführt, der voraussichtlich auch in Zukunft weiter anhalten wird. Wir haben zwei Haupteinnahmequellen: Mieteinnahmen und Einnahmen aus Immobilienverkäufen, die beide stark von den Marktpreisen für Immobilien in den jeweiligen Mikrostandorten beeinflusst werden, welche wiederum Mietniveaus, Leerstände und andere Faktoren, einschließlich Markterwartungen, widerspiegeln. Seit 2012 haben die deutsche Immobilienbranche und die Ergebnisse unseres Unternehmens von positiven Entwicklungen auf dem Immobilienmarkt profitiert. Insbesondere das niedrige Zinsniveau, positive Beschäftigungs- und Lohnaussichten, die Zuwanderung von Immigranten und der Rückgang der Rohölpreise, der die Kaufkraft der Haushalte gestärkt hat, haben die Nachfrage nach Immobilien in Deutschland weiter erhöht. (*Quelle: Deutsche Bundesbank, Bericht Dezember 2014*) Ferner ist der Wohnungsneubau in Deutschland bisher und voraussichtlich auch in Zukunft durch ein fehlendes Gleichgewicht von Angebot und Nachfrage gekennzeichnet, da die Renditen für Neubauten im Vergleich zu den Mieten in Altbauten weniger attraktiv sind. Konkret werden wir in hohem Maße durch die Bevölkerungsentwicklung in Berlin und die Entwicklung des Berliner Immobilienmarktes beeinflusst, in dem alle unsere Wohneinheiten liegen. Die Nachfrage nach Wohnraum in Berlin ist hoch und die Anzahl der Haushalte ist in den letzten Jahren gestiegen, während die durchschnittliche Haushaltsgröße in Berlin abgenommen hat. Auch wenn erwartet wird, dass das Neubauvolumen weiter ansteigen wird, um die wachsende Nachfrage nach Wohnraum zu befriedigen, wird die Anzahl der fertiggestellten Einheiten hierfür voraussichtlich nicht ausreichen. Daher ist die Leerstandsquote bei Wohnungen in Berlin seit 2006 kontinuierlich gesunken, und dies wirkt sich positiv auf unsere Geschäftstätigkeit aus.

B.5 **Beschreibung der Gruppe und der Stellung des Emittenten innerhalb dieser Gruppe.**

Die Gesellschaft ist die Holding-Gesellschaft der Gruppe. Die Geschäftstätigkeit der Gesellschaft wird in erster Linie von ihren operativen Tochtergesellschaften ausgeübt. Der Konzernabschluss der Gruppe beinhaltet alle wesentlichen Tochtergesellschaften, bei denen die Gesellschaft direkt oder indirekt die Möglichkeit hat, die Finanz- und Geschäftspolitik zu bestimmen, und die Beteiligungen der wesentlichen Tochtergesellschaften, auf deren Finanz- und Geschäftspolitik die Gruppe einen maßgeblichen Einfluss ausüben kann. Der Konsolidierungskreis umfasst zum Datum dieses Prospekts 132 Tochtergesellschaften.

Das folgende Schaubild gibt einen (vereinfachten) Überblick über die wesentlichen Tochtergesellschaften der Gesellschaft zum Datum dieses Prospekts unter Berücksichtigung des durchgerechneten Beteiligungsanteils. Die dargestellten Beteiligungen umfassen auch Beteiligungen an verbundenen Unternehmen gemäß §§ 15 ff. Aktiengesetz. Die Kommanditgesellschaften der Gruppe werden über Drittstrukturen gehalten. Die nachstehend dargestellten Beteiligungen sind auf ganze Zahlen gerundet.



B.6 **Personen, die eine (meldepflichtige) direkte oder indirekte Beteiligung am Eigenkapital und den Stimmrechten des Emittenten halten.**

Zum Datum des Prospekts halten folgende Personen direkt oder indirekt eine meldepflichtige Beteiligung am Eigenkapital und den Stimmrechten der Gesellschaft:

- ADO Group Limited (der „**Abgebende Aktionär**"), eine in Israel gegründete, an der Tel Aviv Stock Exchange („**TASE**") notierte Aktiengesellschaft mit eingetragenem Sitz in 1A Hayarden Street, Airport City, Ben Gurion Airport, Tel Aviv, Israel, die vor dem Angebot eine 100%ige Beteiligung an der Gesellschaft hält, die der Gesellschaft ein Darlehen gewährt hat und an die die Gesellschaft Capital Notes in einem Gesamtbetrag von 287.545 TEUR ausgegeben hat. Das Darlehen und die Capital Notes werden unter der einzigen Bedingung der Ausgabe der Neuen Aktien (wie nachstehend definiert) in Eigenkapital in Form einer nicht rückzahlbaren Einlage in das Kapital (in die Kapitalrücklage) ohne Ausgabe neuer Aktien umgewandelt;

- Shikun & Binui Limited, eine in Israel gegründete, an der TASE notierte Aktiengesellschaft mit eingetragenem Sitz in 1A Hayarden Street, P.O. Box 1133, Airport City, Ben Gurion Airport, Tel Aviv, 7010000 Israel, die eine Beteiligung von 39% an den Aktien des Abgebenden Aktionärs hält;

- Stenham Berlin Residential Fund Ltd. („**Stenham**"), eine in Guernsey gegründete Gesellschaft mit Sitz in Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE, die eine Beteiligung von 17% an dem Abgebenden Aktionär hält. Aufgrund eines Vertrags über eine Verkaufsoption (Put-Option) ist Stenham im Fall einer Börsenzulassung von ADO berechtigt, ihre Beteiligung an dem Abgebenden Aktionär (solange eine solche Gesamtbeteiligung mindestens 10% des gezeichneten Kapitals des Abgebenden Aktionärs beträgt) innerhalb von 30 Tagen nach der Börsenzulassung in unverbriefte Stammaktien umzutauschen (bei denen es sich derzeit um Namensaktien handelt, die aber am oder vor dem 26. Juni 2015 in unverbriefte Form umgewandelt werden),

		ohne dass hierfür eine Kapitalerhöhung erforderlich ist. Stenham hat sich entschieden und erklärt, dass sie ihre Put-Option in Bezug auf maximal 40% ihrer Beteiligung an dem Abgebenden Aktionär ausüben wird; und • Harel Insurance Investments and Financial Services Ltd. („**Harel**“), eine in Israel gegründete, an der TASE notierte Aktiengesellschaft mit eingetragenem Sitz in Abba Hillel Str., P.O.B. 1951, Ramat Gan 5211802, die eine Beteiligung von 14% an dem Abgebenden Aktionär hält.
	Stimmrechte.	Jede Aktie der Gesellschaft gewährt in der Hauptversammlung der Gesellschaft eine Stimme. Beschränkungen des Stimmrechts bestehen nicht.
	Unmittelbare oder mittelbare Beherrschung des Emittenten und Art der Beherrschung.	Durch den 100%igen Stimmrechtsanteil des Abgebenden Aktionärs und seine daraus resultierende Möglichkeit, die Finanz- und Geschäftspolitik der Gesellschaft zu bestimmen, wird die Gesellschaft unmittelbar von dem Abgebenden Aktionär beherrscht. Die Gesellschaft steht vor dem Angebot zu 100% im Eigentum des Abgebenden Aktionärs.
B.7	**Ausgewählte wesentliche historische Finanzinformationen.**	Die in den nachstehenden Tabellen enthaltenen Finanzinformationen sind den geprüften Konzernabschlüssen der Gruppe für die zum 31. Dezember 2014, 2013 und 2012 endenden Geschäftsjahre und dem ungeprüften verkürzten Konzernzwischenabschluss der Gruppe für das zum 31. März 2015 endende Quartal (das „**1. Quartal 2015**“) entnommen oder aus ihnen abgeleitet. Diese Konzernabschlüsse und Konzernzwischenabschlüsse wurden nach den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind, („**IFRS**“) erstellt. Die Konzernabschlüsse für die zum 31. Dezember 2014, 2013 und 2012 endenden Geschäftsjahre wurden aus historischen Gründen von der KPMG Hungária Kft. mit Sitz in Váci út 31, H-1134 Budapest, Ungarn, eingetragen bei der ungarischen Wirtschaftsprüferkammer unter der Nummer 000202 („**KPMG**“) geprüft, die diese Konzernabschlüsse sowie eine Prognose der Mittel aus der operativen Tätigkeit (Funds from Operations, „**FFO**“) mit einem uneingeschränkten Bestätigungsvermerk versehen hat. Die vorgenannten Konzernabschlüsse und Konzernzwischenabschlüsse der Gruppe und die dazugehörigen Bestätigungsvermerke wurden in diesen Prospekt aufgenommen. Soweit in den nachstehenden Tabellen enthaltene Finanzinformationen als „geprüft” bezeichnet sind, wurden sie den vorgenannten geprüften Konzernabschlüssen entnommen. Die Bezeichnung „ungeprüft“ wird in den nachstehenden Tabellen zur Kenntlichmachung von Finanzinformationen verwendet, die nicht dem vorgenannten geprüften Konzernabschluss entnommen wurden, sondern entweder dem ungeprüften verkürzten Konzernzwischenabschluss der Gruppe oder den Buchführungs- oder Rechnungslegungsunterlagen entnommen wurden oder auf der Grundlage dieser Zahlen errechnet wurden. Alle in den nachstehenden Ausführungen und Tabellen dargestellten Finanzinformationen sind, soweit nicht anders angegeben, in Tausend Euro (TEUR) angegeben. Um sicherzustellen, dass die in den nachstehenden Ausführungen und Tabellen angegebenen Zahlen in der Summe den angegebenen Gesamtsummen entsprechen, sind die Zahlen kaufmännisch auf die nächste ganze Zahl oder in manchen Fällen auf eine die Addition erleichternde Zahl gerundet. In den Ausführungen und Tabellen angegebene prozentuale Veränderungen sind, soweit nicht anders angegeben, kaufmännisch auf eine Dezimalstelle gerundet. In Klammern dargestellte Finanzinformationen kennzeichnen negative Zahlen. In Bezug auf in dem Prospekt dargestellte Finanzinformationen bedeutet ein Spiegelstrich („–“), dass die betreffende Zahl nicht verfügbar ist, während eine Null („0“) bedeutet, dass die betreffende Zahl verfügbar ist, aber auf Null gerundet wurde.

Ausgewählte Finanzdaten

Ausgewählte Daten aus der Konzern-Gesamtergebnisrechnung

	Für das Quartal zum 31. März		Für das Geschäftsjahr zum 31. Dezember		
	2015	2014	2014	2013	2012
	(ungeprüft) (in TEUR)		(geprüft) (in TEUR)		
Umsatzerlöse	13.491	7.426	34.329	22.673	15.698
Umsatzkosten	(3.887)	(1.147)	(6.581)	(3.873)	(1.890)
Bruttoergebnis vom Umsatz	**9.604**	**6.279**	**27.748**	**18.800**	**13.808**
Allgemeine Verwaltungskosten	(1.108)	(603)	(3.162)	(2.686)	(2.635)
Veränderung des beizulegenden Zeitwerts von als Finanzinvestition gehaltenen Immobilien und von zur Veräußerung gehaltenen Vermögenswerten	39.021	(309)	68.838	23.001	15.291
Operatives Ergebnis	**47.517**	**5.367**	**93.424**	**39.115**	**26.464**
Finanzerträge	556	3.943	4.669	17	106
Finanzaufwendungen	(6.236)	(4.079)	(18.417)	(12.523)	(9.602)
Finanzergebnis	**(5.680)**	**(136)**	**(13.748)**	**(12.506)**	**(9.496)**
Ergebnis vor Ertragsteuern	**41.837**	**5.231**	**79.676**	**26.609**	**16.968**
Steuern vom Einkommen und vom Ertrag	(11.010)	(187)	(10.398)	(3.668)	(2.211)
Periodenergebnis	**30.827**	**5.044**	**69.278**	**22.941**	**14.757**

Ausgewählte Daten aus der Konzern-Bilanz

	Zum 31. März		Zum 31. Dezember		
	2015	2014	2014	2013	2012
	(ungeprüft) (in TEUR)		(geprüft) (in TEUR)		
Bestimmte Aktiva					
Anzahlungen auf Vorratsimmobilien	—	1.363	31.972	—	—
Vorratsimmobilien	43.591	—	13.750	—	—
Zur Veräußerung gehaltene Vermögenswerte	—	5.192	1.117	7.395	—
Anzahlungen auf als Finanzinvestition gehaltene Immobilien	378.775	6.521	119.194	17.596	8.434
Als Finanzinvestition gehaltene Immobilien	782.040	472.071	611.568	448.940	255.809
Summe Aktiva	**1.249.559**	**500.540**	**800.795**	**487.788**	**274.220**
Bestimmte Passiva					
Verzinsliche Bankdarlehen (kurzfristig)	55.599	8.455	45.623	19.743	12.681
Kurzfristige Schulden	**76.659**	**19.664**	**58.968**	**30.182**	**20.957**
Verzinsliche Bankdarlehen (langfristig)	641.777	275.857	368.730	266.747	164.362
Verbindlichkeiten gegenüber nahestehenden Unternehmen und Personen (langfristig)	306.130	120.783	204.633	114.629	52.944
Langfristige Schulden	**999.024**	**419.255**	**610.756**	**401.865**	**233.965**

Ausgewählte Daten aus der Konzern-Kapitalflussrechnung

	Für das Quartal zum 31. März		Für das Geschäftsjahr zum 31. Dezember		
	2015	2014	2014	2013	2012
	(ungeprüft) (in TEUR)		(geprüft) (in TEUR)		
Mittelzufluss (-abfluss) aus laufender Geschäftstätigkeit	9.277	3.383	(19.398)	15.229	12.243
Mittelzufluss (-abfluss) aus Investitionstätigkeit	(388.201)	(10.316)	(191.326)	(74.720)	(33.843)
Mittelzufluss (-abfluss) aus Finanzierungstätigkeit	393.460	6.458	215.715	62.581	16.830
Zahlungswirksame Veränderung des Finanzmittelfonds während der Periode	14.536	(475)	4.991	3.090	(4.770)
Finanzmittelfonds zu Beginn der Periode	9.662	4.671	4.671	1.581	6.351
Finanzmittelfonds am Ende der Periode	24.198	4.196	9.662	4.671	1.581

Wesentliche Änderungen der Finanzlage und des Betriebsergebnisses des Emittenten in dem oder nach dem von den wesentlichen historischen Finanzinformationen abgedeckten Zeitraum.

Folgende wesentliche Änderungen der Mieteinnahmen und des Periodenergebnisses der Gesellschaft sind im 1. Quartal 2015 eingetreten:

*1. Quartal 2015 und zum 31. März 2014 endendes Quartal („**1. Quartal 2014**")*

Die Umsatzerlöse stiegen um 81,7% von 7.426 TEUR für das 1. Quartal 2014 auf 13.491 TEUR für das 1. Quartal 2015, vor allem aufgrund eines Anstiegs der Mieteinnahmen, der hauptsächlich auf eine Zunahme der Einheiten in unserem Eigentum und auf realisierte Erlöse aus dem Verkauf von Wohneinheiten zurückzuführen war. Im 1. Quartal 2014 haben wir keine Wohneinheiten verkauft.

Das operative Ergebnis stieg von 5.367 TEUR im 1. Quartal 2014 auf 47.517 TEUR im 1. Quartal 2015, vor allem aufgrund Veränderungen des beizulegenden Zeitwerts von als Finanzinvestition gehaltenen Immobilien und zur Veräußerung gehaltenen Vermögenswerten.

Jüngste Entwicklungen

Am 1. April 2015 hat die Gruppe das Carlos-Portfolio und zwei weitere nicht mietgebundene Immobilien im Bezirk Charlottenburg erworben. Die beiden weiteren Immobilien im Bezirk Charlottenburg umfassen zusammen 99 Wohneinheiten mit einer Mietfläche von insgesamt 5.267 m^2 und eine Gewerbeeinheit. Die durchschnittliche monatliche Miete pro Quadratmeter für die beiden Immobilien beträgt 5,85 EUR bzw. 12,67 EUR und die Leerstandsquote 3,8% bzw. 0,0%.

Die Gesellschaft hat ihren eingetragenen Sitz und den Sitz ihrer geschäftlichen Leitung mit Beschluss ihrer Gesellschafterversammlung vom 8. Juni 2015 nach Luxemburg verlegt und die Rechtsform einer Gesellschaft mit beschränkter Haftung (*société à responsabilité limitée*) nach Luxemburger Recht angenommen. Die Gesellschaft wurde dann auf Beschluss ihrer Gesellschafterversammlung vom 16. Juni 2015 in eine Aktiengesellschaft (*société anonyme*) nach Luxemburger Recht umgewandelt und in „ADO Properties S.A." umfirmiert.

Finanzierungsstruktur und Strategie

Die Gesellschaft ist derzeit in verschiedenen Stadien der Analyse potenzieller Akquisitionen von Wohnimmobilien und Wohnimmobilienportfolios mit einem voraussichtlichen Akquisitionsvolumen von insgesamt 170 bis 185 Mio. EUR. Der Großteil dieser Immobilien wurde vor 1918 gebaut (Altbauten) und befindet sich in Innenstadtlagen von Berlin. Wie in der Vergangenheit würde die Gesellschaft diese Akquisitionen mit Krediten von Hypothekenbanken finanzieren. Diese potenziellen Akquisitionen würden, falls sie erfolgreich verlaufen, in den nächsten sechs Monaten vollzogen.

B.8	**Ausgewählte wesentliche Pro-forma-Finanzinformationen.**	Entfällt. Die Gesellschaft hat keine Pro-forma-Finanzinformationen erstellt.
B.9	**Gewinnprognosen und -schätzungen.**	Auf der Grundlage des Verlaufs des zum 31. Dezember 2015 endenden Geschäftsjahrs (das „**Geschäftsjahr 2015**") und unter Berücksichtigung des Umstands, dass die Erträge aus dem Carlos-Portfolio ab dem 1. April 2015 zuflossen, schätzt die Gesellschaft, dass der FFO (ohne Ergebnisse aus Veräußerungen) im Geschäftsjahr 2015 ca. 27-28 Mio. EUR betragen wird.
B.10	**Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.**	Entfällt. Die Bestätigungsvermerke für die in diesem Prospekt enthaltenen historischen Finanzinformationen wurden jeweils uneingeschränkt erteilt.
B.11	**Nichtausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.**	Entfällt. Die Gesellschaft ist der Auffassung, dass die Gruppe in der Lage ist, sämtliche Zahlungsverpflichtungen zu erfüllen, die in den nächsten mindestens zwölf Monaten fällig werden.

C – Wertpapiere

C.1	**Art und Gattung der zum Handel zuzulassenden Wertpapiere.**	Stammaktien ohne Nennbetrag (Stückaktien) in unverbriefter Form.
	Wertpapierkennung.	International Securities Identification Number (ISIN): LU1250154413 Wertpapierkennnummer (WKN): A14U78 Common Code: 125015441 Ticker Symbol: ADJ
C.2	**Währung.**	Euro.
C.3	**Zahl der ausgegebenen und voll eingezahlten Aktien.**	Zum Datum dieses Prospekts 25.000.000 voll eingezahlte Aktien und nach dem Angebot bis zu 35.000.000 voll eingezahlte Aktien.
	Nennwert.	Die Aktien haben keinen Nennwert.
C.4	**Beschreibung der mit den Wertpapieren verbundenen Rechte.**	Jede Aktie der Gesellschaft gewährt in der Hauptversammlung der Gesellschaft eine Stimme. Beschränkungen des Stimmrechts bestehen nicht. Die Aktien sind ab dem Tag ihrer Ausgabe voll dividendenberechtigt.
C.5	**Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.**	Entfällt. Die Aktien werden in Übereinstimmung mit den gesetzlichen Bestimmungen für unverbriefter Aktien frei übertragbar sein. Es bestehen keine Verbote oder Beschränkungen hinsichtlich der Übertragbarkeit der Aktien.
C.6	**Antrag auf Zulassung der Wertpapiere zum Handel an einem geregelten Markt und Nennung der geregelten Märkte, an denen die Wertpapiere gehandelt werden sollen.**	Die Gesellschaft wird die Zulassung ihrer Aktien zum Handel auf dem regulierten Markt der Frankfurter Wertpapierbörse mit gleichzeitiger Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) voraussichtlich am oder um den 18. Juni 2015 beantragen. Der Zulassungsbeschluss wird voraussichtlich am 29. Juni 2015 erteilt. Der Handel mit den Aktien der Gesellschaft an der Frankfurter Wertpapierbörse wird voraussichtlich am 30. Juni 2015 beginnen.
C.7	**Dividendenpolitik.**	Die Gesellschaft hat in der Vergangenheit keine Dividenden ausgeschüttet. Nach dem Angebot plant die Gesellschaft die Ausschüttung von Dividenden in Höhe von ca. 30-40% des FFO.

D – Risiken

D.1	**Zentrale Risiken, die dem Emittenten oder seiner Branche eigen sind.**	Eine Investition in die Aktien ist mit Risiken verbunden. Daher sollten Anleger vor der Entscheidung über eine Anlage in die Aktien die folgenden Risiken und die sonstigen in diesem Prospekt enthaltenen Informationen sorgfältig prüfen. Der Marktpreis der Aktien könnte bei

Eintritt jedes einzelnen dieser Risiken sinken; in diesem Fall könnten Anleger ihren investierten Betrag ganz oder teilweise verlieren. Die folgenden Risiken könnten alleine oder zusammen mit zusätzlichen Risiken und Unwägbarkeiten, die der Gesellschaft derzeit nicht bekannt sind oder die sie unter Umständen derzeit für unwesentlich hält, unser Geschäft sowie unsere Vermögens-, Finanz-, Cashflow- und Ertragslage wesentlich beeinträchtigen.

Die Reihenfolge, in der die Risiken dargestellt sind, stellt weder eine Aussage über die Eintrittswahrscheinlichkeit noch über die Bedeutung oder Höhe dieser Risiken oder das Ausmaß einer möglichen Beeinträchtigung unseres Geschäfts sowie unserer Vermögens-, Finanz- und Ertragslage dar. Die hier genannten Risiken können einzeln oder kumulativ eintreten.

Marktbezogene Risiken

- Wir sind von regionalen Immobilienmärkten, insbesondere in Berlin, abhängig. Ferner sind wir von unserer Fähigkeit abhängig, unsere Geschäftsaktivitäten an die Entwicklungen auf diesen Märkten anzupassen. Sollten die Marktentwicklungen in Berlin nachteilig verlaufen oder wir nicht in der Lage sein, unsere Geschäftsaktivitäten und/oder Immobilien an diese Entwicklungen anzupassen, könnte dies erhebliche nachteilige Auswirkungen auf unser Geschäft und unsere Vermögens-, Finanz-, Cashflow- und Ertragslage haben.
- Die anhaltende Unsicherheit über die Entwicklung der Weltwirtschaft, beispielsweise aufgrund der gegenwärtigen Staatsschuldenkrisen und Inflations- und Deflationsrisiken in vielen Teilen der Welt, insbesondere in Europa, und die von der Europäischen Zentralbank angekündigte quantitative Lockerung der Geldpolitik könnten wirtschaftliche Instabilität, eingeschränkten Zugang zu Fremd- und Eigenfinanzierung und mögliche Zahlungsausfälle unserer Geschäftspartner zur Folge haben.
- Das gegenwärtige wirtschaftliche Umfeld ist durch niedrige Zinssätze und vergleichsweise hohe Bewertungen von Wohnimmobilienbeständen in Deutschland gekennzeichnet. Jeder Zinsanstieg könnte sich auf die Immobilienbewertungen, auf den deutschen Immobilienmarkt und auf uns nachteilig auswirken.
- Es könnte schwieriger für uns werden, unsere Strategie umzusetzen, die darin besteht, weitere Wachstumsmöglichkeiten zu nutzen, indem wir Wohnimmobilienbestände zu attraktiven Konditionen erwerben, insbesondere aufgrund der hohen derzeitigen und zukünftigen Marktpreise für Immobilien.
- Die Konkurrenz beim Erwerb von Immobilien durch Käufer, die geringere Kapitalkosten oder Renditeerwartungen als wir haben, könnte unsere Fähigkeit einschränken, uns im Wettbewerb um solche Immobilien zu behaupten und damit unser Geschäft erfolgreich auszubauen.
- Wir könnten durch die fehlende Liquidität von Immobilienanlagen beeinträchtigt werden und könnten nicht in der Lage sein, einen Teil unseres Portfolios zu vorteilhaften Konditionen oder überhaupt zu veräußern.

Risiken im Zusammenhang mit unserer Geschäftstätigkeit

- Verstärkte Mietpreisbegrenzungen könnten sich nachteilig auf unsere Ertragslage auswirken, da wir in hohem Maße von Mieteinnahmen abhängig sind.

- Höhere Leerstandsquoten oder ein Absinken der erzielbaren Marktmieten für unser Wohnimmobilienportfolio könnten unsere Mieteinnahmen und unser operatives Ergebnis erheblich beeinträchtigen.
- Wir sind Risiken im Zusammenhang mit dem baulichen Zustand unserer Immobilien und ihrer Instandhaltung, Instandsetzung und Modernisierung ausgesetzt.
- Wir unterliegen Risiken im Zusammenhang mit möglichen Akquisitionen und Beteiligungen. Zu diesen Risiken gehören unerwartete Verbindlichkeiten, Fehlbewertung sowie die Ergebnisse von Due-Diligence-Prüfungen und Probleme bei der Integration von Akquisitionen und beim Erreichen der erwarteten Synergien.
- Wir unterliegen Risiken im Zusammenhang mit höherer Verschuldung und höherem Zinsaufwand, die erhebliche nachteilige Auswirkungen auf unser Geschäft und unsere Vermögens-, Finanz-, Cashflow- und Ertragslage haben könnten.
- Unsere bestehenden Immobilienbestände oder Bestände, die wir möglicherweise in Zukunft erwerben, könnten sich nicht so positiv entwickeln wie erwartet.
- Aus vergangenen und zukünftigen Akquisitionen könnten uns verschiedenste Verbindlichkeiten entstehen, und die Integration künftiger Portfolioakquisitionen könnte sich aufgrund gesetzlicher oder vertraglicher Beschränkungen und Verpflichtungen als nicht erfolgreich erweisen oder längere Zeit in Anspruch nehmen oder zu höheren Kosten führen.
- Unsere Strategie zum erfolgreichen Betrieb unseres Geschäfts stützt sich auf Annahmen und eventuell eintretende Umstände, die sich als unzutreffend erweisen könnten.
- Wir planen Investitionen in Modernisierungsmaßnahmen, die möglicherweise nicht die erwartete Rendite erzielen oder zu Kostenüberschreitungen oder Verzögerungen bei der Durchführung, unter anderem durch Mieter verursachte Verzögerungen, führen könnten.
- Im Zusammenhang mit bestimmten Akquisitionen sind wir vertragliche Verpflichtungen eingegangen, die unsere Möglichkeiten, Teile unseres Portfolios frei zu veräußern oder die Mieten für bestimmte Einheiten zu erhöhen, beschränken, wodurch die Gruppe möglicherweise gehindert wird, die maximale Wertschöpfung aus den betroffenen Immobilien zu erzielen.
- Einige von uns erworbene Immobilien erhalten derzeit öffentliche Fördermittel oder haben solche Fördermittel erhalten. Infolgedessen ist die Höhe der Mieten, die in Bezug auf einen Teil unseres Portfolios verlangt werden darf, begrenzt. Wir könnten aufgefordert werden, Fördermittel, die einige unserer Immobilien erhalten haben, zurückzuzahlen.
- Wir verfügen über eine integrierte Plattform für aktive Portfolioverwaltung und Privatisierungen, die unsere Personalkosten und anderen Fixkosten erhöht und durch die unsere Möglichkeiten zu einem flexibleren Geschäftsansatz im Vergleich zu unseren Wettbewerbern, die diese Dienstleistungen auslagern, eingeschränkt sein können.
- Wir verfügen nur über beschränkte Kenntnisse der Immobilienmärkte außerhalb Berlins und wären daher bei der Verwaltung von Immobilien außerhalb Berlins Risiken ausgesetzt, wenn wir solche Immobilien in Zukunft erwerben sollten.

- Die Verkaufspreise von Wohnimmobilien könnten sinken.
- Neben der Verwaltung von Wohnimmobilien umfasst unser Geschäft den Verkauf von Eigentumswohnungen (Privatisierungen). Hierbei können manche Einheiten in einer Immobilie unverkauft bleiben. Die unverkauften Einheiten könnten einen höheren Verwaltungsaufwand erfordern und zu zusätzlichen Kosten und anderen negativen Folgen für die Gruppe führen und lassen sich möglicherweise nicht oder nicht zu angemessenen Preisen verkaufen.
- Einige unserer Wohnimmobilien umfassen Gewerbeeinheiten, mit denen andere Risiken als mit unseren Wohneinheiten verbunden sind.
- Wir beschäftigen und arbeiten mit einer großen Zahl von Dienstleistern und sind von den Leistungen dieser Dienstleister abhängig.
- Eine Schädigung unseres Rufs und unzureichende Kundenzufriedenheit könnten die Nachfrage nach unseren Wohneinheiten reduzieren und es für uns erschweren, Kapital zu attraktiven Konditionen oder überhaupt aufnehmen zu können.
- Wir könnten erhebliche Verluste durch Schäden erleiden, die nicht durch unsere Versicherungspolicen gedeckt sind oder die Deckungsgrenzen unserer Versicherungspolicen übersteigen.
- Das Ausscheiden eines oder mehrerer Personen, die unser Unternehmen leiten, (die „**Geschäftsführung**") oder anderer Mitarbeiter könnte unser Geschäft und unsere finanzielle Ertragskraft beeinträchtigen.
- Unsere internen Kontroll-, Compliance- und Risikomanagementsysteme reichen möglicherweise nicht aus, um uns ausreichend vor allen Arten von Risiken zu schützen.
- Unsere IT-Systeme könnten nicht richtig funktionieren oder beschädigt werden und die Umstellung auf neue IT-Systeme ist mit weiteren Risiken verbunden.

Risiken im Zusammenhang mit der Bewertung unserer Immobilien

- Die Bewertung von Immobilien ist von Natur aus subjektiv, mit Unsicherheiten verbunden und auf Annahmen gegründet, die sich als fehlerhaft erweisen können oder durch Faktoren beeinflusst werden, auf die die Gesellschaft keinen Einfluss hat.
- Falls sich der Immobilienmarkt negativ entwickelt, das Zinsniveau verändert, sich der Markt verschlechtert oder sich das Mietpreisniveau oder die Leerstandsquote bei den Immobilien der Gruppe nachteilig entwickelt, könnten wir nach dem Modell des beizulegenden Zeitwerts (Fair Value) verpflichtet sein, die bisherigen beizulegenden Zeitwerte unserer als Finanzinvestition gehaltenen Immobilien nach unten zu korrigieren (z. B. im Fall einer Veränderung des Zinsniveaus). Dies könnte sich nachteilig auf unsere Konzernbilanz und unsere Konzern-Gesamtergebnisrechnung auswirken.

Finanzielle Risiken

- Eine Veränderung des allgemeinen Zinsniveaus könnte unsere Finanzierungskosten erhöhen und zur Folge haben, dass der Wert unserer Immobilien und die Preise, zu denen wir unsere Immobilien veräußern können, sinken.
- Wenn wir versuchen, das Zinsänderungsrisiko durch den Abschluss von Sicherungsgeschäften zu verringern, sind wir weiteren Risiken in Bezug auf die Bewertung der

Sicherungsinstrumente und Gegenparteien der Sicherungsgeschäfte ausgesetzt, und die Sicherungsgeschäfte könnten sich als nicht effektiv erweisen.

- Unser Schuldenstand ist beträchtlich und wir sind darauf angewiesen, bedeutende Beträge bei Fälligkeit zu refinanzieren. Wir könnten nicht in der Lage sein, unsere bestehenden Kreditverträge zu verlängern, unsere Schulden bei Fälligkeit zu im Wesentlichen vergleichbaren Konditionen zu refinanzieren oder bei Bedarf eine Akquisitionsfinanzierung zu attraktiven Konditionen zu erhalten.
- Unser Schuldenstand, die Konditionen bisheriger und zukünftiger Kreditaufnahmen und die Sicherungsgeschäfte, die wir abgeschlossen haben oder in Zukunft abschließen werden, könnten unsere Aktivitäten erheblich einschränken und könnten es für uns erschweren oder teurer machen, neue Finanzierungsquellen zu erschließen, ohne gegen bestehende Verpflichtungen zur Einhaltung von Finanzkennzahlen zu verstoßen.
- Unsere Cashflows und möglichen zukünftigen Dividendenzahlungen hängen von unserem ausschüttungsfähigen Kapital und unserem Jahresüberschuss sowie vom wirtschaftlichen Erfolg unserer Tochtergesellschaften ab oder müssen durch Fremdkapital ergänzt werden.

Regulatorische und rechtliche Risiken

- Unsere Geschäftstätigkeit unterliegt den allgemeinen rechtlichen Rahmenbedingungen in Deutschland. Jede nachteilige Veränderung der rechtlichen Rahmenbedingungen, wie etwa verbindliche Vorschriften über umweltbedingte Modernisierungsmaßnahmen, Einschränkungen der Modernisierungsmöglichkeiten oder Vorschriften (einschließlich Steuern), die im Fall eines Immobilienverkaufs zu Kosten führen, könnte nachteilig für uns sein.
- Die deutschen Mieterschutzgesetze für Wohnungsmieter und bestehende Begrenzungen des zulässigen Prozentsatzes von Mieterhöhungen könnten eine Anhebung der Mieten für die Wohneinheiten in unserem Bestand erschweren.
- Vor kurzem verabschiedete Vorschriften könnten unsere Möglichkeiten zur Umwandlung von Mietwohnungen in Eigentumswohnungen einschränken.
- Behördliche Entscheidungen könnten das freie Ermessen der Gesellschaft bei der Führung ihrer Geschäfte einschränken.
- Die Verwendung standardisierter Verträge könnte bei einer Reihe von Verträgen zu Schadensersatzforderungen gegen uns oder zum Verlust bestimmter Rechte und Privilegien oder der jeweiligen Schadensersatzansprüche führen, falls Fehler oder Probleme im Zusammenhang mit der Durchsetzung dieser Verträge auftreten.
- Wenn ehemalige Immobilieneigentümer, die zwischen 1933 und 1990 vertrieben wurden, Ansprüche aus Enteignung und/oder auf Wiederbegründung ihres Eigentums erheben, könnten uns erhebliche Kosten im Zusammenhang mit solchen Ansprüchen entstehen.
- Wir könnten Haftungsrisiken für Umweltschäden unterliegen, z. B. aus Altlasten einschließlich Kampfmitteln, Bodenbeschaffenheit, Asbest und Schadstoffen in Baumaterial sowie aus möglichen Verstößen gegen baurechtliche Anforderungen.
- Möglicherweise werden uns Baugenehmigungen versagt oder nur unter belastenden Bedingungen gewährt, oder es werden zusätzliche Auflagen für bestehende Baugenehmigungen erteilt.

	• Wir könnten mehrere Jahre nach dem Verkauf von Immobilien Haftungsansprüchen ausgesetzt sein. • Wir könnten durch nachteilige Gerichtsentscheidungen gegen Unternehmen beeinträchtigt werden, die nicht mit uns verbunden sind, wenn diese Entscheidungen Einfluss oder Auswirkungen auf unsere Geschäftspraktiken haben. ***Steuerliche Risiken*** • Unsere Geschäftstätigkeit unterliegt den allgemeinen steuerlichen Rahmenbedingungen in Deutschland und Luxemburg und möglichen zukünftigen Änderungen der Unternehmensbesteuerung in Deutschland, Luxemburg und der Europäischen Union, die sich zu unserem Nachteil verändern können. • Betriebsprüfungen könnten dazu führen, dass wir zu Steuernachzahlungen verpflichtet sind. • Die Steuerbehörden könnten die steuerliche Abzugsfähigkeit nicht für alle unsere Zinsaufwendungen anerkennen. • Unsere steuerlichen Verlustvorträge könnten durch Restrukturierungen in der Vergangenheit beeinträchtigt sein oder könnten nach dem Angebot oder nach einem zukünftigen Aktionärswechsel wegfallen. • Werden innerhalb eines Zeitraums von fünf Jahren 95% oder mehr der Anteile an der Gesellschaft oder einer Tochtergesellschaft übertragen, wäre in Deutschland Grunderwerbsteuer zu entrichten. • Ferner könnten die Transaktionskosten für den Erwerb von Immobilien aufgrund einer kürzlichen Änderung im deutschen Steuerrecht steigen. • Wir könnten Steuervorteile aus der erweiterten Gewerbesteuerkürzung verlieren. • Die Gesellschaften der Gruppe profitieren möglicherweise nicht von einer umsatzsteuerlichen Organschaft. • Die Gesellschaft könnte als Kapital-Investitionsgesellschaft im Sinne des deutschen Investmentsteuergesetzes eingestuft werden. In diesem Fall wäre das nach deutschem Steuerrecht bestehende Beteiligungsprivileg für betriebliche Anleger nur unter bestimmten Voraussetzungen anwendbar. • In Deutschland ansässige Anleger könnten nach den deutschen Vorschriften zur Hinzurechnungsbesteuerung (Außensteuergesetz) („**deutsche Vorschriften zur Hinzurechnungsbesteuerung**“) einer Hinzurechnung von Einkünften unterliegen. • In Deutschland ansässige Anleger könnten nach den deutschen Vorschriften zur Hinzurechnungsbesteuerung bestimmten Meldepflichten unterliegen.
D.3 **Zentrale Risiken, die den Wertpapieren eigen sind.**	***Risiken im Zusammenhang mit den Aktien und dem Angebot*** • Der Börsenkurs und das Handelsvolumen der Aktien könnten erheblich schwanken und dies könnte zu beträchtlichen Verlusten führen. • Nach der Notierungsaufnahme werden der Abgebende Aktionär der Gesellschaft und Stenham (im Falle der Ausübung ihrer Put-Option in Bezug auf maximal 40% ihrer Beteiligung an dem Abgebenden Aktionär die Stenham, wie von ihr erklärt, beabsichtigt) weiterhin in der Lage sein, wesentlichen Einfluss auf uns auszuüben. Die Interessen des Abgebenden Aktionärs der Gesellschaft könnten sich von den Interessen der anderen Aktionäre unterscheiden. Ferner könnten zukünftige Verkäufe von Aktien durch den Abgebenden Aktionär den Kurs der Aktien unter Druck setzen.

- Zukünftige Kapitalmaßnahmen, wie z. B. zukünftige Emissionen von Schuldtiteln oder Eigenkapitalinstrumenten, könnten zu einer erheblichen Verwässerung, d. h. einer Verringerung des Werts der Aktien der von bestehenden Aktionären gehaltenen Aktien der Gesellschaft und ihres Stimmrechtsanteils, führen und den Kurs der Aktien negativ beeinflussen.
- Die Aktien wurden bisher nicht an der Börse gehandelt und möglicherweise entwickelt sich kein liquider Markt für die Aktien.
- Anleger mit einer anderen Referenzwährung als dem Euro sind im Zusammenhang mit der Anlage in die Aktien Wechselkursrisiken ausgesetzt.
- Schwankungen der Marktzinsen können sich negativ auf den Wert der Aktien auswirken.
- Falls Dividendenausschüttungen erfolgen, unterliegt deren Zeitpunkt bestimmten Bedingungen, unter anderem ausreichenden Mittelzuflüssen von den Tochtergesellschaften an die Holdinggesellschaft, und Ihre Anlage steht im Rang hinter Ansprüchen der Gläubiger der Gesellschaft und der Gläubiger der Tochtergesellschaften der Gesellschaft.
- Zukünftige Dividendenausschüttungen sind von dem Geschäft und der Vermögens-, Finanz-, Cashflow- und Ertragslage der Gruppe abhängig.
- Bestehende oder zukünftige Pfandrechte an den Aktien oder mögliche zukünftige Verkäufe einer hohen Anzahl an Aktien könnten den Kurs der Aktien der Gesellschaft beeinträchtigen.
- Das Angebot könnte nicht durchgeführt werden. In diesem Fall könnten Anleger bereits gezahlte Erwerbsprovisionen verlieren und Risiken im Zusammenhang mit Leerverkäufen der Aktien ausgesetzt sein.

E.1 Gesamtnettoerlöse.

Die Gesellschaft wird nur die Erlöse aus dem Angebot, der sich aus dem Verkauf der Neuen Aktien (wie nachstehend definiert) ergibt, erhalten. Die Gesellschaft wird keine Erlöse aus dem Verkauf Bestehender Aktien (wie nachstehend definiert) und Mehrzuteilungsaktien (wie nachstehend definiert) aus den Beteiligungen des Abgebenden Aktionärs erhalten.

Die Gesellschaft strebt aus dem Angebot (wie nachstehend definiert) Bruttoerlöse in Höhe von ca. 200,0 Mio. EUR durch das Angebot von bis zu 10.000.000 Neuen Aktien (am unteren Ende der Preisspanne (wie nachstehend definiert)) an.

Die Gesellschaft schätzt, dass sich die Erlöse bei einer Platzierung am unteren Ende bzw. zum Mittelwert, zum oberen Ende der für das Angebot der Angebotsaktien (wie nachstehend definiert) festgelegten Preisspanne (die „**Preisspanne**“) auf folgende Beträge belaufen würden:

- bei einer Platzierung am unteren Ende der Preisspanne und unter der Annahme, dass das Angebot bis zu 10.000.000 Neue Aktien umfasst, würde die Gesellschaft Bruttoerlöse von ca. 200,0 Mio. EUR und Nettoerlöse von 194,0 Mio. EUR erhalten;
- bei einer Platzierung zum Mittelwert der Preisspanne und unter der Annahme, dass das Angebot bis zu 8.888.889 Neue Aktien umfasst, würde die Gesellschaft Bruttoerlöse von ca. 200,0 Mio. EUR und Nettoerlöse von 194,0 Mio. EUR erhalten; und
- bei einer Platzierung am oberen Ende der Preisspanne und unter der Annahme, dass das Angebot bis zu 8.000.000 Neue Aktien umfasst, würde die Gesellschaft Bruttoerlöse von ca. 200,0 Mio. EUR und Nettoerlöse von 194,0 Mio. EUR erhalten.

		Die Gesellschaft schätzt, dass sich die Erlöse des Abgebenden Aktionärs bei einer Platzierung am unteren Ende, zum Mittelwert bzw. zum oberen Ende der Preisspanne auf folgende Beträge belaufen würden: • bei einer Platzierung am unteren Ende der Preisspanne und unter der Annahme, dass das Angebot bis zu 12.000.000 Aktien umfasst (10.000.000 Bestehende Aktien und 2.000.000 Mehrzuteilungsaktien im Rahmen der Greenshoe-Option (wie nachstehend definiert)), würde der Abgebende Aktionär Bruttoerlöse von mindestens 240,0 Mio. EUR und Nettoerlöse von mindestens 232,8 Mio. EUR erhalten; • bei einer Platzierung zum Mittelwert der Preisspanne und unter der Annahme, dass das Angebot bis zu 12.438.889 Aktien umfasst (10.500.000 Bestehende Aktien und 1.938.889 Mehrzuteilungsaktien im Rahmen der Greenshoe-Option), würde der Abgebende Aktionär Bruttoerlöse von mindestens 279,9 Mio. EUR und Nettoerlöse von mindestens 271,5 Mio. EUR erhalten; und • bei einer Platzierung am oberen Ende der Preisspanne und unter der Annahme, dass das Angebot bis zu 12.900.000 Aktien umfasst (11.000.000 Bestehende Aktien und 1.900.000 Mehrzuteilungsaktien im Rahmen der Greenshoe-Option), würde der Abgebende Aktionär Bruttoerlöse von mindestens 322,5 Mio. EUR und Nettoerlöse von mindestens 312,8 Mio. EUR erhalten
	Geschätzte Gesamtkosten des Angebots und der Börsenzulassung, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten in Rechnung gestellt werden.	Die Kosten, die der Gesellschaft für das Angebot der Angebotsaktien und die Börsenzulassung aller Aktien der Gesellschaft entstehen, werden sich (ohne an die Konsortialbanken zahlbare Provisionen) voraussichtlich insgesamt auf ca. 3 Mio. EUR belaufen; davon werden ca. 1,5 Mio. EUR von dem Abgebenden Aktionär getragen, was bedeutet, dass die Gesellschaft letztlich ca. 1,5 Mio. EUR davon tragen wird. Der Abgebende Aktionär wird die der Gesellschaft für das Angebot und die Börsenzulassung entstehenden Kosten in Höhe des Verhältnisses der Bestehenden Aktien zu den Basisaktien (wie nachstehend definiert) tragen. Unter der Annahme, dass der Platzierungspreis dem unteren Ende bzw. dem Mittelwert bzw. dem oberen Ende der Preisspanne entspricht und die maximale Anzahl an Angebotsaktien platziert wird (und die Greenshoe-Option vollumfänglich ausgeübt wird) und unter der weiteren Annahme, dass die im Ermessen stehende Gebühr, die bei einer Platzierung am unteren Ende der Preisspanne bis zu 5,5 Mio. EUR, zum Mittelwert der Preisspanne bis zu 6,0 Mio. EUR und am oberen Ende der Preisspanne bis zu 6,5 Mio. EUR beträgt, in voller Höhe gezahlt wird, wird sich die an die Konsortialbanken zahlbare Provision auf folgenden Betrag belaufen: 7,7 Mio. EUR bzw. 8,4 Mio. EUR bzw. 9,1 Mio. EUR. Davon ist ein Betrag von 6,0 Mio. EUR bzw. 6,0 Mio. EUR bzw. 6,0 Mio. EUR der Platzierung der Neuen Aktien zuzurechnen und wird von der Gesellschaft getragen; der verbleibende Betrag von 7,2 Mio. EUR bzw. 8,4 Mio. EUR bzw. 9,7 Mio. EUR ist der Platzierung der Bestehenden Aktien und Mehrzuteilungsaktien zuzurechnen und wird direkt von dem Abgebenden Aktionär getragen. Den Anlegern werden von der Gesellschaft oder den Konsortialbanken keine Kosten in Rechnung gestellt.
E.2a	**Gründe für das Angebot.**	Die Gesellschaft führt das Angebot durch, um sich einen besseren Zugang zu den Kapitalmärkten zu verschaffen und ihr zukünftiges Wachstum zu finanzieren. Nach dem Angebot beabsichtigt die Gesellschaft, die Zulassung der Aktien der Gesellschaft zum Handel an dem regulierten Markt der Frankfurter Wertpapierbörse und gleichzeitige Zulassung zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (Prime Standard) der Frankfurter Wertpapierbörse zu erhalten.

	Zweckbestimmung der Erlöse, geschätzte Nettoerlöse.	Die Gesellschaft beabsichtigt, die Nettoerlöse aus dem Angebot der Neuen Aktien für Zukäufe von Wohnimmobilien bzw. -immobilienportfolios in Berlin, das Wachstum der Gesellschaft und allgemeine Unternehmenszwecke zu verwenden.
E.3	**Angebotskonditionen.**	Das Angebot (einschließlich einer eventuellen Mehrzuteilung) bezieht sich auf den Verkauf von bis zu 23.100.000 Angebotsaktien ohne Nennbetrag mit voller Dividendenberechtigung nach ihrer Ausgabe, bestehend aus: • bis zu 10.000.000 neu ausgegebenen Aktien in unverbriefter Form aus einer Kapitalerhöhung gegen Bareinlagen, die durch einen Beschluss des alleinigen Verwaltungsratsmitglieds der Gesellschaft zu beschließen ist, (die „**Neuen Aktien**“); • bis zu 11.000.000 bestehenden Aktien in unverbriefter Form (bei denen es sich derzeit um Namensaktien handelt, die aber am oder vor dem 26. Juni 2015 in unverbriefte Form umgewandelt werden) (die „**Bestehenden Aktien**“ und zusammen mit den Neuen Aktien die „**Basisaktien**“) aus den Beteiligungen des Abgebenden Aktionärs; und • bis zu 2.100.000 bestehenden Aktien in unverbriefter Form (bei denen es sich derzeit um Namensaktien handelt, die aber am oder vor dem 26. Juni 2015 in unverbriefte Form umgewandelt werden) aus den Beteiligungen des Abgebenden Aktionärs im Zusammenhang mit einer möglichen Mehrzuteilung (die „**Mehrzuteilungsaktien**“ und zusammen mit den Basisaktien die „**Angebotsaktien**“). Das Angebot besteht aus einem öffentlichen Angebot der Angebotsaktien in Deutschland (für die Zwecke dieser Zusammenfassung das „**Angebot**“). Neben dem Angebot erfolgen (i) eine Privatplatzierung bei qualifizierten institutionellen Käufern (*qualified institutional buyers*) in den Vereinigten Staaten von Amerika gemäß Rule 144A („**Rule 144A**“) des Securities Act der Vereinigten Staaten von 1933 in der geltenden Fassung (der „**Securities Act**“) und (ii) Privatplatzierungen bei institutionellen Anlegern außerhalb Deutschlands und der Vereinigten Staaten gemäß Regulation S („**Regulation S**“) des Securities Act. Das Angebot wird durch die Veröffentlichung dieses Prospekts in elektronischer Form auf der Internetseite der Gesellschaft (http://www.ado.properties) abgegeben.
	Angebotszeitraum.	Der Angebotszeitraum, innerhalb dessen Anleger ihre Kaufangebote für die Angebotsaktien abgeben können, beginnt am 18. Juni 2015 und endet am 29. Juni 2015 um 12:00 Uhr MESZ (Mitteleuropäische Sommerzeit) für Privatanleger (natürliche Personen) und um 16:00 Uhr MESZ (Mitteleuropäische Sommerzeit) für institutionelle Anleger. Privatanleger (natürliche Personen) können Kaufangebote für das öffentliche Angebot in Deutschland innerhalb des Angebotszeitraums bei den Niederlassungen der COMMERZBANK abgeben. Institutionelle Anleger können Kaufangebote innerhalb des Angebotszeitraums bei den Niederlassungen der Konsortialbanken abgeben. Kaufangebote müssen sich auf mindestens 25 Angebotsaktien beziehen und in vollen Euro-Beträgen oder Eurocent-Beträgen von 25, 50 oder 75 Cent abgegeben werden. Es gibt keinen Zeichnungshöchstbetrag. Mehrfache Kaufangebote sind zulässig.
	Preisspanne und Platzierungspreis.	Die Preisspanne, innerhalb derer Kaufangebote abgegeben werden können, liegt zwischen 20 EUR und 25 EUR je Angebotsaktie. Die Gesellschaft und der Abgebende Aktionär werden den endgültigen Platzierungspreis in Absprache mit den Joint Global Coordinators auf der Grundlage des im Bookbuilding-Verfahren erstellten Orderbuchs voraussichtlich am oder um den 29. Juni 2015 festlegen. Der Platzierungspreis wird voraussichtlich am oder um den 29. Juni 2015

		über eine Ad-hoc-Mitteilung, die in verschiedenen Medien mit Verbreitung im gesamten Europäischen Wirtschaftsraum und auf der Internetseite der Gesellschaft (www.ado.properties) veröffentlicht wird und bei der Luxemburger Finanzaufsichtsbehörde (*Commission de Surveillance du Secteur Financier*) eingereicht wird, jeweils gemäß Artikel 10 des Luxemburger Prospektgesetzes, veröffentlicht.
	Änderungen der Angebotskonditionen.	Die Gesellschaft und der Abgebenden Aktionär behalten sich das Recht vor, gemeinsam mit den Joint Global Coordinators die Gesamtzahl der Angebotsaktien zu erhöhen oder herabzusetzen, die obere und/oder untere Grenze der Preisspanne zu erhöhen oder zu senken und/oder den Angebotszeitraum zu verlängern oder zu verkürzen. Durch Änderungen der Anzahl der Angebotsaktien, Änderungen der Preisspanne oder die Verlängerung oder Verkürzung des Angebotszeitraums werden bereits abgegebene Kaufangebote nicht unwirksam. Anleger, die Kaufangebote abgegeben haben, werden nicht einzeln benachrichtigt. Änderungen der Angebotskonditionen, die die Beurteilung der Wertpapiere beeinflussen könnten und die nach der Billigung des Prospekts, aber vor der Durchführung des öffentlichen Angebots oder, falls diese später erfolgt, der Zulassung der Wertpapiere zum Handel auftreten oder festgestellt werden, müssen in einem Prospektnachtrag gemäß Artikel 13(1) des Luxemburger Prospektgesetzes veröffentlicht werden. Unter bestimmten Umständen können die Joint Global Coordinators im Auftrag der Konsortialbanken von dem mit der Gesellschaft und dem Abgebenden Aktionär am 17. Juni 2015 abgeschlossenen Übernahmevertrag betreffend das Angebot (der „**Übernahmevertrag**") auch noch nach Aufnahme des Handels der Aktien der Gesellschaft am regulierten Markt der Frankfurter Wertpapierbörse zurücktreten.
	Lieferung und Zahlung.	Die Lieferung der Angebotsaktien erfolgt voraussichtlich am 3. Juli 2015 gegen Zahlung des Platzierungspreises durch Überweisung. Die Angebotsaktien werden den Aktionären in unverbriefter Form zur Verfügung gestellt.
	Stabilisierungsmaßnahmen, Mehrzuteilungen und Greenshoe-Option.	Bei möglichen Stabilisierungsmaßnahmen können Anlegern als Teil der Zuteilung der zu platzierenden Aktien zusätzlich zu den angebotenen Aktien bis zu 2.100.000 Mehrzuteilungsaktien zugeteilt werden (die „**Mehrzuteilung**"). Zum Zwecke einer möglichen Mehrzuteilung werden UBS für Rechnung der Konsortialbanken bis zu 2.100.000 Aktien aus den Beteiligungen des Abgebenden Aktionärs in Form eines Wertpapierdarlehens zur Verfügung gestellt; die Anzahl dieser Aktien wird 10 % der Anzahl der Basisaktien nicht überschreiten. Zudem wird die Gesellschaft den Konsortialbanken eine Option zum Erwerb der geliehenen Aktien zum Platzierungspreis abzüglich vereinbarter Provisionen einräumen (die „**Greenshoe-Option**"). Diese Option endet 30 Kalendertage nach dem Beginn des Börsenhandels der Aktien.
E.4	**Wesentliche Interessen an der Börsenzulassung, einschließlich kollidierender Interessen.**	Im Zusammenhang mit dem Angebot und der Zulassung der Aktien zur Börsennotierung und zum Handel sind die Konsortialbanken ein vertragliches Verhältnis mit der Gesellschaft und dem Abgebenden Aktionär eingegangen. Die Konsortialbanken handeln bei dem Angebot im Auftrag der Gesellschaft und des Abgebenden Aktionärs und koordinieren die Strukturierung und Durchführung des Angebots. Zudem wurden UBS und Kempen & Co. als Designated Sponsors für die Aktien bestellt und BNP Paribas Securities Services wurde als Luxemburger Zahlstelle bestellt und LuxCSD S.A. als Registerstelle Principal Agent (der „**LuxCSD Principal Agent**"). Bei erfolgreicher Durchführung des Angebots erhalten die Konsortialbanken eine Provision. Der Abgebende Aktionär erhält die Erlöse aus den Bestehenden Aktien, die im Rahmen des Angebots verkauft werden. Unter der Annahme einer Platzierung von 12.438.889 Bestehenden Aktien und Mehrzuteilungsaktien zum Mittelwert der Preisspanne sowie nach

		Abzug der Gebühren und Provisionen, die im Zusammenhang mit dem Angebot von dem Abgebenden Aktionär zu zahlen sind, würden sich die Erlöse des Abgebenden Aktionärs aus dem Angebot auf ca. 271,5 Mio. EUR bzw. 58,3% der Gesamtnettoerlöse aus dem Angebot belaufen. Einige Mitglieder des Verwaltungsrats der Gesellschaft (der „**Verwaltungsrat**") und einige Mitglieder der Geschäftsführung nehmen an langfristigen Mitarbeiterbeteiligungsprogrammen teil und halten Aktienoptionen des Abgebenden Aktionärs. Einige der Konsortialbanken oder ihre verbundenen Unternehmen können in Zukunft Geschäftsbeziehungen (einschließlich Darlehensgeschäften) zu der Gruppe und dem Abgebenden Aktionär unterhalten oder im Rahmen des gewöhnlichen Geschäftsbetriebs Leistungen für die Gruppe oder den Abgebenden Aktionär erbringen.
E.5	**Name der Person/des Unternehmens, die/das das Wertpapier zum Verkauf anbietet.**	Die Angebotsaktien werden von den Konsortialbanken (wie in vorstehendem Punkt A.2 definiert) zum Verkauf angeboten.
	Lock-up-Vereinbarungen: Beteiligte Parteien und Lock-up-Frist.	In dem Übernahmevertrag hat sich die Gesellschaft gegenüber jeder Konsortialbank verpflichtet, dass die Gesellschaft innerhalb des Zeitraums, der sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse (derzeit für den 30. Juni 2015 erwartet) endet, nicht ohne die vorherige schriftliche Zustimmung der Joint Global Coordinators, soweit dies gesetzlich zulässig ist: • eine Kapitalerhöhung aus genehmigtem Kapital ankündigen oder durchführen; • ihren Aktionären eine Kapitalerhöhung zur Beschlussfassung vorschlagen; • die Begebung von Wertpapieren, die in Aktien wandelbar sind oder die Optionsrechte auf Aktien gewähren, ankündigen, durchführen oder vorschlagen; oder • eine Transaktion abschließen oder eine Handlung durchführen wird, die den in den vorstehenden Punkten genannten wirtschaftlich ähnlich ist. Die Gesellschaft darf jedoch Optionen, Optionsscheine und Aktien der Gesellschaft (i) im Rahmen von zukünftigen Mitarbeiter-Aktienkaufprogrammen oder Aktienoptionsprogrammen oder (ii) als Gegenleistung für den gesamten oder einen Teil des Kaufpreises eines von der Gesellschaft erworbenen Unternehmens oder zum Zweck des Eingehens eines Joint Ventures unter der Voraussetzung ausgeben, dass die Gesellschaft (i) sich vor der Ausgabe der Aktien oder sonstigen Wertpapiere mit den Joint Global Coordinators abstimmen muss und (ii) sich nach besten Kräften bemühen muss, eine Verpflichtung des Empfängers der Aktien oder sonstigen Wertpapiere der Gesellschaft auszuhandeln, bestimmte in dem Übernahmevertrag enthaltene Veräußerungsbeschränkungen bezüglich der Aktien einzuhalten. In dem Übernahmevertrag hat sich der Abgebende Aktionär verpflichtet, außer im Fall der Verwertung (insgesamt oder teilweise) des bereits bestehenden Pfandrechts an den Aktien, das als Sicherheit dient, in Höhe von 150% der Anleiheemission des Abgebenden Aktionärs im Betrag von ca. 165 Mio. EUR, in Bezug auf die der Abgebende Aktionär ein vorzeitiges Rückzahlungsrecht besitzt, in dem Zeitraum, der sechs Monate nach dem ersten Handelstag der Aktien der Gesellschaft an der Frankfurter Wertpapierbörse endet: • keine Aktien der Gesellschaft oder sonstigen Wertpapiere der Gesellschaft, einschließlich Wertpapieren, die in Aktien der

		Gesellschaft wandelbar sind oder gegen Aktien der Gesellschaft ausgeübt oder umgetauscht werden können, direkt oder indirekt anzubieten, zu verpfänden, zuzuteilen, zu verkaufen, sich vertraglich zu deren Verkauf zu verpflichten, auf diese Aktien bezogene Kaufoptionen oder vertragliche Kaufverpflichtungen zu verkaufen, auf diese Aktien bezogene Verkaufsoptionen zu erwerben, auf diese Aktien bezogene Kaufoptionen, Kaufrechte oder Bezugsrechte einzuräumen oder diese Aktien in sonstiger Weise zu übertragen oder zu veräußern; • keine Erhöhung des Grundkapitals der Gesellschaft vorzuschlagen und nicht für eine solche vorgeschlagene Kapitalerhöhung zu stimmen oder einen Vorschlag der Ausgabe von Wertpapieren, die in Aktien der Gesellschaft wandelbar sind, mit Optionsrechten auf Aktien der Gesellschaft in sonstiger Weise zu unterstützen; und • keine Transaktionen abzuschließen oder Handlungen durchzuführen, die den in den vorstehenden Punkten genannten wirtschaftlich ähnlich sind, insbesondere Swap- oder sonstige Vereinbarungen abzuschließen, mit denen das wirtschaftliche Risiko des Eigentums an Aktien der Gesellschaft insgesamt oder teilweise auf Dritte übertragen wird, unabhängig davon, ob eine solche Transaktion durch Lieferung von Aktien oder anderen Wertpapieren der Gesellschaft, gegen Barzahlung oder anderweitig zu erfüllen ist. In gesonderten Vereinbarungen zwischen jedem Mitglied des Verwaltungsrats und jedem derzeitigen Mitglied der Geschäftsführung und den Global Coordinators hat sich jedes Mitglied des Verwaltungsrats und jedes derzeitige Mitglied der Geschäftsführung verpflichtet, nicht ohne vorherige schriftliche Zustimmung der Joint Global Coordinators (die nur aus wichtigem Grund verweigert werden darf) in einem Zeitraum, der am oder um den 17. Juni 2015 beginnt und zwölf Monate nach dem Tag der Zulassung der Aktien zur Frankfurter Wertpapierbörse endet, („**Sperrfrist**"): • keine Aktien oder Wertpapiere, die in Aktien umtauschbar oder wandelbar sind oder die Aktien im Wesentlichen ähnlich sind, oder zu irgendeinem Zeitpunkt aus solchen Aktien entstehende oder damit verbundene Rechte direkt oder indirekt anzubieten, zu verpfänden, zu verkaufen, sich vertraglich zu deren Verkauf zu verpflichten, darauf bezogene Kaufoptionen oder vertragliche Kaufverpflichtungen zu verkaufen, darauf bezogene Verkaufsoptionen oder vertragliche Verkaufsverpflichtungen zu erwerben, diese zu belasten, abzutreten, darauf bezogene Kaufoptionen, Kaufrechte oder Bezugsrechte einzuräumen oder diese in sonstiger Weise zu übertragen oder zu veräußern; • keine Swap- oder sonstigen Vereinbarungen abzuschließen, mit denen die wirtschaftlichen Auswirkungen des Eigentums an Aktien insgesamt oder teilweise übertragen werden, • keine sonstige Transaktion, die den vorstehenden Transaktionen wirtschaftlich ähnlich ist, abzuschließen, keine der vorstehenden Transaktionen zu vereinbaren und nicht die Absicht zu einer der vorstehenden Transaktionen bekanntzugeben oder in sonstiger Weise zu veröffentlichen, unabhängig davon, ob eine solche Transaktion durch Lieferung von Aktien oder solchen anderen Wertpapieren, gegen Barzahlung oder anderweitig zu erfüllen ist.
E.6	**Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung.**	Das Angebot schließt die Ausgabe Neuer Aktien mit ein. Das auf die Aktionäre der Gesellschaft entfallende Eigenkapital (vor Umwandlung von Gesellschafterdarlehen und Capital Notes in Eigenkapital) belief sich zum 31. März 2015 auf 170,3 Mio. EUR. Das gesamte auf die Aktionäre der Gesellschaft entfallende Eigenkapital

(nach Umwandlung von Gesellschafterdarlehen und Capital Notes in Eigenkapital) würde sich zum 31. März 2015 auf 457,9 Mio. EUR belaufen und würde sich auf der Grundlage von 25.000.000 ausstehenden Aktien unmittelbar vor dem Angebot auf 18,31 EUR je Aktie belaufen.

Die verwässernde Wirkung des Angebots ist in der nachstehenden Tabelle dargestellt, aus welcher der Betrag ersichtlich ist, um den der Platzierungspreis am unteren Ende, zum Mittelwert und am oberen Ende der Preisspanne das auf die Aktionäre entfallende Eigenkapital je Aktie nach Durchführung des Angebots übersteigt. In dieser Hinsicht wurde das auf die Aktionäre entfallende Eigenkapital um die Auswirkungen des Angebots unter der Annahme bereinigt, dass (i) die Kapitalerhöhung mit der Höchstzahl der angebotenen Neuen Aktien durchgeführt wird, und (ii) sich das auf die Aktionäre entfallende Eigenkapital bei einem Platzierungspreis am unteren Ende der Preisspanne um 194,0 Mio. EUR, zum Mittelwert der Preisspanne um 194,0 Mio. EUR und am oberen Ende der Preisspanne um 194,0 Mio. EUR erhöht. Die angenommene Erhöhung basiert auf dem erwarteten Nettoerlös unter Berücksichtigung der Verringerung der latenten Steuerschulden durch die der Gesellschaft entstehenden Kosten im Zusammenhang mit dem Angebot. Das bereinigte auf die Aktionäre entfallende Eigenkapital wird als Kennzahl je Aktie ausgedrückt, unter der Annahme von 35.000.000 ausstehenden Aktien bei einer Platzierung am unteren Ende der Preisspanne, 33.888.889 ausstehenden Aktien bei einer Platzierung zum Mittelwert der Preisspanne und 33.000.000 ausstehenden Aktien bei einer Platzierung am oberen Ende der Preisspanne nach Durchführung des Angebots (diese Kennzahlen je Aktie werden als „**Eigenkapital je Aktie nach dem IPO**" bezeichnet). Da jede Aktie eine Stimme gewährt, werden die jeweiligen Stimmrechte eines Aktionärs durch das Angebot in derselben prozentualen Höhe verwässert.

	Unteres Ende	Mittelwert	Oberes Ende
Preis je Aktie (in EUR)	20,00	22,50	25,00
Auf die Aktionäre entfallendes Eigenkapital je Aktie zum 31. März 2015 (auf der Grundlage von 25.000.000 ausstehenden Aktien vor dem Angebot) (in EUR)	18,31	18,31	18,31
Eigenkapital je Aktie nach dem IPO (in EUR)	18,62	19,24	19,75
Betrag, um den der Preis je Aktie das Eigenkapital je Aktie nach dem IPO übersteigt (unmittelbare Verwässerung je Aktie) (in EUR)	1,38	3,26	5,25
Unmittelbare Verwässerung (in %)	6,9	14,5	21,0
Stimmrechte je Aktie	1	1	1

E.7	**Schätzung der Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden.**	Entfällt. Anlegern werden von der Gesellschaft oder den Konsortialbanken keine Ausgaben in Rechnung gestellt.

RISK FACTORS

*An investment in the Shares of ADO Properties S.A. (the "**Company**", "**ADO**", and, together with its consolidated subsidiaries, "**we**", "**our**" or the "**Group**") is subject to risks. Therefore, investors should carefully consider the following risks and the other information contained in this Prospectus when deciding whether to invest in the Shares. The market price of the Shares could fall if any of these risks were to materialize, in which case investors could lose some or all of their investment. The following risks, alone or together with additional risks and uncertainties not currently known to the Company, or that the Company might currently deem immaterial, could materially adversely affect our business, net assets, financial condition, cash flows and results of operations.*

The order in which the risks are presented is not an indication of the likelihood of the risks actually materializing, or the significance or degree of the risks or the scope of any potential harm to our business, net assets, financial condition, cash flows or results of operations. The risks mentioned herein may materialize individually or cumulatively.

Risks Related To The Market

We are dependent on regional real estate markets, particularly in Berlin. Further, we are dependent on our ability to adapt our business activities to developments in these markets. Negative market developments in Berlin or an inability on our part to adapt our business activities and/or properties could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

All of the real estate we own is located in Berlin. Accordingly, we are dependent on trends in the Berlin residential real estate market, as well as general economic conditions and developments in Berlin. Our performance and valuation are dependent on various factors including demographic and cyclicality trends in Berlin, purchasing power of the population, the development of the population, attractiveness of the particular locations of our properties, the unemployment rate and employment offers, infrastructure, social structure, and supply and demand for real estate space and assets in the respective locations and markets in Berlin. Furthermore, we are also affected by the German economic conditions as a whole, such as growth in gross domestic product ("**GDP**"), unemployment, interest rates, inflation and financing availability. Because regional markets within Germany do not develop uniformly, our dependence on the Berlin market due to our portfolio concentration in Berlin could create a disadvantage compared to competitors who have a more geographically diversified real estate portfolio.

We may be negatively affected by unforeseen unfavorable demographic and economic developments in Germany and specifically, in Berlin. We may also be exposed to risk over-proportionally and may suffer from concentration risks because our portfolios are exclusively located in Berlin.

In the event of a decline in the attractiveness of the Berlin real estate market, or if there is a downturn or illiquidity in the Berlin real estate market, we may be unable to rent or sell properties which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

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

Furthermore, the creditworthiness of tenants and potential real estate purchasers could deteriorate, for example, if unemployment increased or economic conditions worsen. Tenants may become insolvent or social security laws, pursuant to which some of our tenants receive funds, may change. Additionally, real incomes could stagnate or decline, decreasing the ability and willingness of private households to make expenditures for housing.

In addition, the current geopolitical crisis in the Ukraine and the prospect of further economic sanctions being imposed on the Russian Federation as well as further retaliatory actions by the Russian Federation may have negative repercussions for the European economy as a whole. Such repercussions could negatively affect the economy in Germany and have flow down knock-on effects in Berlin. Any of these risks could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

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.

The global financial and economic crisis has resulted in increased uncertainty regarding future economic developments. This uncertainty regarding the general economic outlook has increased the popularity of investment opportunities that provide stable and largely predictable cash flows, such as investments in German residential real estate. The increased popularity of investments in residential real estate has resulted in an increase in property prices and the value of residential real estate companies.

These developments could reverse themselves if, for example interest rates were to rise. A rise in interest rates may result from an improvement in the economic environment, which could increase investor interest in investments with a higher risk profile and decrease their interest in real estate investments. Rising interest rates could adversely impact us in a number of ways. For example, the discount rate used to calculate the value of the Group's properties recorded on the Company's balance sheet in accordance with International Accounting Standard ("**IAS**") 40 ("**Fair Value**") tends to increase in an environment of rising interest rates, which in turn could result in our properties having a lower Fair Value. For more information, see the risk factors under "*Risks Related to the Valuation of Our Properties*."

Any increase in interest rates could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

It could become more difficult for us to implement our strategy of capturing additional growth opportunities by acquiring residential real estate portfolios on attractive terms, particularly due to the high current and future market prices for real estate portfolios.

As part of our business strategy, the Group seeks to acquire residential real estate portfolios. Such acquisitions are only feasible, however, if attractive real estate portfolios are available for purchase at reasonable prices. Given the current high demand for residential real estate in Germany, such portfolios may be unavailable or available only on unfavorable terms. Any such development could impair the growth of our business and could prevent us from generating additional economies of scale and strategically developing our portfolio through acquisitions and investing into our portfolios with attractive returns. In addition, competitors with asset acquisition objectives similar to ours may possess greater financial resources and lower costs of capital than we do (see risk factor "*Competition for the acquisition of assets from buyers that have lower costs of capital or lower return expectations than we do could limit our ability to compete for acquisitions and therefore to grow our business effectively*"). In the future, increased competition could make it more difficult for us to acquire properties on attractive terms.

Any inability to acquire residential real estate portfolios could not only impair our strategy to capture external growth opportunities but could also jeopardize our efforts and strategic goals, including the acquisition of real estate suitable for privatization.

Any inability to acquire suitable properties on attractive terms could limit our growth and could have material adverse effects on our business, net assets, financial conditions, cash flows and results of operations.

Competition for the acquisition of assets from buyers that have lower costs of capital or lower return expectations than we do could limit our ability to compete for acquisitions and therefore to grow our business effectively.

Several foreign and domestic competitors, have similar asset acquisition objectives as we do, along with greater financial resources and lower costs of capital or lower return expectations than we may be able to obtain. This may increase competition for acquisitions that would be suitable to us, making it more difficult for us to compete and successfully implement our growth strategy. Intensified competition for acquisitions could result in increasing purchase prices. There is significant competition among potential acquirers in the German residential real estate market, and there can be no assurance that we will be able to implement our growth strategy or to successfully complete acquisitions, which could limit our ability to grow our business effectively, which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We may be adversely affected by the illiquidity of real estate investments and we may be unable to sell any portion of our portfolio on favorable terms or may be unable to do so at all.

The Berlin real estate market, in which we invest and operate, may in the future become characterized by limited liquidity. Our general ability to sell parts of our real estate portfolio depends on the state of investment markets and on market liquidity or declining values. If we were required to sell parts of our real estate portfolio for the purpose of raising cash to support our operations, to repay debt or for other reasons, there is no guarantee that the Group would be able to sell such parts of our portfolio on favorable terms or at all. In addition, existing contractual obligations under loan or purchase agreements restrict our ability to sell certain parts of our portfolio. As of March 31, 2015, and including the Carlos Portfolio (as defined in

"*Business—Our Portfolio*"), approximately 2,966 residential units were subject to such restrictions. In the case of a forced sale of all or part of our real estate portfolio, for example if creditors realize collateral, there would likely be a significant shortfall between the price obtained and the carrying amount of the portfolio sold. Any such shortfall could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

RISKS RELATED TO OUR BUSINESS

Increased rent restrictions could adversely affect our results of operations because we rely significantly on earning from rentals.

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.

Affordable housing has been and continues to be a political topic in Berlin and in Germany generally. During the last couple of years, there have been various legislative developments that have adversely affected our business. For example, in 2011 the parliament of the State of Berlin passed a Law on Social Housing (*Wohnraumgesetz Berlin*) that provides for, inter alia, stricter rules on rent restrictions for recipients of certain public housing subsidies. Furthermore, this legislation allows tenants of state-subsidized housing to terminate the existing letting contract in certain cases of rent increases, within a period of reflection of three months. A cap on rents for new leases, the "*Mietpreisbremse*", is another example of restrictions on increased rent (see "*Regulatory Environment—Current Developments in German Tenancy Law*"). In addition, we are subject to certain restrictions relating to heat contracting (*Nahwärme and Fernwärme*). As of March 31, 2015, approximately 39% of our portfolio received heat through heat contracting. The German Federal Court of Justice (*Bundesgerichtshof*) has ruled that unless otherwise stipulated in the letting contract, a landlord is not allowed to introduce heat contracting without the tenant's consent. One of the consequences of this ruling is that in some local rent sub-indices in Berlin, the margin by which we can increase the rent for residential units that we let with heat contracting has narrowed. This could restrict our ability to increase rents for the affected residential units, which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

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.

If we experience increased vacancies, poor economic conditions could cause us to be unable to re-let or sell our residential units on favorable terms. As of March 31, 2015, the average vacancy rate (in % of sqm) of the Group's residential real estate portfolio was 4.1% compared to 4.8% at December, 31, 2014. The vacancy rate could rise, particularly in residential facilities at the lower quality end of our portfolio and in less attractive locations, in areas with weak infrastructure or in properties where investments do not lead to the expected market rents or rental increases or may fall under rental increase restrictions. In addition, it is a significant part of our business plan to renovate and refurbish selected portions of our portfolio that have the highest vacancy rates, and if these efforts do not result in substantial decreases in the vacancy rates for such real estate after the renovations have been completed, our financial performance relative to our business plan may be adversely affected. The rental income foregone, the additional fixed costs and the auxiliary costs that would arise in the context of the maintenance of vacant residential units would negatively affect our operating profit. In addition, a prolonged period of higher vacancy rates could lower rent levels generally and make it more difficult to increase average rent levels. An inability to generate expected rents, to decrease vacancy levels or to increase rents could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

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 (see also the risk factor "*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*"). Typically, the costs associated with maintaining a rental property at market standards are borne primarily by the property owner. If maintenance, repair and modernization is required to meet changing legal or market requirements (e.g. with regard to energy saving), the property owner may be burdened with substantial expenses. In Germany, rent increases may be introduced to compensate for these expenses only under certain conditions and these rent increases may not exceed a certain percentage of the costs incurred in connection with certain modernization measures. In addition, we may not be able to increase rents to the extent legally permissible as a result of prevailing market conditions or the inability of tenants receiving state aid (as is the case for a part of our tenants) to afford these increased rents or otherwise.

Although we constantly review the condition of our properties and have established a reporting system to monitor and budget the necessary maintenance and modernization measures, numerous factors may generate substantial cost overruns or unexpected increases in costs for maintenance and modernization. These factors may include the material and substances used at the time of construction, currently unknown building code violations and/or the age of the relevant building could result in substantial unbudgeted costs for refurbishment, modernization, decontamination required to remove and dispose of any hazardous materials (e.g. asbestos) which are harmful to the health of the residents, or other maintenance or upgrade work. Approximately 39% of our residential real estate buildings were built between 1949 and 2005 and approximately 61% were built prior to 1949 (calculated on the basis of number of buildings as of March 31, 2015, and including the Carlos Portfolio, which was taken over on April 1, 2015).

We would incur additional and unexpected costs if the actual costs of maintaining or modernizing the Group's properties were to exceed currently foreseen cost levels, if we are not permitted to raise rents in connection with maintenance and modernization due to statutory or contractual constraints, or if hidden defects that are not covered by insurance or contractual warranties are discovered during the maintenance or modernization processes.

The Company's failure to undertake appropriate maintenance and modernization work in response to the factors described above could adversely affect the rental income earned from affected properties. Such a failure could entitle tenants to withhold or reduce rental payments or even to terminate existing letting contracts. Any of the above events could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We bear risks in connection with possible acquisitions and investments. These risks include unexpected liabilities, wrong assessment of value as well as due diligence findings and challenges with respect to integrating acquisitions and achieving anticipated synergies.

As part of our strategy, we evaluate property portfolios in order to identify those that might fit in with both our existing property portfolio and our current management platform.

Direct and indirect investments in property, however, involve considerable risks. We are not always able to obtain from the seller the records and documents that we need in order to fully verify that the buildings we acquire were constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring residential real estate, specific risks might not be or might not have been recognized or correctly evaluated, for example, whether and to what extent such real estate companies comply with all planning permissions and conditions, building permits, licenses, fire and health and safety certificates and related regulations. While performing due diligence, we may not have discovered, or the seller may not have disclosed, that the properties that we have acquired have underground oil tanks underneath them or contain certain types of fungus that eat and rot wood, and thereby may weaken the structural foundations of our acquired properties. In addition, we may not have been able or are unable to undertake (or obtain results for) all searches (including title and security searches), inspections and surveys (including intrusive environmental and asbestos investigations and technical surveys) that we might otherwise carry out in relation to comparable acquisitions. The assumptions we rely on when acquiring real estate, particularly with respect to anticipated rents, achievability of vacancy reduction, maintenance expenses, integration costs and expected proceeds from condominium sales (privatizations), could turn out to be incorrect.

It could also subsequently become more difficult to let or sell certain properties; market rents could develop unfavorably; and/or vacancy rates could increase. In addition, the various factors that affect market rents make it difficult to project future rental income, so that the projected rental income in connection with an acquisition of property can develop differently than planned.

Furthermore, we may only be able to conduct limited due diligence on, or the due diligence conducted may not accurately reveal the risks associated with, the properties or entities we plan to acquire. Accordingly, the Group may not be in a position to examine whether the original owners of the properties, and/or the properties themselves, have obtained all required permits for new buildings, satisfied all permit conditions, received all necessary licenses and fire, health and safety certificates, or satisfied all comparable requirements. In addition, the properties may suffer from hidden defects, such as contamination, and may thus require significant modernization investments. Moreover, we may not be in a position to carry out all follow-up investigations, inspections, and appraisals/inventories (or to obtain the results of such inquiries). Accordingly, in the course of the acquisition of residential and other property portfolios, specific risks may not be, or might not have been, recognized or evaluated correctly. Thus, legal and/or economic liabilities may be, or might have been, overlooked or misjudged. These circumstances could lead to additional costs and could have an adverse effect on our proceeds from sales and rental income of the relevant properties. Although sellers typically make various warranties in purchase agreements that the Group enters into in connection with property acquisitions, it is possible that these warranties do not cover all risks or that they fail to cover such risks sufficiently. Additionally, a warranty made by a seller may be unenforceable due to the seller's insolvency or for other reasons. In some cases, a real estate seller makes no representation or warranty as to the sufficiency and correctness of the information that is made available in the context of a due diligence investigation, or as to whether such information remains correct during the period between the conclusion of the due diligence investigation and the closing of the relevant acquisition. Accordingly, such risks can arise despite a thorough due diligence investigation.

If we discover, during the course of a refurbishment or modernization, that a building we acquired is subject to historic preservation laws, the need to comply with the respective historic preservation requirements could lead to significant delays in the refurbishment or modernization process, the inability to carry out particular refurbishment or modernization measures, and significantly higher costs for the particular project. These factors could result in our being unable to perform our contractual obligations to a tenant, with the consequence that the tenant's obligation to make payments would be excused or deferred. The same would be true if the legal requirements relating to existing and permitted properties and their use become more onerous, particularly with respect to construction and environmental requirements; similarly, requirements might be imposed to increase the availability of handicapped-accessible and adapted housing.

Additionally, the integration of new employees hired to help manage the newly acquired portfolios could fail or take longer than scheduled. Anticipated synergies, economies of scale and cost savings may not be realized in whole or in part or may occur only after some delay. Any of these circumstances could result in higher administrative and management costs.

If any of the aforementioned risks materialize, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We bear risks in connection with greater indebtedness and higher interest expenses which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

The properties we have acquired or will acquire might achieve less than the originally calculated profit or income due to inaccurate projections and assumptions or for other reasons. In addition to the risks from the properties themselves, acquisitions tie up management resources that we then cannot deploy elsewhere in the Company. The Company's acquisition of additional property could be financed by taking on additional debt or by issuing and offering new shares in the capital markets or by a combination thereof. If the Company is unable to obtain the necessary capital on reasonable terms, it may be unable to make further acquisitions, may be able to do so only to a limited extent, or, if debt financing is available, may be able to do so only by taking on additional debt. Any additional debt incurred in connection with future acquisitions could have a significant negative impact on the Group's performance indicators — net asset value ("**EPRA NAV**") and loan to value ("**LTV-Ratio**") — and could result in higher interest expenses for the Group. If we are no longer able to obtain the debt or equity financing we need to acquire additional property portfolios, or if we are able to do so only on onerous terms, our further business development and competitiveness could be severely constrained. If any of these risks materialize, it could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Our current portfolios or portfolios that may be acquired in the future may not develop as favorably as expected.

Our current portfolios or portfolios that may be acquired in the future may not develop as favorably as expected. For example, targeted rent increases may not be implemented as planned due to a lack of tenants who are willing or able to pay increased rents, a negative development of the location or property, or vacancy rates may increase, for example due to unfavorable demographic or economic developments, resulting in a failure to achieve the desired results via acquisitions or investments. If the forecasted EBITDA for a respective period adjusted to generally reflect net cash interest payments, disposal result and current income taxes ("**FFO**") are not achieved or our portfolios otherwise do not develop favorably, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We may incur various liabilities arising from past and future acquisitions and the integration of any future portfolio acquisitions may not be successful due to legal and contractual restrictions and obligations or may take longer or lead to higher costs.

Our Group has completed material acquisitions in the past and may complete material acquisitions in the future. Although we have attempted and will continue to attempt to address the relevant issues, including for example tax, legal and operational management issues, arising from acquisitions, we may not have and in the future may not address all relevant issues related thereto and to the successful integration of the acquired portfolios. In particular, the integration risks associated with the Carlos Portfolio acquisition are high due to the significant size of the acquired portfolio. As with the integration of past acquisitions, the integration of any future portfolio acquisitions may not be successful or may be more difficult due to legal and contractual restrictions and obligations in addition to any possible internal inabilities in integrating acquisitions. We may become subject to contractual obligations under each of the acquisition agreements pursuant to which we acquired our real estate portfolio, which limit our ability to fully integrate acquisitions on a legal and operational basis and may result in delays and unforeseen costs. Moreover, laws governing pensions, labor unions and works councils, may also limit our ability to integrate acquisitions and especially to move groups of employees from one legal entity to another. To the extent that we are not able to successfully integrate our current portfolio and any potential future portfolio acquisitions, we may be prevented from increasing revenues or reducing costs by achieving economies of scale in the manner that we anticipate. Such a failure could cause reduced levels of rental income and operating profit and have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Our strategy to operate our business successfully relies on assumptions and contingencies that may prove to be incorrect.

The success of our business model depends in part on our subsidiaries' ability to achieve an expected level of rental increases through the modernization of the existing real estate portfolio and properties which we may acquire and our ability to estimate and control the costs of modernization. Even if the real estate we have acquired, or will acquire in the future, is suitable for repositioning, modernization and refurbishment, such acquisitions could prove unsuccessful. The assumptions with respect to achievable rental levels, rental increases, vacancy rates, modernization costs, personnel (including in-house facility management personnel) and overhead expenses, and for repairs, maintenance and capital expenditures and similar matters that we have made, or will make, in acquiring a real estate portfolio may prove partly or wholly inaccurate. Furthermore, while we have tried to address known contingencies in the refurbishment and modernization contracts we have entered into, or expect to enter into, unexpected problems or unrecognized risks could arise that are outside the parameters of these contracts. The resolution of such unanticipated problems and risks could require that we expend unanticipated amounts of capital; or it may be the case that such problems and risks cannot be addressed in an economically reasonable manner. In addition, there are several environmental matters that are relevant with regard to modernization and refurbishments (see the risk factors "*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"* and *"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*").

If we made inaccurate assumptions, for example, with respect to the level of rental increases we can achieve, the costs of modernization, and other capital expenditures, or the profitability of operations and the value of our real estate portfolios could be impaired. This could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We plan investments in modernization measures, which may not generate the expected return or may result in cost overruns or delays in implementation, including due to postponements caused by tenants.

We plan to continue to invest a significant amount per year for modernization measures. These modernization measures, which sometimes include energy efficient modernization, of buildings and refurbishments to current market standard in markets where refurbished apartments are expected to deliver an average rental premium.

Although the Group has shown in the past three years that it is able to generate an average return on the invested capital, we face the risk that we may not be able to generate these returns in the future. In particular, our projections of the future demand for apartments suitable for modernization may turn out to be inaccurate, inappropriate to achieve a positive return or tenant preferences may change. Further, we may not be in a position to find sufficient investment opportunities to invest the budgeted amount per year. In addition, we may not be able to pass on the costs of these modernization measures to our tenants due to legal constrains or if the tenants are unable to afford rent increases as a result of these modernization measures. Tenants may also cause postponements to our modernization measures by, for example, refusing to vacate the units so that modernizations may take place. Further, the Group may be restricted in our ability to finance the investment program through loans or other debt instruments depending on our current and future debt level and structure.

The materialization of any of the risks described above could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

In connection with certain acquisitions, we have entered into contractual obligations that restrict our ability to freely divest parts of our portfolio or to increase rents for certain units, and thereby potentially prevent the Group from extracting the maximum value from the affected properties.

Residential real estate transactions often include contractual clauses that restrict a buyer's right to divest the acquired portfolio or increase rent on the acquired units. Furthermore, sellers often restrict the buyer's right to terminate existing leases, which reduces the attractiveness of the affected units for prospective purchasers. The aforementioned restrictions are especially common in connection with the privatization of publicly-owned property, where the selling public authorities often intend to mitigate potential social effects of such transactions, or when these portfolios are subsequently sold on to third parties. Usually, most obligations lapse in full or in part after a certain period of time. As of December 31, 2014, approximately 3% of the Group's residential units were subject to certain contractual restrictions. As of March 31, 2015, and including the Carlos Portfolio, approximately 22% of the Group's residential units were subject to certain contractual restrictions, with approximately 2,966 units being subject to multiple restrictions or obligations. These limitations include in particular:

- Restrictions on sales;
- Preferential pre-emptive purchase rights;
- Restrictions on the termination of lease agreements;
- Restrictions on permitted use; and
- Restrictions on rent increases.

In addition to these contractual obligations entered into in connection with acquisitions, we have acquired properties that have received subsidies from public authorities which restrict the level of rents chargeable on a part of our portfolio. For more information, see the risk factor "*Some of the properties that we have acquired are currently or have been subsidized by public authorities. As a result, the level of rents chargeable on a part of our portfolio is restricted. We may be required to repay subsidies that some of our properties have already received*".

Some of the aforementioned restrictions may limit our ability to attractively market parts of our portfolio, which in turn could potentially force the Group to pass up opportunities for streamlining and generating profit. They could thereby lower the overall value of the Group's property portfolio and limit our ability to generate cash flow from selective divestitures. This could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Some of the properties that we have acquired are currently or have been subsidized by public authorities. As a result, the level of rents chargeable on a part of our portfolio is restricted. We may be required to repay subsidies that some of our properties have already received.

Some of the properties that we have acquired are currently or have been subsidized by public authorities, mainly in the form of loans. As a result of such subsidies, restrictions are imposed, *inter alia*, on the maximum rent levels for the properties constructed, acquired or modernized using such subsidies. Such rent levels are significantly below current market rents for a number of rent restricted residential units, and it may be difficult to increase rents to market levels even after the lapse of the period in which subsidy restrictions apply. As of April 1, 2015, approximately 22% of our properties were rent-restricted due to subsidies. Rent restrictions are scheduled to expire between 2017 to 2022 for a substantial part of the residential units.

The subsidies are subject to certain conditions. If we become unable to meet those conditions or violate them, subsidies may even be subject to revocation. If we are required to repay subsidies that have been granted for some of our properties, this could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

We have an integrated platform for active asset management and privatization, which increases our personnel expenses and other fixed costs and may impose limitations to a more flexible business approach as compared to competitors that outsource these same services.

Since 2007, we have had a fully integrated platform whereby we use our own personnel for key functions from portfolio management to modernization and privatization. In 2013, we added facility management to our platform. For these purposes, we have our own business areas of asset and portfolio management, property and facility management, and construction management. We employed 159 full-time employees as of March 31, 2015. As further acquisitions take place, the Group may further increase the number of personnel over the course of 2015 and in the future. Our ability to manage our operations and growth requires the continuous improvement of operational, financial and management controls, reporting systems and procedures. If, as a result of business or economic conditions, we were to scale down our business operations, it would be substantially more difficult for the Group to reduce our headcount than to reduce the services provided by third-party contractors. Additionally, this could result in higher costs than expected.

Despite the existing quality control procedures, the quality of services rendered by our own employees could fall below the level of services performed by third-party contractors and reduce the attractiveness of our properties. Moreover, if services rendered by our employees are not performed as scheduled or if the quality of work falls below applicable standards, we may face claims from our tenants or may not be in a position to re-let vacant units that require maintenance and modernization before new tenants can move in. Since some of these tasks are performed within the Group, we may not be in a position to claim compensation for damages from third parties from non-performance or improper performance. In addition, in the course of rendering services, our employees, third-party suppliers, tenants or other individuals may be injured.

Materialization of any of the risks described above could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We have limited knowledge of real estate markets outside of Berlin and consequently would face risks of managing properties outside of Berlin if we were to acquire such properties in the future.

Although all of our properties are currently located in Berlin, in the future we may acquire properties or portfolios in other areas of Germany. If, for example, a minor portion of a portfolio is located outside of Berlin, yet we determine that acquiring the entire portfolio is desirable and would help us to maintain or strengthen our focus on the real estate market in Berlin, acquiring such properties located outside of Berlin as a part of a portfolio, may lead to higher costs. Because we focus on the real estate market in Berlin, we have limited knowledge of other real estate markets and currently do not have the resources to manage real estate in other markets, which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Sales prices of residential real estate could decrease.

Our ability to sell condominiums (privatizations) profitably depends on the sales prices we can achieve, which in turn depend upon supply and demand. An increase in the supply of residential properties could put pressure on sales prices. In addition to increased supply, pressure on sales prices could occur through a decline in demand in general, for example, due to general economic factors such as rising unemployment, the recent financial crisis, a decline in population or a lack of suitable buyers. If real estate becomes less popular as an investment in general or in particular in Berlin, the demand for residential properties could also decrease, depressing the prices at which apartments can be sold. Sales prices can also be affected by changes in interest rates and the availability of financing. Lower sales prices for our apartments could reduce our earnings and available cash and therefore could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

In addition to residential property management, our business includes condominium sales (privatizations) that may leave some units in a property unsold. The unsold units may require greater administrative resources and may lead to additional expenses and other negative consequences for the Group and could potentially not be sold at reasonable prices or at all.

As part of our business strategy, we intend to selectively sell individual residential units to owner-occupants or small investors in condominium sales (privatizations). In general, individual residential units can be sold at a premium compared to bulk sales of residential properties and at prices exceeding their fair value. In executing condominium sales (privatizations), we sell individual units but not necessarily all units within a building.

Management of partially sold properties may require greater administrative resources than the management of units in properties that are entirely owned by us. For example, owners of units in a residential property may decide on measures which concern the property as a whole by majority vote at the unit owners' assembly convened by the facility manager. If we sell only individual units in a property we currently own, we may lose our ability to control decision-making and could be forced to comply with decisions passed by a majority of the owners of other units in the relevant property with respect to property management, such as the performance of maintenance and modernization, which could be economically impractical and might result in the incurrence of additional costs. Since we would have to bear a proportionate share of these costs, this could adversely affect our profitability. As of March 31, 2015, none of our residential units were part of properties in which we did not have a majority vote in the unit owner's assembly. The condominium sales (privatizations) are influenced by sales prices (see the risk factor "*Sales prices of residential real estate could decrease*") and may not be sold at reasonable prices or at all.

Additional risks exist if condominiums are to be sold with a commitment or requirement for us to first renovate or modernize the unit before the closing of the sale. In particular, risks exist that the refurbishment is not correctly completed or within the expected time frame. The potential buyer may not complete the purchase or cover the costs of renovation or modernization.

The occurrence of any of these risks could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Some of our residential properties contain commercial units which are subject to different risks than those associated with our residential units.

Some of our properties contain commercial units and we have three standalone commercial properties. In 2014, 2013 and 2012, 17%, 18% and 16% of our revenues were attributable to commercial units. Due to the completion of the acquisition of the Waypoint Portfolio (as defined in "*Business—Our Portfolio*"), the commercial portion of our portfolio was 11% of our revenues as of March 31, 2015, and including the Carlos Portfolio. While many of the risks described in this Prospectus also apply to the commercial units, a range of characteristics may increase or change the risks associated with our commercial units. Managing commercial units and reducing vacancy of commercial units also requires different knowledge and skills.

The nature of the leases for commercial units and the characteristics of the commercial tenants, which are often small businesses in our portfolio, may expose us to certain distinct risks. Commercial units in our properties will compete with other commercial properties in the neighborhood; demand for such units will be site and location specific, which may result in narrower demand relative to residential units and may lead to prolonged or permanent vacancies. In addition, the re-leasing of a commercial unit generally takes longer than the re-leasing of a residential unit. The presence of competitive alternatives may affect our ability to lease space and the level of rents we can obtain. If our commercial tenants experience financial distress, they may fail to comply with their contractual obligations, seek concessions in order to continue operations or cease their operations. Also, in the event of an economic crisis the demand for commercial units is adversely affected quicker than the demand for residential units. In the event of a tenant default or bankruptcy, we may experience delays in enforcing our rights as a landlord and may incur substantial costs in protecting our investment and re-leasing our property such as renovating the unit to a marketable standard or to remove certain structures of previous tenants that have not been removed according to contractual agreements. In terms of rent, the risk is more concentrated as such contracts are for higher amounts than for residential units. Any vacant commercial unit, or a leased commercial unit that conducts an unsavory type of business, in a residential property may in turn negatively impact the Group's ability to retain residential tenants or locate new residential tenants for that property. If we do not effectively manage the aforementioned risks presented by our commercial units, or do not possess the appropriate skills, it could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We employ and work together with a large number of service providers and are dependent on their performance.

We employ and work together with a large number of service providers, including energy providers, providers of minor repairs and maintenance services, construction companies and, our partner for acquisitions, W&W Real Estate GmbH ("**W&W**"), and therefore are dependent on their performance. Such services may not be rendered in a timely manner or their quality may not comply with the Company's requirements. Moreover, certain contractors may experience operational or solvency issues and certain services may become unavailable to us as a result. Any failures by contractors may result in delays and additional expenses for the Group. If the services from third-party providers are not performed as scheduled or if the quality of work falls below applicable standards, we may face claims from our tenants or may not be in a position to re-let vacant units that require maintenance and modernization before new tenants can move in. All of these factors could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Damage to our reputation and any reduced tenant satisfaction may result in reduced demand for our residential units and may make it more difficult for us to raise capital on favorable terms or at all.

If we are unable to maintain our reputation and high level of customer service, tenant satisfaction and demand for our services and properties could suffer. In particular, harm to our reputation could make it more difficult for us to let our residential units and could lead to delays in rental payments or the termination of rental contracts by our tenants. Any reputational damage due to our inability to meet customer service expectations could consequently limit our ability to retain existing and attract new tenants. Furthermore, harm to our reputation could impair our ability to raise capital on favorable terms or at all. Any of the risks described above could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

We could sustain substantial losses from damage not covered by, or exceeding the coverage limits of, our insurance policies.

Our properties are all insured against losses due to fire, natural hazards and specified other risks. However, our insurance policies are subject to exclusions and limitations of liability, including with respect to losses resulting from damages from mining, nuclear power or war. We may, therefore, have limited or no coverage for losses that are excluded or that exceed the respective coverage limitations. In addition, our insurance providers could become insolvent. Should an uninsured loss or a loss in excess of our insurance limits occur, we could lose capital invested in the affected property as well as anticipated income and capital appreciation from that property. Moreover, we may incur further costs to repair damage caused by uninsured risks. We could also be held liable for any debt or other financial obligation related to such a property. Thus, we may experience material losses in excess of insurance proceeds, which could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

The departure of one or more of the individuals that lead our business (the "Senior Management") or other employees could adversely affect our business and financial performance.

We have only a small number of Senior Management executives which may limit our ability to manage our business and risks. Our success depends significantly on the performance of our management and qualified employees in key positions and/or with substantial sector expertise. Further, our ability to successfully manage our business operations depends to a certain extent on the industry and management experience of certain persons, in particular, the Senior Management of the Group. Additionally, it is important for us to be able to hire additional qualified employees to the extent that an expansion exceeds our available resources or to replace lost employees. We are dependent on the ability to hire the necessary specialists in Berlin. The loss of one or more Senior Management members or other key employees, and any failure to attract new highly qualified management executives or key employees, could impair our growth and make it difficult for us to manage our business operations effectively. The materialization of one or more of the risks described above could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

Our internal control, compliance and risk management systems may not be sufficient to adequately protect us from all kinds of risks.

We have implemented various internal control, compliance and risk management systems to ensure our compliance with various restrictions and obligations and identify risks to our business as early as possible, in order to avoid any penalty becoming payable by us. However, our internal controls and guidelines may not be sufficient to monitor compliance and social charters may be breached inadvertently. Our failure to allocate monetary and other resources to ensure compliance with applicable provisions, or our failure to comply with these provisions at all, would have a material adverse effect on our ability to operate the business and could subject us to significant penalties or force us into liquidation, and could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Our information technology systems could malfunction or become impaired and the migration to the new information technology system presents additional risks.

Our information technology systems are essential for our business operations and success. Any interruptions in, failures of, or damage to our information technology systems or our voice-over-internet-protocol telephony system could lead to delays or interruptions in the Group's business processes such as the outage of our customer service or rental hotlines. In addition, we outsource some of our information technology services. Any interruptions or failures by the provider of such services could lead to business process delays and negatively affect our information technology system. In particular, our information technology systems may be vulnerable to security breaches and cyber-attacks from unauthorized persons outside and within the Group. Any malfunction or impairment of the Group's computer systems could interrupt our operations, lead to increased costs and may result in lost revenue. We cannot guarantee that anticipated and/or recognized malfunctions can be avoided by appropriate preventive security measures in every case. In addition, the migration to a new information technology system, which is provided by a third party, presents additional risks, including malfunctions during the migration and loss of important data. The integration of newly acquired portfolios into our information technology systems present further risks.

If our information technology system and/or backups were to fail, we would have to recreate existing databases, which would be time-consuming and expensive. We may also have to expend additional funds and resources to protect against or to remedy potential or existing security breaches and related consequences. If information technology services provided by service providers were interrupted or were to fails, we possibly might not be able to cover the damages suffered due to reasons including liability limitations or insolvency of the service provider.

In addition, due to the constant development of information technology we might decide to outsource further information technology services or replace a current information technology service provider. If we had to engage a new or replace one of our current information technology service providers, a migration of information technology services would tie up resources that cannot be deployed elsewhere. A migration would likely incur substantial costs and potential interruptions in our business processes as well as potential losses of data could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Risks Related to the Valuation of our Properties

Property valuation is inherently subjective and uncertain and is based on assumptions which may prove to be inaccurate or affected by factors outside of the Company's control.

Property assets are inherently difficult to value due to their lack of homogeneity and liquidity. The valuation report on the fair value of our investment properties as at the valuation date of March 31, 2015 (the "**Valuation Report**") pursuant to IAS 40 in conjunction with IFRS 13 under the International Financial Reporting Standards as adopted by the European Union ("**IFRS**") included in this Prospectus was prepared by the independent external appraiser CBRE GmbH ("**CBRE**"), the appraisers of which include members of the Royal Institution of Chartered Surveyors ("**RICS**"). The Valuation Report is based on assumptions that could subsequently turn out to have been incorrect. Data provided by us and used in the Valuation Report were examined and verified for plausibility on a random sampling basis. The valuation of real estate is based on a multitude of factors that also include the appraiser's subjective judgment. These factors include, for example, the general market environment, interest rates, the creditworthiness of the tenants, conditions in the rental market and the quality and potential development of the locations. The valuation of real estate contained in the Valuation Report is therefore subject to numerous uncertainties. The past or future assumptions underlying the property valuations may later be determined to have been erroneous.

In valuing properties, the appraisers are required to make certain key assumptions in respect of matters including, but not limited to, the existence of willing buyers, title to the property, condition of structure and services, deleterious materials, environmental matters, legal matters, statutory and regulatory requirements and planning, estimated market rental values, market yields, expected future rental revenues from the property and other factors. The adoption of different assumptions would be likely to produce different valuation results and assumptions may prove to be inaccurate and could negatively affect the valuation of the Company's properties.

Property valuations are complex, involve the use of data which is not publically available and involve a degree of subjective professional judgment by the appraiser.

As a result, the Valuation Report presents the external appraiser's best estimate of the value of Company's properties. However, there can be no assurance that the valuations accurately reflect the actual sale proceeds that could be achieved upon a sale of the properties valued, even where any such transactions occur shortly after the relevant valuation date, and particularly if, due to unforeseen circumstances, the Company would be forced to sell properties under unfavorable conditions. Likewise, there can be no assurance that the estimated yields and estimated rental values will prove to be achievable.

To the extent that valuations of the Company's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

If a downturn occurs in the real estate market, interest rates change, the market deteriorates or the Group's rent levels or vacancy rates develop unfavorably, the fair value model could require us to revise downward the current fair values of our investment properties (such as in the case of a change in interest rate levels), which could have adverse effects on our consolidated statement of financial position and our consolidated statement of comprehensive income.

We record investment properties at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The recording of investment properties at the cost of acquisition or production occurs only at the time the property is received. On the balance sheet dates subsequent to the accession of the property, the fair value of the property is used. The best evidence of fair value is normally supplied by the development of the real estate market, including regional market developments and general economic conditions or interest rate levels.

Accordingly, there is a risk that if a downturn occurs in the real estate market or the general economic situation, we may need to revise downward the values of our total portfolio on the consolidated statement of financial position. Any change in fair value must be recognized as a profit or loss under the fair value adjustment. Any significant fair value adjustments we are required to make could have a material adverse effect on our net assets, financial condition and results of operations.

FINANCIAL RISKS

A change in general interest rate levels may increase our financing costs, the values of our properties and the prices at which we are able to sell our properties may decrease.

The total amount of our net debt (financial liabilities owed to financial institutions minus bank balances and cash on hand) was €692 million as of March 31, 2015. Our business model is also based on leveraging our properties. When concluding financing agreements or extending such agreements, we depend on our ability to agree on terms and conditions pertaining to interest payments that will not impair our targeted profit, and to amortization schedules that do not restrict our ability to pay intended dividends. Currently, the European Central Bank's lead rate is at a historic low, thus favorably impacting interest rates charged by banks. This trend, however, may reverse itself, resulting in an increase in both interest rates and financing costs.

Given our dependence on our ability to access financial markets for the refinancing of our debt liabilities and the access to equity capital to expand our business model, the continued instability or a further deterioration of the economic environment or the capital markets in some Eurozone countries may reduce our ability to refinance our existing and future liabilities. Furthermore, our counterparties, in particular our hedging counterparties, may not be able to fulfill their obligations under the respective agreements due to a lack of liquidity, operational failure, bankruptcy or other reasons (see the risk factor "*When we attempt to mitigate interest rate risk by entering into hedging agreements, we also become exposed to the risks associated with the valuation of hedging instruments and hedge counterparties and the hedging agreement may not be effective*").

The occurrence of any of these factors could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

When we attempt to mitigate interest rate risk by entering into hedging agreements, we also become exposed to the risks associated with the valuation of hedging instruments and hedge counterparties and the hedging agreement may not be effective.

We have entered and in the future may enter into financing agreements with variable interest rates. Although we typically hedge our variable interest rate financing agreements using customary market hedging instruments, the hedging instruments that we use may not completely counterbalance a potential change in interest rates or may not match the loan maturity. As of March 31, 2015, approximately 29% of our loans carried a variable interest rate of which approximately 85% had been hedged. The valuation of hedging instruments itself depends on the level of interest rates, impacting our equity and, to a lesser extent, our results of operations. A similar decrease in the interest rate would have resulted in the opposite, but even more pronounced, effect, meaning it would have had a negative impact on our equity and a positive effect on our results of operations and our net assets. Further, we may be unable to enter into, or only at significantly higher costs, extensions or renegotiations of hedging instruments that may become necessary given the interest rate terms at the relevant time.

We are exposed to the risk that our hedging counterparties will not perform their obligations as established by the hedging agreements into which we have entered. Hedging counterparties may default on their obligations to us due to lack of liquidity, operational failure, bankruptcy or for other reasons. Following the recent financial crises, the risk of counterparty default has become increasingly relevant. Market conditions have led to the failure or merger of a number of prominent businesses and financial institutions under distressed conditions in recent years.

Further, in case of negative floating interest rates we are obliged under hedging agreements in form of swaps to pay an additional amount to the respective hedge counterparty. Such amount is in addition to our obligation to pay the fixed amount and calculated based on the negative floating interest rates and the relevant nominal amount for the period. Accordingly, in case of material negative floating interest rates these payment obligations will be material as well.

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.

We may require additional capital to finance or refinance our debt, capital expenditures, future acquisitions and working capital requirements. In order to undertake our planned programs such as refurbishment, or to acquire further real estate portfolios, we will likewise need to borrow additional funds or to raise additional equity capital. The extent of our future capital requirements will depend on many factors which are beyond our control, and our ability to meet such capital requirements will depend on future operating performance and ability to generate cash flows. Additional sources of financing may include equity, hybrid debt/equity and debt financings or other arrangements. There can be no assurance that we will be able to obtain additional financing on acceptable terms, or at all, when required.

If we do not generate sufficient cash flows or if we are unable to obtain sufficient funds from future equity or debt financings or at acceptable interest rates, we may not be able to pay our debts when due or to fund other liquidity needs. The Offering may require certain lending banks to provide their consent to the Offering in order not to trigger a change of control. At the date of this Prospectus, not all lending banks have issued a consent with regard to the Offering and a change of control not becoming triggered. The change of control clause in the existing loan agreements would allow certain lending banks to terminate the loan agreements. Any or all, or combination, of these factors would severely limit operating flexibility, and could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Our level of debt, the terms of current and future borrowings, and the hedging transactions we have entered into or will enter into in the future could significantly constrain our operations and could make it more difficult or expensive to obtain new sources of financing without breaching financial covenants.

In the past, we incurred debt in the form of loans to refinance existing obligations, as well as to finance acquisitions, and we intend to continue to do so in the future. As of March 31, 2015, our adjusted LTV-Ratio was 57.4%. Our ability to refinance financial obligations by taking on new debt or extending existing loans could be impeded as a result of our level of debt. Our level of debt could lead banks to refuse to grant new loans, to make new loans available to us only on less favorable financial terms, to refuse to extend existing credit lines, to extend them only on less favorable terms, or to require additional security.

Our existing debt facilities require compliance with certain financial and maintenance covenants, some of which require us not to exceed a certain maximum LTV-Ratio (for example the LTV-ratio covenant related to the acquisition of the Carlos Portfolio is 80% for the first three years following the acquisition and 75% thereafter) 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.

Various loans that the Company's subsidiaries obtain are secured by mortgages on real estate. Although we seek to obtain mortgages securing indebtedness which encumber only the particular real estate to which the indebtedness relates, certain loans may be collateralized by other real estate as well. If recourse on any loan incurred to acquire or refinance any particular property includes other of our properties, the equity in such other real estate could be reduced or eliminated through foreclosure on the relevant loan. If a loan is secured by a mortgage on a single property, we could lose that property through foreclosure if we default on that loan. If we were to default on a loan, it is possible that we would become involved in litigation related to matters concerning the loan, and such litigation could result in significant costs.

Certain situations or events allow our creditors to terminate certain debt facilities even without a breach of covenant, for example, if our economic situation is adversely affected. Any such event could cause all debt outstanding under the relevant facility to become immediately due and payable, and there could be cross defaults under other financing agreements for example, due to an event of default under another financing agreement or the non-payment of amounts due and payable. If we are forced to repay one or more of our financial obligations early or on short notice, whether due to default, cross default, or otherwise, we might be unable to do so, we might be able to do so only by refinancing on significantly less favorable economic terms or certain companies may be forced to sell some or all of the assets comprising our real estate portfolio. In addition, as of March 31, 2015, substantially all of our assets serve as collateral to our lenders to secure our financial obligations. Creditors might also be able to seize significant amounts of the assets that we have pledged as collateral under certain of these financing agreements.

Approximately 0.4% of all our units owned are built on the basis of hereditary building rights (*Erbbaurechte*). The consent of the legal owners is required for a registration of land charges and mortgages over these units as well as for their sale. Although the owners are legally required to grant such consent if and to the extent a requested encumbrance does not exceed a customary level (and in case of a sale, if the acquirer under the hereditary building is also able and willing to fulfill the obligations under hereditary building rights), it is difficult and time-consuming to actually obtain these consents or to obtain them in the requested amount.

The realization of any of the aforementioned risks could have a material adverse effect on our business, net assets and financial condition and results of operations.

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.

We are a holding company and do not conduct our operating business ourselves but do so through our subsidiaries. To cover our operating costs, we rely on, among other things, distributions that we receive from our subsidiaries and other investment interests or, as the case may be, scheduled repayments of loans we have granted to our subsidiaries. The distributions by our subsidiaries depend, in-turn, on the subsidiaries' operating results and their ability to make those distributions under applicable law and potential restrictions of existing and future loan contracts, including the consent of banks to the distribution of surplus cash or the repayment of shareholder loans. Such funds, and the ability to source cash from subsidiaries, may not be sufficient in the future to satisfy all of our payment obligations. If the funds are insufficient, we would need to obtain additional funds to be able to pay dividends.

Additionally, we require sufficient distributable results and/or distributable reserves in order to be able to pay out a dividend. The lack of distributable results and/or distributable reserves may hinder the payment of a dividend even if there is sufficient cash to cover a potential dividend payment.

Negative developments in connection with any such factors or at the level of each subsidiary, including any impairment of the ability by such subsidiary to continue making distributions of cash to the Company could force it to sell properties or borrow money on unfavorable terms, which could have a material adverse effect on its cash flows, financial condition, results of operations and its ability to pay all or part of any planned dividend.

We will most likely refrain from paying dividends if available cash is insufficient for the payment thereof. If we should decide to borrow money to facilitate paying dividends, this could have a material adverse effect on our business, net assets, financial condition and results of operations.

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.

Our business is subject to the general legal framework that applies to housing, such as German tenancy law, as well as special provisions in other laws, such as social legislation, building and construction laws and monument protection laws. Any changes to German or European laws, which could include changes that have retroactive effect, or changes in the interpretation or application of existing laws could, therefore, have a negative effect on our business. Changes to tenant protection laws could make it more difficult to evict tenants, increase rents or pass on ancillary costs or modernization investment costs to the tenants. This could have a material adverse effect on the profitability of our investments and results of operations.

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

In addition, we could be adversely affected by changes to public building law which could restrict our ability to manage our properties in the way we had previously expected. For instance, on March 3, 2015, the Government of Berlin passed a regulation according to which in currently 21 areas of Berlin, located in the districts of Pankow (ten areas), Friedrichshain-Kreuzberg (seven areas), Tempelhof-Schöneberg (three areas) and Mitte (one area), defined as milieu protection (*Milieuschutz*) areas where rented apartments may no longer be turned into condominiums and sold (privatized), ensuring that people from all social milieus can afford to rent apartments in all parts of the city. The owner of a rented apartment requires an exception permission by the relevant district to sell the apartment. Such exception permission may be granted, for example, in case that the apartment shall be sold to the current tenant.

If these changes in the legal framework occurred, individually or together, or if other changes occurred in the legal framework, this could have a material adverse effect on our revenue and earnings and, thus, have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

If, in the course of a refurbishment or modernization, it should be discovered that a building undergoing said processes is subject to monument protection laws, the need to comply with monument protection requirements could lead to significant delays in the refurbishment or modernization process, in the inability to carry out particular refurbishment or modernization measures, and also in significantly higher costs for the particular project. These factors could render us incapable of performing our contractual obligations to a buyer, with the consequence that the buyer's obligation to pay the purchase price would be excused or deferred.

Any of these factors could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to increase the rents of residential units we own.

In Germany, the landlord-tenant relationship is subject to a significant level of statutory regulation which, for the most part, provides far-reaching social protection for tenants under residential leases. According to German law, for example, a landlord may not increase residential rents by more than an aggregate of 20% over a three-year period in general and by no more than an aggregate of 15% in Berlin.

If the parties to a tenancy agreement have not agreed on a stepped rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*), which is only permissible within certain limits, and the tenant refuses to amend the tenancy agreement, a rent increase may be effected unilaterally within the statutory and contractual limits set forth in the respective rent index (*Mietspiegel*), or for those units that have been modernized or to compensate for certain necessary construction measures.

Following a rent increase, the tenants may have a special termination right. The Berlin municipality generates a new qualified rent index every two years. The latest update of the rent index for Berlin has been published in May 2015. Any lag in publication for the updates of rent indices makes it difficult for landlords to adjust the rent to the actual prevailing market levels. Further, both parties may voluntarily agree on rent increases. Such possibility may not, however, yield the desired results and may give the impression that the tenant was forced to agree to higher rents. See "*Regulatory Environment—Current Developments in German Tenancy Law*" for information on the recent judgment on the validity of the 2013 rent index for Berlin

In addition to the generally applicable rent increase restrictions as mentioned above, we and our affiliates are subject to additional restraints on rent increases arising from the acquisition agreements through which the respective real estate portfolio were purchased. Such restrictions limit our ability to impose rent increases as the increase may not exceed the average cost of living index for a defined amount. Further mandatory legal provisions impose occupancy restrictions on landlords who have received public subsidies with regard to residential units. As of March 31, 2015, and including the Carlos Portfolio, approximately 22% of the residential units were subject to rent restrictions that stem from public subsidies. The assumptions in our business plan with respect to the effect of occupancy rights and restrictions on rent increases may prove to be inaccurate. To the extent that the assumptions made are inaccurate, our rental income and operating profit may not grow over time as quickly as we have assumed or may remain static and thus adversely affect the value of and the return on the Shares.

Moreover, changes to the legal framework may further negatively impact our ability to increase rents. Affordable housing continues to be a political topic that attracts a high level of attention. Given the current political discussions, further restrictions to rent increases or other tenant-friendly regulations might be adopted, which could have a material adverse effect on our cash flows, financial condition and results of operations. The bill on the limitation of rent increase in tense housing markets (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung, kurz Mietrechtsnovellierungsgesetz* ("**MietNovG**")) entered into force on June 1, 2015. A provision of the MietNovG that authorizes the German federal state governments to determine areas with a tight housing market entered into force on April 27, 2015. One of the main topics of this bill is a cap on rents for new leases, the "*Mietpreisbremse*". Due to the numerous exceptions provided for in the MietNovG, its relevance for our portfolio of residential housing is, however, expected to be somewhat limited. Please also see "*Regulatory Environment—Current Developments in German Tenancy Law*" in this respect.

Tightened rent restrictions will impair our ability to increase rents, which could, in turn, have significant adverse effects on our financial condition and results of operations. Restrictions deriving from the strict German tenant protection regulations could have material adverse effects on our business, net assets, financial condition, cash flows and results of operation.

Further, German law and German courts provide tenants with protection against tenant evictions. Delayed evictions resulting from these protections can lead to substantial losses until the property is actually vacated. However, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) has introduced provisions that are intended to give the landlord a cost-saving option and to expedite the eviction process.

Any of the aforementioned risks could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

Recently adopted regulations may impose restrictions on our ability to convert rented apartments into condominiums.

On March 3, 2015, the Berlin government passed a regulation (*Umwandlungsverordnung*) according to which the conversion of rented apartments into condominiums is prohibited in certain areas of the city unless the relevant district has granted permission by means of an exception to this regulation. Although the conversion and sale of a whole property should not be affected, this regulation could hinder the conversion and sale of single apartments (see "*Regulatory Environment—Current Developments in German Tenancy Law*" for more detailed information) and could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

Administrative decisions could affect the Company's ability to conduct its business at its discretion.

The Company could be adversely affected by decisions from public authorities on a municipal level. For instance, some of the Group's real estate is situated in urban redevelopment areas (*Sanierungsgebiete*) which imposes certain restrictions on the use and refurbishment of property. Such restrictions require, for example, obtaining the public authority's permission prior to entering into a lease agreement with a term longer than one year or selling the property. In addition, once the redevelopment has been completed, the municipality levies a compensation charge to reflect the increased value of the land due to the redevelopment. Any of the aforementioned risks could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

The use of standardized contracts could result in claims for damages against us under a number of contracts, or in the loss of certain rights and privileges or of the respective rights to claim damages, if errors or problems arise in connection with the enforcement of such contracts.

As our business involves a large number of individual units and tenants, each with a relatively small individual value, we maintain numerous legal relationships, in particular with tenants, contractors and service providers, any one of which is not financially material to us. As a means of efficiently managing these legal relationships, we often make use of standardized documents and form contracts. These documents and contracts often contain ambiguities or errors, and the fact that any given document or contract is standardized may cause a significant number of contractual terms or even the validity of a large number of contracts to be affected. Due to frequent changes in the law, particularly in case law regarding general terms and conditions (*allgemeine Geschäftsbedingungen*), the use of such standardized contractual terms is not without risk. For example, it is possible that, as a result of changes to statutes or case law, ambiguities or errors in standard contract terms may give rise to claims or cause such subsidiaries to lose certain rights and privileges, or to lose their right to claim damages which could, in turn, adversely affect our rental income and operating profit.

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

If former property owners displaced between 1933 and 1990 bring property restitution and/or allocation claims, we could incur significant costs in connection with such claims.

From 1933 through 1945, the incumbent fascist regime perpetuated the expropriation (*Enteignung*) of property from Jewish individuals and others. From 1945 through 1990, the Soviet forces occupying the territory of the former German Democratic Republic (*Deutsche Demokratische Republik*) ("**GDR**"), and the government of the GDR, pursued the nationalization of privately owned real estate (*Volkseigentum*). As a result, no system of restoration of real estate to the pre-1933 status existed in the former GDR until 1990.

The German Restitution Act (*Gesetz zur Regelung offener Vermögensfragen*) entitles individuals or entities who suffered expropriation prior to the reunification of Germany in 1990 to bring claims for restitution of lost real estate or compensation for expropriation. While certain restitution claims for real estate were barred after December 31, 1992, the Jewish Claims Conference filed a general claim in 1992 due to the difficulty of specifying individual claims prior to the December 31, 1992 deadline. This general claim lists numerous former owners of real estate and their respective heirs who may be entitled to restitution or compensation under the German Restitution Act. It is not clear, however, how much real estate could be affected by the general claim. If specific claims are brought concerning real estate, the German Restitution Act requires that current owners of such real estate become subject to restrictions on material changes to, and transfer of, the real estate. Since the processing of claims may take up to several years, such restrictions may be in effect for that duration. If specific claims are successful, the owner(s) of the relevant real estate may be forced to transfer the real estate to the claimant.

As a result of the pursuit by the government of the GDR to nationalize privately owned real estate, the state became the owner of virtually all real estate (*Volkseigentum*). Following the reunification of Germany in October 1990, title to residential real estate owned by the government of the GDR was transferred to the municipalities in which such real estate was situated. The re-transfer of such real estate to individuals and non-public entities has been complex and has encountered difficulties. Moreover, housing cooperatives (*Wohnungsgenossenschaften*) may bring claims regarding real estate already transferred. There is no cut-off date by which housing cooperatives must file allocation claims, subject to limited exceptions. Should an allocation claim be successfully brought, we could be forced to transfer real estate to the claimant under certain circumstances.

Should any claims such as those mentioned above be brought in connection with real estate owned by us, we would be severely limited in our ability to manage the real estate and may even be forced to transfer real estate to successful claimants. Any such limitations or compulsory transfers of real estate could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

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.

Properties we own or acquire may contain soil or groundwater contamination, hazardous substances, wartime relics (including potentially unexploded ordnance) and/or other residual pollution and environmental risks. A certain number of the Company's assets are listed in the register of contaminated sites. Buildings and their fixtures might also contain asbestos, dichlorodiphenyltrichloroethane (DDT), polychlorinated biphenyl (PCB), pentachlorphenol (PCP) and lindane above the allowable or recommended thresholds, or the buildings could bear other environmental risks. In particular, we recently acquired the Carlos Portfolio which has a large number of residential units that are equipped with flooring material containing asbestos (i.e. "Floorflex" flooring). In total, approximately 30% of all residential units owned by us contain this flooring material. Refurbishment and removal of this material takes regularly place as part of our maintenance and repair efforts and the costs for these regular removals are reflected in our budgeting. Moreover, we own or may acquire properties that may contain undetected hazardous substances, such as lead from pipes in buildings from the turn of the nineteenth century and legionella (see "*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", "Regulatory Environment—Requirement for Legionella Testing and Potential Remediation Measures"* and *"Regulatory Environment—Liability for Environmental Contamination*"), which are harmful to the health of the residents or contain such other environmental risks or contain substances which are not yet viewed as being harmful to the health of the residents, and are therefore not being categorized as hazardous. These materials may be detected or categorized as hazardous, and we may be obliged to remove and dispose of such materials.

We bear the risk of cost-intensive assessment, remediation or removal of such ground, soil or water contamination, hazardous substances, wartime relics or other residual pollution. The discovery of any such residual pollution on the sites and/ or in the buildings, particularly in connection with the letting or sale of properties or borrowing using the real estate as security, could trigger claims for rent reductions, the termination of letting contracts for cause or for damages and other breach of warranty claims against us. The remediation of any pollution and the related additional measures we would have to undertake could negatively affect us and could involve considerable additional costs that we may have to bear. We are also exposed to the risk that recourse against the polluter or the previous owners of the properties might not be possible, for example, because they cannot be identified, no longer exist or have become insolvent. Moreover, the existence or even the mere suspicion of the existence of ground contamination, hazardous materials, wartime relics or other residual pollution can negatively affect the value of a property and our ability to let or sell such a property.

Moreover, environmental laws impose actual and contingent obligations on us to undertake remedial action on contaminated sites and in contaminated buildings. These obligations may relate to sites we currently own or operate, sites we have formerly owned or operated or sites where waste from our operations has been deposited. Furthermore, actions for damages or remediation measures may be brought against us, namely under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*). According to this Act, not only the polluter but also its legal successor, the owner of the contaminated site and certain previous owners may be held liable for soil and pond water contamination. The costs of any removal, investigation or remediation of any residual pollution on such sites or in such buildings as well as costs related to legal proceedings, including potential damages, regarding such matters may be substantial, and it may be impossible, for a number of reasons, for us to have recourse against a former seller of a contaminated site or building or the party that may otherwise be responsible for the contamination. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third parties for personal injury or other damages. In addition, if our employees infringe or have infringed environmental protection laws, we could be exposed to civil or criminal damages. We may be required to provide for additional reserves to sufficiently allocate toward our potential obligations to remove and dispose of any hazardous and toxic substances.

Our business is also exposed to the risk of non-compliance with Berlin building codes or environmental regulations. Even though we usually conduct inspections during the acquisition of individual properties, there is a risk that building codes or environmental regulations have not been complied with. It is also possible that landlord responsibilities could be further expanded with respect to fire protection and environmental protection, which could require additional refurbishment, maintenance and modernization requirements. Furthermore, the projected cost of such measures is based on the assumption that the required permits are issued promptly and that they are consistent with our plans. It is possible, however, that the required building permits will not always be issued in due course. If such permits are not issued promptly, or are issued only subject to conditions, this can lead to substantial delays in correcting the problems and result in higher than projected costs and lower rental income for the relevant properties.

The occurrence of any of the aforementioned risks could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We may not be granted building permits, or may be granted them only subject to onerous conditions, or additional requirements may be imposed on existing building permits.

The construction, alteration and refurbishment or a change of use of buildings will not be possible until a building permit is granted, it may be uncertain whether the relevant authorities will approve a respective construction project and what additional requirements may be imposed in connection with the building permit. In addition, special permissions could be required and must be obtained, particularly for measures taking place in urban redevelopment areas (*Sanierungsgebiete*) or preservation areas (*Erhaltungsgebiete*) and for real estates and buildings which are protected historic monuments. If we are not granted a building permit or another required permit, or a building permit or another required permit is granted one only subject to onerous conditions, the rental income that we expect to generate from the relevant real estate could be considerably less than originally calculated. If a renovation project becomes financially unfeasible because a building permit or another required permit is not granted or is granted only subject to onerous conditions, the relevant entity may not be able to carry out the project and any expenditure already incurred may be lost. Moreover, changes in the requirements for construction or modernization of existing real estate could result in unforeseen additional costs. Any increase in operating costs resulting from the above-described events would adversely affect our operating profit. In addition, our remaining project development activities may be substantially impaired if the granting of a building permit is substantially delayed, made subject to additional administrative building constraints (*baurechtliche Auflagen*) or declined altogether. The occurrence of any of these factors could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We could be subject to liability claims for several years after selling properties.

In connection with the sale of properties, we make representations, warranties and negative declarations of knowledge to the purchasers with respect to certain characteristics of the relevant properties. The resulting obligations usually continue to exist after the sale, for a period of several years. In particular, we could be subject to claims for damages from purchasers, who could assert that we failed to meet our obligations, or that the representations we made to them were untrue. We could be required to make payments to the purchasers following legal disputes or litigation. If we do not have cash available to conduct such litigation or make such payments, we may be required to borrow funds, or, if we are unable to borrow funds to make such payments, we may be forced to sell investments to obtain such funds, which would in turn cause reduced levels of rental income and operating profit. If we provide warranties to third parties in connection with maintenance and modernization measures and claims are asserted against us because of defects, it is not always certain that we will have recourse against the companies that performed the work.

As a seller of properties, we are also liable to tenants for any breach of tenancy agreements by the buyer under certain circumstances, even where we no longer have any control over the property. Moreover, we continue to be exposed to liability for breach of contract even if the buyer resells the property and the subsequent buyer breaches any tenancy agreement. If, however, we notify the tenant of the change in ownership and the tenant fails to avail itself of the opportunity to terminate the tenancy at the earliest permitted termination date, we are, in general, released from liability. As a rule, when selling properties, we inform all tenants in writing of the change in landlord either alone or together with the acquirer. Such release from liability does not apply to security deposits (*Mietbürgschaften*) provided by the tenants. If the tenant is unable to receive its security deposit from the buyer of the property, the liability to repay such security deposit remains with the seller.

Legal or settlement costs, including the costs of defending lawsuits, whether justified or not, as well as potential damages associated with liability for properties that we have sold could have a material adverse effect on our business, net assets, financial condition, cash flows and results of operations.

We could be affected by adverse litigation decisions against companies unrelated to us but could affect or impact our business practices.

Any adverse litigation decisions against companies, especially real estate companies, could affect or impact our business practices even if we are unrelated to such companies. In particular, adverse litigation could result in restrictions and limitations on rental prices. Such adverse litigation could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

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.

Our business is subject to the general tax environment in Germany and Luxembourg. Changes in tax legislation, administrative practice or case law could have adverse tax consequences for us. For example, there are currently several initiatives being considered at both the German, Luxembourgish and the European Union level which could have an effect on the taxation of German and Luxembourg enterprises. The initiatives relate, *inter alia*, to changes to the limitation of interest deductions, the taxation of portfolio dividends, the group taxation (fiscal unity) provisions, the use of real estate transfer tax blocker schemes, the establishment of a common consolidated corporate tax base (CCCTB) and the establishment of anti-abuse and other rules to avoid base erosion and profit shifting (BEPS). As the initiatives are still at an early stage of the consideration process, it is presently uncertain whether and to what extent the suggested changes will eventually be implemented and whether and to what extent they may have a negative effect on the our financial conditions and results of operations.

In addition, despite the existence of a general principle prohibiting retroactive changes, amendments to applicable laws, orders and regulations may be issued or altered with retroactive effect within certain limits. Additionally, divergent interpretations of tax laws by the tax authorities or the tax courts are possible. These interpretations may change at any time with adverse effects on our taxation burden. Furthermore, court decisions are often overruled by the tax authorities or tax courts might lead to a higher burden as well as increased legal and tax advisory costs for us. Additionally, if adverse changes in the tax framework should occur, individually or together, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

If these risks were to materialize, it could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We could be required to pay additional taxes following tax audits.

We are regularly subject to tax audits. Our most recent tax audit covered the fiscal years 2007 up to and including 2009 and was finalized in 2013. The tax authorities are currently auditing the Company for fiscal years 2010 up to and including 2012. We expect these tax audits of the Company to be finalized in 2015. All tax assessment notices issued for the audit periods and for tax periods not yet audited are not yet final and are subject to full review and therefore can be changed by the tax authorities at any time without restrictions.

As a consequence of current or future tax audits or previously completed tax audits for which no final tax assessments have been issued, or as a result of possibly divergent tax law interpretations by the tax authorities or tax courts, any tax loss carry forwards could be reduced, or we could be obliged to pay additional taxes (e.g. resulting from the non-deductibility of intragroup payments for services or loans or interest and/or requalification of intragroup payments for services or loans or the challenging of the tax residency or assumption of a permanent establishment of a Group company (in particular as some of the Group companies are organized in the form of Dutch B.V.s)). Such additional taxes could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

The tax authorities might not accept all tax deductions for our interest payments.

In the course of our business, we have entered into several financing transactions with third parties and affiliates, including financing transactions for the acquisitions of real estate portfolios. There are several rules under German tax law restricting the tax deductibility of interest expenses for corporate income and trade tax purposes. Such rules have been changed considerably on several occasions in the recent past. As a result, major uncertainties exist as to the interpretation and application of such rules, which have not yet been clarified.

The tax deductibility of interest expenses depends on the absolute amount of interest expense and on our equity-ratio and any of our particular businesses, the annual tax EBITDA and the tax EBITDA of previous years. If the tax deductibility of interest expenses for corporate income tax and trade tax purposes were restricted, this would result in a higher tax burden and consequently, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

Our tax loss carry forwards may have been affected by past restructurings or may not survive the Offering or future changes of the shareholders.

Some of our companies have significant tax loss carry forwards in an amount above €1 million. The aggregate amount of the companies' tax loss carry forwards as of March 31, 2015 is €32.1 million ("**Tax Losses**"). Some of these Tax Losses may have been or may be forfeited in whole or in part in the past or future, as a result of past restructurings (in particular the acquisition of 50% in the Company by the current shareholders from a former joint venture partner and the migration of the Company from Cyprus to Luxembourg), the Offering or future changes of the shareholders. In particular, any past or future corporate reorganization within the Group or relating to the Company's shareholding structure may result in the partial or complete forfeiture of the Tax Losses (to the extent the Tax Losses are not covered by taxable hidden reserves in our assets). With regard to the migration of the Company from Cyprus to Luxembourg, we have received a binding ruling that no German Real Estate Transfer Tax ("**RETT**") (*Grunderwerbsteuer*) has been triggered but did not apply for a ruling regarding impact on the Tax Losses. The tax burden in past or future periods would increase if profits could not be set of against Tax Losses which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

A transfer of 95% or more of the shares in the Company or in a subsidiary within a five-year period may trigger German real estate transfer tax.

The Group is functionally divided into service or management companies on the one hand, and property holding companies on the other. The majority of the property holding companies are established as corporations and hold the legal or beneficial title to most parts of the Group's real estate portfolio. RETT is potentially triggered if, directly or indirectly, 95% or more of the shares of such corporations are transferred to or unified in the hand of one acquirer whereas the acquirer would be liable for such RETT. To the extent that the real estate is held by partnerships, RETT is potentially triggered if within any period of five years, 95% or more of interests in the respective real estate owning partnerships are directly or indirectly transferred from the current partners (which would include a sell-down by the Selling Shareholder), to new partners or to other entities. In the event of such transfers, the real estate owning partnerships would have to pay RETT at a rate of up to 6%, or such higher tax rate as may be applicable at the relevant time, of the respective properties' value as determined in accordance with applicable tax laws.

In addition, transaction costs for the acquisition of real estate may increase due to a recent change in German tax law.

Further, due to a change in law, it became significantly more difficult to purchase real estate portfolios without triggering RETT. Until June 2013, real estate companies were often able to structure real estate transactions in a tax neutral way by means of third-party structures that resulted in an economic participation of the acquirer in the purchased real estate of nearly 100% without triggering RETT. According to the new law, an acquisition can generally only be structured in a RETT neutral way if the direct and indirect holdings of the Company in the newly acquired real estate holding entity, when taken together, do not amount to at least 95%. Accordingly, if we intend to purchase real estate holding entities in a RETT neutral way, we may have to partner with one or more third parties that acquire more than 5% in the entity. This may make the acquisition process significantly more complex, may result in stronger minority rights for the partner and may ultimately increase acquisition costs and future administrative burdens in respect of the newly acquired entity. For more information, see "*Risks Related to Taxation—A transfer of 95% or more of the shares in the Company or in a subsidiary within a five-year period may trigger German real estate transfer tax*". If this should occur, this could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

We may lose the tax benefits from the extended trade tax deduction.

Currently the majority of the entities of our Group make use of the extended trade tax deduction pursuant to which the German trade tax basis is reduced by income exclusively derived from a mere letting and leasing of real property. If the requirements for the use of the extended trade tax deduction were not fulfilled or fall away, this could result in a higher trade tax burden, which could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations.

The Group companies may not benefit from value-added tax grouping.

The Group is functionally divided into service or management companies on the one hand, and property holding companies on the other hand. Intra-group services are rendered by the service companies to the property holding companies. Currently, no value-added tax (*Mehrwertsteuer*) ("**VAT**") is charged on such intra-group services as the Group companies rely on the existence of an VAT group between the Company and the majority of the German Group companies based on discussions with the tax authorities in the course of a VAT audit in the fiscal year ended December 31, 2011. VAT grouping requires the Group companies and the Company being entrepreneurs and the financial, organizational and economic integration of the Group companies into the Company. If the requirements of a VAT grouping were not fulfilled or fall away, this could result in a higher VAT burden for the years not yet audited, which could have material adverse effects on our business, net assets, financial conditions, cash flow and results of operations.

The Company may qualify as a corporate investment company in the meaning of the German Investment Tax Act in which case the applicability of the German participation exemption rules for business investors is subject to special prerequisites.

The Company may qualify as a corporate investment company (*Kapital-Investitionsgesellschaft*) in the meaning of the German Investment Tax Act (*Investmentsteuergesetz*). In this case, potential benefits under the German dividend and capital gains exemption rules are only available to a shareholder holding the Offer Shares as business assets if the relevant shareholder evidences that the Company is tax resident in a member state of the European Economic Area where it is subject to the income taxation of corporations without benefitting from a personal tax exemption. Although in relation to dividends paid by the Company, this may only impact a shareholder holding at least ten per cent in the share capital of the Company, the inapplicability of the capital gains exemption rules may impede the tax position of a shareholder holding the Offer Shares as business assets regardless of a participation threshold.

German resident investors may be subject to an income attribution under the German Controlled Foreign Companies rules.

Since our income (based on the application of the German income determination rules) may become subject to income tax at a rate below 25%, the German Controlled Foreign Companies rules ("**German CFC rules**") may result in an attribution of our income to German resident investors for German tax purposes unless the German Investment Tax Act (*Investmentsteuergesetz*) applies as set out above. For the German CFC rules to apply certain participation thresholds must be reached or exceeded (generally either at least 1% for a single German resident shareholder or more than 50% for all German resident shareholders collectively). Under the German CFC rules passive income (*Zwischeneinkünfte*)/ passive investment capital income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) will be deemed to be realized by German resident investors directly (irrespective of a factual distribution to such investors) for German tax purposes and, hence, will be taxed at the level of the German resident investors. Such tax may adversely affect the tax position of German resident investors.

German CFC rules may require German resident investors to disclose certain information.

The German Foreign Tax Act (*Außensteuergesetz*) requires German resident investors to make specific tax filings. To the extent that the required information exceeds the data publicly disclosed by us, German resident investors may face adverse tax consequences.

RISKS RELATED TO SHARES AND THE OFFERING

The market price and trading volume of the Shares could fluctuate significantly, resulting in substantial losses.

Even if an active trading market develops, the trading volume and price of the Shares may fluctuate significantly. If the Share price declines, investors may be unable to resell the Shares at or above their purchase price. If the Share price declines significantly, you may be unable to resell the Shares at or above the purchase price. No assurance can be given that the Share price will not fluctuate or decline significantly in the future. Securities markets in general, and real estate shares in particular, have been volatile in the past. Some of the factors that could negatively affect the Share price or result in fluctuations in the price or trading volume of the Shares include, for example, changes in the Company's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, changes in our business activities, failure of securities analysts to cover the Shares following the Offering, additions or departures of key management personnel, investors' evaluation of the success and effects of the strategy described in this Prospectus and evaluation of the related risks, changes in general market and economic conditions, changes in or actions by shareholders, changes in market valuations of similar companies, increases in market interest rates, changes in laws or regulations affecting the German real estate industry or enforcement of these laws and regulations and other factors. Additionally, general fluctuations in share prices, particularly of shares of companies in the same sector, could lead to pressure on the Company's share price, even where there may not necessarily be a reason for this in our business or earnings outlook.

Following the listing, the Company's Selling Shareholder and Stenham (when it exercises its put option for no more than 40% of its stake in the Selling Shareholder, as it has declared it will do) will still be in a position to exert substantial influence on us. The interests of the Company's Selling Shareholder could differ from the interests of the other shareholders. In addition, any future sales of Shares by the Selling Shareholder could depress the market price of the Shares.

Upon completion of the Offering, the Selling Shareholder will continue to hold approximately 37.1% of the Company's issued shares (assuming placement at the mid-point of the Price Range (as defined in "*Proceeds of the Offering and Costs of the Offering and Listing*") of 8,888,889 New Shares, 10,500,000 Existing Shares and 1,938,889 Over-Allotment Shares), although the holdings of the Selling Shareholder may decrease when Stenham Berlin Residential Fund Limited ("**Stenham**") exercises its put option, as it has declared it will do (for more information, see "*Information on the Selling Shareholder*"). Due to its remaining shareholding after the completion of the Offering, the Selling Shareholder will be in a position to exert substantial influence at the Company's general shareholders' meeting and, consequently, on matters decided by the Company's general shareholders' meeting, including the appointment of members of the Company's board of directors (the "**Board**"), only two of whom are independent, the distribution of dividends, and any proposed capital increases. The Selling Shareholder's remaining stake in the Company will also enable it with the ability to block certain corporate measures that require the approval of the Company's general shareholders' meeting.

Moreover, if the Selling Shareholder, as notified to the Company, or any future major shareholder (including Stenham) were to sell substantial amounts of the Shares or if market participants were to believe that such sales might occur, this could have a material adverse effect on the market price of the Shares.

Future capital measures, such as future offerings of debt or equity securities, could lead to substantial dilution, i.e. a reduction in the value of existing shareholders' shareholdings in the Company and their voting rights and may adversely affect the market price of the Shares.

We may require additional capital in the future to finance our business operations and growth, such as through the acquisition of major portfolios, or to repay our debts. Both the raising of additional equity through the issuance of new shares and the potential exercise of conversion or option rights by holders of any convertible bonds or bonds with warrants that may be issued in the future may dilute existing shareholders' shareholdings. The Company's articles of association (the "**Articles of Association**") provide for the issuance of additional shares from authorized capital in an amount of €750,000,000. The Board may approve the issuance of all these shares without any action or approval by its shareholders and under certain conditions, without granting any pre-emptive subscription rights to its shareholders. Because the Company's decision to issue securities in any future offer will depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings. In addition, the exercise of stock options by its employees in the context of future stock option programs or the issuance of shares to employees or the Senior Management in the context of future stock participation programs could lead to a dilution of the economic and voting rights of existing shareholders. Thus, holders of Shares bear the risk of the Company's future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company.

The Shares have not been publicly traded, and a liquid trading market in the Shares may not develop.

Prior to this Offering and listing of the Shares, the Shares have not been publicly traded. The Selling Shareholder and Kempen & Co N.V., Amsterdam, The Netherlands ("**Kempen & Co**") and UBS Limited, London, United Kingdom ("**UBS**" and together with Kempen & Co, the "**Joint Global Coordinators**") are acting as Joint Global Coordinators and Joint Bookrunners and Barclays Bank PLC ("**Barclays**") and COMMERZBANK Aktiengesellschaft ("**COMMERZBANK**", and together with Barclays, the "**Joint Bookrunners**", and the Joint Global Coordinators and the Joint Bookrunners, collectively the "**Underwriters**") will set the offer price of the Offer Shares following a bookbuilding process. The offer price may not be equivalent to the price at which the Shares will be traded following the Offering and may differ from the pro-rata net book value of our consolidated net assets, and liquid trading may not develop or be sustained following the initial listing of the Shares on the Frankfurt Stock Exchange. Investors may be unable to sell the Shares quickly or at all if no active trading market for the Shares develops.

Investors with a reference currency other than the euro may be subject to foreign exchange risks when investing in the Shares.

The Company's equity capital is denominated in euro, and the vast majority of our revenues and expenses have been and will continue to be incurred in euro. Furthermore, all returns will be distributed in euro. If your reference currency is a currency other than the euro, you may be adversely affected by any reduction in the value of euro relative to your reference currency. You may also incur the further transaction costs of converting euro into another currency. As a result, you are strongly urged to consult your financial advisers with a view to determining whether you should enter into hedging transactions to off-set these currency risks.

Fluctuation of market interest rates may have an adverse effect on the value of the Shares.

One of the factors that investors may consider in deciding whether to buy or sell the Shares is the expected dividend yield, or the expected dividend payment per Share as a percentage of the Share price. If market interest rates increase, prospective investors may desire a higher rate of return on the Shares and therefore may seek securities paying higher dividends or interest or offering a higher rate of return than that of the Shares in the Company. As a result, market interest rate fluctuations and other capital market conditions can affect the demand for and market value of the Shares. For instance, if interest rates rise, the market price of the Shares may decrease, because current stockholders and potential investors will likely require a higher dividend yield and rate of return on the Shares, as interest-bearing securities, such as bonds, offer more attractive returns.

The timing of dividend payments, if any, is subject to certain conditions including the ability to upstream sufficient cash to the holding company, and your investment will be subordinate to claims of the Company's creditors and the creditors of the Company's subsidiaries.

At present, the majority of the Company's income generated is derived from payments made by its subsidiaries in connection with the intra-group financing arrangements between the Company and its subsidiaries, i.e. repayments of the principal amounts initially advanced by us together with payments of interest due on those advances. Investment in the Shares involves risks arising from potential fluctuations in the amount and timing of receipt of the principal and interest payments. In particular, prospective purchasers of such Shares should be aware that the amount and timing of payment of the principal and interest or other such payments will depend, inter alia, upon the terms of such financing arrangements. In addition, as shareholders are subordinated to the Company's creditors and the creditors of the Company's subsidiaries, the claims of such creditors may affect the amount available to the Company to distribute dividends with respect to the Shares or the amount available to the Company's subsidiaries to make scheduled payments under the intra-group financing facility (which may, in turn, affect the amount available to us to distribute dividends). Dividends may only be declared and paid to shareholders out of distributable profits or reserves of the Company and the amount available for distribution may not exceed total profits made since the end of the last financial year for which annual accounts have been approved (in the case of interim dividends declared by the Board) or at the end of the last financial year (in the case of annual dividends declared by the general meeting of shareholders), plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed in reserve pursuant to the requirements of the law or the Articles of Association for the Company.

The payment of future dividends will depend on the Group's business, net assets, financial condition, cash flows and results of operations.

The Company's general shareholders' meeting will decide on matters relating to the payment of future dividends. Such decisions are based on the Group's particular situation at the time, including its earnings, financial and investment needs, and the availability of distributable balance sheet profit or reserves of the Company. Interim dividends may be declared and paid by the Company by decision of the Board, and the amount available for distribution may not exceed total profits made since the end of the last financial year for which the annual accounts have been approved, plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed to reserve pursuant to the requirements of the law or our Articles of Association. The Company's ability to pay any dividends depends directly on its operating subsidiaries' distributions of earnings to the Company. In addition, some financing arrangements contain restrictions and covenants relating to leverage ratios and restrictions on dividend distributions upon a breach of any covenant. Any of these factors, individually or in combination, might restrict the Company's ability to pay dividends.

Current or future pledges on the Shares or possible future sales of large numbers of Shares could adversely affect the Company's share price.

Current or future pledges on the Shares could put pressure on the share price if lenders were to realize collateral. In particular, the Selling Shareholder has pledged, as collateral, shares in the Company in the amount equal to 150% of its bond issuance in the amount of approximately €165 million and for which the Selling Shareholder has the right of early repayment. In addition, if shareholders of the Company, for example the Selling Shareholder, decided to sell or be forced to sell considerable numbers of Shares, or if the market were to become convinced that such sale could occur, there is a possibility that the Company's stock exchange price would fall. If the shareholder's holdings were pledged or otherwise collateralized, the secured creditors could also adversely affect the share price by sales if they were to liquidate their collateral. The effects that future sales of considerable numbers of shares by shareholders that could have on the Company's share price cannot be foreseen.

The Offering may not take place and investors could therefore lose security commissions already paid and face risks associated with any short selling of the Shares.

The Underwriting Agreement will provide that the Underwriters may terminate the Underwriting Agreement under certain circumstances (see "*Underwriting—Termination/Indemnification*"). In the case of early termination of the Underwriting Agreement, the Offering will not take place. Claims regarding paid commissions and costs incurred in connection with the subscription by an investor will be determined solely on the basis of the legal relationship between the investor and the institution to which the investor submitted its offer to purchase.

Allotments to investors which have already been made would be invalid. A claim on the part of the investors for delivery of the Shares will not exist in this case. If an investor has engaged in short sales, the investor bears the risk of not being able to deliver the Shares in performance of its obligations there under.

GENERAL INFORMATION

Responsibility Statement

ADO Properties S.A. with its registered office at 20 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies (*registre de commerce et des sociétés de Luxembourg*) under the registration number B197554 assumes responsibility for the content of this Prospectus, and declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and that no material circumstances have been omitted, and that they have taken all reasonable care to ensure that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its importance.

If any claims are asserted before a court of law based on the information contained in this Prospectus, the investor appearing as plaintiff may have to bear the costs of translating the Prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area.

The information in this Prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the offer to the public or admission of the securities to trading, whichever is later.

Purpose of this Prospectus

For the purpose of the offer to the public of securities, admission to trading on the regulated market of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), this Prospectus relates to the sale of up to 23,100,000 Offer Shares (as defined below) without a nominal value, which entitle their holders to participate in all dividends declared by the Company after their issuance, consisting of:

- up to 10,000,000 newly issued shares in dematerialized form from a capital increase against contribution in cash to be resolved by a resolution of the sole director of the Company (the "**New Shares**");
- up to 11,000,000 existing shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**"), from the holdings of the Selling Shareholder; and
- up to 2,100,000 existing shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) from the holdings of the Selling Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

Consent for Use of the Prospectus by Underwriters

Subject to the following paragraphs, the Company gives consent to the use of the Prospectus with respect to a subsequent resale or a final placement of Shares by the Underwriters named herein in the public offer in Germany during the offer period from June 18, 2015 (inclusive) to June 29, 2015 (inclusive). Germany is the only EU member state in which the Underwriters may use the prospectus for a subsequent resale or a final placement of the Shares. **In the event of an offer being made by the Underwriters, the Underwriters will provide information to investors on the terms and conditions of the offer at the time the offer is made**. The Company does not intend to give consent to anyone other than the Underwriters to use the Prospectus in the future.

The Company accepts responsibility for the content of the Prospectus with respect to a subsequent resale or final placement of Shares by the Underwriters.

The Prospectus may only be delivered to potential investors together with all supplements published before such delivery. Any supplement to the Prospectus is available for viewing in electronic form on the website of the Luxembourg Stock Exchange (http://www.bourse.lu) and on the website of the Company (http://www.ado.properties).

When using the Prospectus, each Underwriter must ensure that it complies with all selling restrictions specified in the Prospectus as well as all applicable laws and regulations in force in the respective jurisdictions. The Prospectus must still be valid in accordance with Article 11 of the Luxembourg Prospectus Law.

Forward-looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts or events or to facts or events as of the date of this Prospectus. This applies, in particular, to statements in this Prospectus containing information on our future earnings capacity, plans and expectations regarding its business growth and profitability, and the general economic conditions to which it is exposed. Statements made using words such as "predicts", "forecasts", "plans", "endeavors" or "expects" may be an indication of forward-looking statements.

The forward-looking statements in this Prospectus are subject to risks and uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. These expressions can be found in several sections in this Prospectus, particularly in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Markets and Competition*", "*Business*" and "*Recent Developments and Outlook*", and wherever information is contained in the Prospectus regarding our intentions, beliefs, or current expectations relating to our future financial condition and results of operations, plans, liquidity, business outlook, growth, strategy and profitability, as well as the economic and regulatory environment to which we are subject.

In light of these uncertainties and assumptions, it is also possible that the future events mentioned in this Prospectus might not occur. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (for more information on the third-party sources used in this Prospectus, see "*—Sources of Market Data*"). Actual results, performance or events may differ materially from those in such statements due to, among other reasons:

- changes in general economic conditions in Berlin, including changes in the unemployment rate, the level of consumer prices, wage levels, etc.;
- demographic changes, in particular with respect to Berlin;
- changes affecting interest rate levels;
- changes in the competitive environment, that is, changes in the level of construction activity relating to housing;
- political changes; and
- changes in laws and regulations, in particular tenancy and environmental laws and regulations.

Moreover, it should be noted that neither the Company nor any of the Underwriters assumes any obligation, except as required by law, to update any forward-looking statement or to conform any such statement to actual events or developments. Nevertheless, the Company has the obligation to disclose any significant new event or significant error or inaccuracy relating to the information contained in this Prospectus that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the offer to the public or the admission of the securities to trading, whichever is later. These updates must be disclosed in a Prospectus supplement in accordance with Article 13(1) of the Luxembourg Prospectus Law.

See "*Risk Factors*" for a further description of some of the factors that could influence the Company's forward-looking statements.

Appraiser

At the request of the Company, the independent, external appraiser CBRE GmbH, Hausvogteiplatz 10, 10117 Berlin, Germany, has prepared a Valuation Report of our investment properties as of March 31, 2015 pursuant to IAS 40 in conjunction with IFRS 13 under the International Financial Reporting Standards as adopted by the European Union, which is reprinted in this Prospectus on pages V-1 et seq. For more information on CBRE's independence, see "*Declaration of Independence*" on page V-7 of the Valuation Report. CBRE employs publicly appointed and sworn experts, members of the RICS, as well as real estate experts certified in the area of valuations by HypZert GmbH. CBRE has consented to the inclusion of the Valuation Report in this Prospectus in the unmodified form in which it is presented. The Company affirms that, as of the date of this Prospectus, no material change in the value of the properties appraised in the Valuation Report has occurred since the valuation date of March 31, 2015.

CBRE explains in the Valuation Report that its valuation figures differ from those provided by the Company in this Prospectus due to the reasons provided in this paragraph. Between the date of the Valuation Report and the finalization of this Prospectus, five additional condominium units were sold, which is not reflected in the Valuation Report. As a result there are 13,767 residential units according to the Valuation Report, while the Company's internal data shows a total of 13,762 units as of April 1, 2015, and including the acquisition of the Carlos Portfolio (as defined in "*Business—Our Portfolio*") and two individual buildings P9001 and P9002 (Spandauer Damm 60, 64 & Ernst-Bumm-Weg 4, 4a, 4b). In addition, with regard to

P2201 (Große-Leege-Straße 97, 98), CBRE identified 50 commercial lease contracts and classified them as commercial units, while the Company identified 60 rooms in the property and classified them as commercial units. Thus, the disparity caused by the different unit classifications made by CBRE and the Company leads to a total difference of 92 commercial units as of April 1, 2015, and including the acquisition of the Carlos Portfolio and two individual buildings P9001 and P9002 (Spandauer Damm 60, 64 & Ernst-Bumm-Weg 4, 4a, 4b) (CBRE: 622 commercial units; the Company: 714 commercial units).

Sources of Market Data

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates are based on the Company's and the Underwriters' assessments. These assessments, in turn, are based in part on internal observations of the market and on various market studies.

The following sources were used in the preparation of this Prospectus:

- ADLER Real Estate AG, company website, company presentation dated November 2014 and annual report 2014 ("**ADLER**");
- Akelius GmbH, company website ("**Akelius**");
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), www.statistik-berlin-brandenburg.de, Press Release (*Pressemitteilung*) Nr. 51 from March 2, 2015 ("**Berlin-Brandenburg – Press 2015**");
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), www.statistik-berlin-brandenburg.de ("**Berlin-Brandenburg**");
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), www.statistik-berlin-brandenburg.de, Statistical Report A l 5 – hj 2 / 14 (*Statistischer Bericht A l 5 – hj 2 / 14*) from February 2015 ("**Berlin-Brandenburg – Statistical Report 2015**");
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), www.statistik-berlin-brandenburg.de, "Statistical Report F ll 1 – m 12/14 – hj 2 / 14 Building Permits in Berlin December and Year 2014" ("*Statistischer Bericht A l 5 – hj 2 / 14 Baugenehmigungen in Berlin Dezember und Jahr 2014*") from March 2015 ("**Berlin-Brandenburg – Statistical Report Permits**");
- Berlin-Brandenburg Statistical Office (*Amt für Statistik Berlin-Brandenburg*), www.statistik-berlin-brandenburg.de, Statistical Report SB P l 1 – j / 13) (*Statistischer Bericht* SB P l 1 – j / 13) from February 2014 ("**Berlin-Brandenburg – Statistical Report 2014**");
- Berlin Senate Department, Population Forecast for Berlin and the Regions 2007-2030 (*Bevölkerungsprognose für Berlin und die Bezirke 2007-2030*), December 3, 2008 ("**Berlin Senate**");
- Berlin Senate Department, Population Forecast for Berlin and the Regions 2011-2030 (Bevölkerungsprognose für Berlin und die Bezirke 2011-2030), December 4, 2012 ("**Berlin Senate 2012**");
- CBRE GmbH and Berlin Hyp AG, "Housing Market Report 2013 with Housing Cost Atlas", 2013 ("**CBRE Report 2013**");
- CBRE GmbH and Berlin Hyp AG, "Housing Market Report 2014 with Housing Cost Atlas", 2014 ("**CBRE Report 2014**");
- CBRE GmbH and Berlin Hyp AG, "Housing Market Report 2015 with Housing Cost Atlas", 2015 ("**CBRE Report 2015**");
- CBRE empirica systems, updated March 2015 ("**CBRE-empirica**");
- CBRE-empirica-vacancy rate index report (*CBRE-empirica-Leerstandsindex*), 2013, ("**CBRE-empirica-Leerstandsindex**");
- Claudia Broyer et. al., "Working Paper: Impact of the Euro Crisis on the German Economy", No. 154, September 25, 2012 ("**Broyer – Euro Crisis**");
- Degewo AG, company website ("**Degewo**");

- Deutsche Annington Immobilien SE, company website and annual report 2014 (“**Deutsche Annington**”);

- Deutsche Genossenschafts-Hypothekenbank AG, “Real Estate Market Germany 2014/2015,” October 2014 (“**DG Hyp Report 2015**”);

- Deutsche Wohnen AG, company website, 2013 financial statements, “Company presentation German Corporate Conference 2015, January 2015” and annual report 2014 (“**Deutsche Wohnen**”);

- European Commission, Economic and Financial Affairs, AMECO database (“**Eurostat**”);

- European Commission, Report, “European Economic Forecast Winter 2015”, January 2015 (“**EC, World Economic Forecast Winter 2015**”);

- German Federal Center for Political Education (*Bundeszentrale für politische Bildung*), Population Development and Age Structure (*Bevölkerungsentwicklung und Altersstruktur*), updated September 2012 (“**GPE – Population Development**”);

- German Federal Bank (*Deutsche Bundesbank*) “Outlook for the German Economy – Macroeconomic Projections for 2015 and 2016”, Monthly Report December 2014 (“**German Federal Bank – Report December 2014**”);

- German Federal Employment Agency (*Bundesagentur für Arbeit*), Employment market statistics (*Arbeitsmarktstatistik Arbeitsmarkt nach Ländern und Monatsberichte*), 2014 (“**German Employment Agency**”);

- German Federal Institute for the Research on Construction, Urban and Regional Planning (*Bundesinstitut für Bau-, Stadt- und Raumforschung – BBSR*), “Residential Market Prediction 2025” (“*Wohnungsmarktprognose 2025*”) (“**BBSR – Residential Market Prediction 2025**”);

- German Federal Office for Building and Regional Planning (*Bundesamt für Bauwesen und Raumordnung*), “Regional Planning Forecast 2025-2050” (“*Raumordnungsprognose 2025/2050*”), 2009 (“**GFOB Regional Planning 2025**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database and Publications, Subject: Consumer Price Index Germany (*Verbraucherpreisindizes für Deutschland*), published April 11, 2013 (“**Federal Statistical Office, Consumer Price Index for Germany**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Statistical Yearbook (*Statistisches Jahrbuch*) 2014 (“**Federal Statistical Office, Statistical Yearbook**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Construction, updated 2015 (“**Federal Statistical Office, Construction**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Housing, updated 2015 (“**Federal Statistical Office, Housing**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: National Economy & Environment – National Accounts – Domestic Product, updated 2015 (“**Federal Statistical Office, National Economy & Environment – Domestic Product**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: National Economy & Environment – Unemployment, updated 2015 (“**Federal Statistical Office, Unemployment**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Society and State – Population, updated 2015 (“**Federal Statistical Office, Population**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Society and State – Population – Households & Families, updated 2015 (“**Federal Statistical Office, Households & Families**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Database, Subject: Society and State – Population – Households Projection, updated 2015 (“**Federal Statistical Office, Households**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Genesis Database, Subject: Population, updated 2014 (“**Federal Statistical Office, Genesis Online Database, Population**”);

- German Federal Statistical Office (*Statistisches Bundesamt*), Press Release, "Consumer prices in January 2015: -0.4% on January 2014", updated February 12, 2015 ("**Federal Statistical Office, Press Release 045/2015-02-12**");

- German Federal Statistical Office (*Statistisches Bundesamt*), Press Release, "German economy in solid shape in 2014", January 15, 2015 ("**Federal Statistical Office, Press Release 061/2015-02-24**");

- German Federal Statistical Office (*Statistisches Bundesamt*), Press Release, "Germany's population grew again in 2014", January 21, 2015 ("**Federal Statistical Office, Press Release 024/2015-01-21**");

- German Federal and State Statistical Office (*Statistische Ämter des Bundes und der Länder*), database, www.statistik-portal.de ("**GFSSO**");

- GESOBAU AG, company website ("**GESOBAU**");

- GfK GeoMarketing GmbH, Press Release, "GfK study shows uneven distribution of purchasing power across Europe", November 4, 2013 ("**GfK – Press Release 2013**");

- GfK GeoMarketing GmbH, Table, Subject: Purchasing Power Germany 2014 (*GFK Kaufkraft Deutschland 2014*) updated 2014 ("**GfK Kaufkraft - Purchasing Power Germany 2014**");

- HOWOGE Wohnungsbaugesellschaft Berlin, company website ("**HOWOGE**");

- Immeo Wohnen GmbH, company website ("**Immeo**");

- Institute of the German Economy Cologne (*Institut der deutschen Wirtschaft Köln*), "Considerable Gap in the Top-10-Cities" (*Erhebliche Lücke in den Top-10-Städten*), 2014 ("**IWK**");

- Investitionsbank Berlin, Report, "2011 IBB Housing Market Report", dated 2011 ("**IBB Housing Market 2011**");

- Investitionsbank Berlin, Report, "2012 IBB Housing Market Report", dated 2012 ("**IBB Housing Market 2012**");

- Investitionsbank Berlin, Report, "2013 IBB Housing Market Report", dated 2013 ("**IBB Housing Market 2013**");

- IVD, Report, "Construction Permits remain below requirements despite increase" ("*IVD: Baugenehmigungen bleiben trotz Anstieg hinter Bedarf zurück*"), November 19, 2014 ("**IVD Construction Permits**");

- Michael Bauer Research GmbH, "Purchasing Power 2014 in Germany" ("*Kaufkraft 2014 in Deutschland*"), 2015 ("**Michael Bauer Research GmbH**");

- Munich Personal RePEc Archive, MPRA Paper No. 43315 "M. Voigtländer – The Stability of the German Housing Market", posted December 1, 2012 ("**MPRA Paper No. 43315**");

- Pears Global Real Estate Germany GmbH, company website ("**Pears Global**");

- Stadt und Land Wohnbauten-Gesellschaft mbH, company website ("**Stadt and Land**");

- Visit Berlin, "Berlin Welcomes Record Numbers of Tourist and Convention Participants in 2014: 28.7 million overnight statys 25 years after the Fall of the Wall," 2015 ("**Visit Berlin**");

- WBM GmbH, company website ("**WBM**"); and

- Westgrund AG, company website and annual report 2014 ("**Westgrund**").

It should be noted in particular that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the above-mentioned market studies, publicly available research and reports, internet articles, press clippings, statistics and other sources. The Company has accurately reproduced such information and, as far as it is aware and able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company and the Underwriters (see "—*Responsibility Statement*"), neither the Company nor the Underwriters have independently verified the figures, market data or other information on which third parties have based their studies. Accordingly, the Company and the Underwriters make no representation or warranty as to the accuracy of any such information from third-party studies included in this Prospectus. Prospective investors should note that the Company's own estimates and statements of opinion and belief are not always based on studies of third parties.

Documents Available for Inspection

For the period during which this Prospectus is valid, the following documents will be available for inspection during regular business hours at the Company's offices at 20 rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg (tel. +352 26 49 34 12):

- the Company's articles of association (the "**Articles of Association**");
- the unaudited condensed consolidated interim financial statements (IAS 34) of the Group as of and for the three-month period ended March 31, 2015 (the "**First Quarter 2015**");
- the audited consolidated financial statements (IFRS) of the Company as of and for the fiscal year ended December 31, 2014 (the "**Fiscal Year 2014**");
- the audited consolidated financial statements (IFRS) of the Company as of and for the fiscal year ended December 31, 2013 (the "**Fiscal Year 2013**");
- the audited consolidated financial statements (IFRS) of the Company as of and for the fiscal year ended December 31, 2012 (the "**Fiscal Year 2012**"); and
- this Prospectus.

The above mentioned documents are also available on the Company's website. The Company's future consolidated annual and interim financial statements and its unconsolidated annual accounts will be available from the Company on its website (www.ado.properties).

In addition, the Valuation Report prepared by CBRE and dated March 31, 2015, relating to the fair value, pursuant to IAS 40 in conjunction with IFRS 13, of the Group's residential real estate portfolio as of March 31, 2015 is available for inspection at the Company's offices.

Currency Presentation and Presentation of Figures

In this Prospectus, "**euro**" and "**€**" refer to the single European currency adopted by certain participating member states of the European Union, including Germany and Luxembourg.

Where financial data in the Prospectus is labeled "audited", this means that it has been taken from the audited financial statements mentioned above. The label "unaudited" is used in the Prospectus to indicate financial data that has not been taken from the audited financial statements mentioned above. All of the financial data presented in the Prospectus are shown in thousands of euro (in € thousand), except as otherwise stated. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal point unless stated otherwise. Financial information presented in parentheses denotes the negative of such number presented. With respect to financial data set out in the main body of the Prospectus, a dash ("—") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

Measures not Defined by IFRS (Non-IFRS Measures)

We expect the non-IFRS performance measures EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Adjusted EPRA NAV, FFO, FFO (including disposal result) and capex-adjusted FFO ("**AFFO**") to be of use for potential investors (together "**Performance Measures**"). We believe that the Performance Measures are useful 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 flows generated by the Group's business, because a number of companies, in particular companies in the real estate business, also publish these figures as key performance indicators. However, the Performance Measures are not recognized as line items under IFRS and should not be considered as substitutes for figures on net assets, result before taxes, net earnings, cash flows from operating activities or other income statement, cash flows or balance sheet data, as determined in accordance with IFRS, or as indicators of profitability or liquidity. The Performance Measures do not necessarily indicate whether cash flows will be sufficient or available for the Group's cash requirements, nor whether any such measure is indicative of the Group's historical operating results. The Performance Measures are not meant to be indicative of future results. Because not all companies calculate these Performance Measures in the same way, the Group's presentation of the Performance Measures is not necessarily comparable with similarly-titled measures used by other companies.

THE OFFERING

Subject Matter of the Offering

The Offering (including any potential over-allotment) relates to the sale of up to 23,100,000 Offer Shares without a nominal value which entitle their holders to participate in all dividends declared by the Company after their issuance, consisting of:

- up to 10,000,000 newly issued shares in dematerialized form from a capital increase against contribution in cash to be resolved by a resolution of the sole director of the Company (the "**New Shares**");
- up to 11,000,000 existing shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) (the "**Existing Shares**" and, together with the New Shares, the "**Base Shares**"), from the holdings of the Selling Shareholder; and
- up to 2,100,000 shares in dematerialized form (which are currently in registered form but which will be converted into dematerialized form on or before June 26, 2015) from the holdings of the Selling Shareholder in connection with a possible over-allotment (the "**Over-Allotment Shares**" and, together with the Base Shares, the "**Offer Shares**").

The Offering consists of (i) an offer to the public of the Offer Shares in the Federal Republic of Germany ("**Germany**"), (ii) a private placement to qualified institutional buyers in the United States of America (the "**United States**") in reliance on Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and (iii) private placements to institutional investors outside Germany and the United States in reliance on Regulation S ("**Regulation S**") under the Securities Act (the "**Offering**").

The capital increase to create the New Shares is expected to be approved and effected by a resolution of the sole director of the Company, on June 29, 2015, which will result in a capital increase of the Company's share capital of up to €35,000,000. Assuming that the capital increase is approved and effected by the sole director in the maximum amount, the share capital of the Company will amount to 35,000,000 and the Offer Shares will total up to 23,100,000. Thus, a maximum of 66.0% of the Shares (after effectuation of the issuance of all New Shares) will be offered (a maximum of 60.0% without the Over-Allotment Shares).

Immediately prior to the Offering, all of the Company's share capital was held by the Selling Shareholder (see "*Information on the Selling Shareholder*"). Following completion of the Offering and assuming issuance of 8,888,889 New Shares and exercise of 1,938,889 Over-Allotment Shares pursuant to the Greenshoe Option (as defined below; see "*—Stabilization Measures, Over-Allotments and Greenshoe Option*"), the Selling Shareholder will hold approximately 37.1% of the Company's share capital, although when Stenham exercises its put option, as it has declared it will do. The Selling Shareholder will receive consideration for the sale of the Existing Shares and, as the case may be, the Over-Allotment Shares (after deduction of fees and commissions). The Company will receive the proceeds from the sale of the New Shares (from which fees and commissions will have to be deducted) through the issuance of the New Shares and an additional non-share capital contribution by the Underwriters, but will not receive any of the proceeds from the sale of the Existing Shares and the Over-Allotment Shares.

Kempen & Co N.V., Amsterdam, The Netherlands ("**Kempen & Co**") and UBS Limited, London, United Kingdom ("**UBS**" and together with Kempen & Co, the "**Joint Global Coordinators**") are acting as Joint Global Coordinators and Joint Bookrunners and Barclays Bank PLC ("**Barclays**") and COMMERZBANK Aktiengesellschaft ("**COMMERZBANK**", and together with Barclays, the "**Joint Bookrunners**", and the Joint Global Coordinators and the Joint Bookrunners, collectively the "**Underwriters**") are acting as Joint Bookrunners.

The Offering shall occur through the publication of this Prospectus in electronic form on the website of the Company (http://www.ado.properties).

Price Range, Offer Period, Offer Price and Allotment

The Price Range (as defined in "*Proceeds of the Offering and Costs of the Offering and Listing*") within which offers to purchase may be submitted is between €20 to €25 per Offer Share.

The offer period, during which investors may submit purchase orders for the Offer Shares, will begin on June 18, 2015 and will end on June 29, 2015, at 12:00 CEST (Central European Summer Time) for private and retail investors (natural persons) and at 16:00 CEST (Central European Summer Time) for institutional investors. Private and retail investors (natural persons) may submit purchase orders for the offer to the public in Germany during the offer period at the branch offices of COMMERZBANK. Institutional investors may submit purchase orders at the branch offices of the Underwriters during the offer period. Purchase orders must be of at least 25 Offer Shares and be denominated in full euro amounts or euro cent figures of 25, 50, or 75 cents. There is no maximum subscription. Multiple purchase orders are permitted. For more information, see "*Underwriting—General*".

The Company and the Selling Shareholder reserve the right, together with the Joint Global Coordinators, to increase or decrease the total number of Offer Shares, to increase or decrease the upper limit and/or the lower limit of the Price Range and/or to extend or shorten the offer period. Changes in the number of Offer Shares, changes to the Price Range or the extension or shortening of the offer period will not invalidate any offers to purchase that have already been submitted. Investors who have submitted offers to purchase will not be notified individually. Any amendments to the terms of the offer that may affect an assessment of the securities and occurs or comes to light following the approval of the Prospectus, but before the completion of the offer to the public or the admission of the securities to trading, whichever is later, must be disclosed in a Prospectus supplement in accordance with Article 13(1) of the Luxembourg Prospectus Law. If the option to change the terms of the Offering (i.e. by reducing the subscription price) is exercised, the change will be announced through an announcement published in various media distributed across the entire European Economic Area and on the Company's website (www.ado.properties) and, in case the upper/lower limits of the Price Range are reduced or increased or in case the offer period is extended or curtailed or in any other case if required pursuant to the Luxembourg Prospectus Law, as a supplement to this Prospectus. Investors who have submitted purchase orders will not, however, be informed individually. Changes to the number of Shares offered, the Price Range or extension or curtailment of the offer period or reduced subscriptions will not invalidate purchase orders already submitted. Any amendment to the subscription price or a reduction in subscription occurs prior to payment by the investor to the Underwriter and therefore no refund will be required as only the final amount due will be paid/collected. Under the Luxembourg Prospectus Law, investors who have submitted a purchase order before a supplement is published are granted a minimum period of two business days from publication of the supplement to withdraw their orders provided that the new factor, mistake or inaccuracy, which required a supplement to the Prospectus to be published, arose before the final closing of the Offering and the delivery of the Shares. As an alternative to cancellation, investors who have submitted purchase orders before publication of the supplement may, within two days of publication of the supplement, change such orders or submit new limited or unlimited orders. For cases where the Offering is terminated prematurely as a result of a withdrawal by the Underwriters from the Underwriting Agreement and thereby revoking or suspending the offering (including after dealing has begun), see "*Underwriting—Termination/Indemnification*".

After the expiration of the offer period, the offer price and the final number of the Offer Shares placed in the Offering will be set jointly by the Selling Shareholder, the Company and the Joint Global Coordinators. The price will be set on the basis of the purchase orders submitted by investors during the offer period that have been collated in the order book prepared during the bookbuilding process. Price-setting is expected to take place on or about June 29, 2015. These orders will be evaluated according to the prices offered and the investment horizons of the respective investors. This method of setting the number of shares that will be placed at the offer price is, in principle, aimed at maximizing proceeds. Consideration will also be given to whether the offer price and the number of shares to be placed allow for the reasonable expectation that the share price will demonstrate steady performance in the secondary market given the demand for the Shares noted in the order book. Attention will be paid not only to the prices offered by investors and the number of investors wanting shares at a particular price, but also to the composition of the group of shareholders in the Company that would result at a given price, and expected investor behavior. For further information regarding allotment criteria, see "*—Allotment Criteria*". The Company and the Selling Shareholder will not specifically charge any expenses and taxes related to the offer to investors.

After the offer price has been set, the Offer Shares will be allotted to investors on the basis of the offers to purchase then available. The offer price and the final number of Offer Shares including the final number of New Shares, placed in the Offering (that is, the result of the Offering) are expected to be published on June 29, 2015 by means of an ad hoc announcement published in various media distributed across the entire European Economic Area, on the Company's website (www.ado.properties) and filed with the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*) ("**CSSF**"), all in accordance with Article 10 of the Luxembourg Prospectus Law. Investors who have placed orders to purchase Offering Shares with one of the Underwriters can obtain information from that Underwriter about the offer price and the number of Offer Shares allotted to them on the business day following the setting of the offer price. As commencement of trading (*Aufnahme des Handels*) of the Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is expected to take place on the business day following the setting of the offer price, investors may not have obtained information about the number of Offer Shares allotted to them at the time of commencement of trading. Book-entry delivery of the allotted Offer Shares against payment of the offer price is expected to take place two business days after commencement of stock exchange trading. Should the placement volume prove insufficient to satisfy all orders placed at the offer price, the Underwriters reserve the right to reject orders, or to accept them only in part.

Allotment Criteria

The allotment of Offer Shares will be to institutional investors and retail investors (natural persons) and will be decided after consultation with the Joint Global Coordinators. The decision ultimately rests with the Company and the Selling Shareholder. Allotments will be made on the basis of the quality of the individual investors and individual orders and other important allotment criteria to be determined after consultation with the Joint Global Coordinators. The allocation to retail investors (natural persons) will be compatible with the "Principles for the Allotment of Share Issues to Private Investors" published by the Commission of Stock Exchange Experts (*Börsensachverständigenkommission*). "Qualified investors" (*qualifizierte Anleger*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz*), as well as "professional clients" (*professionelle Kunden*) and "suitable counterparties" (*geeignete Gegenparteien*) as defined under the German Securities Trading Act (*Wertpapierhandelsgesetz*), are not viewed as "private investors" (*Privatanleger*) within the meaning of the allocation rules.

Expected Timetable for the Offering

The following is the expected timetable of the Offering, which may be extended or shortened:

June 17, 2015	Approval of this Prospectus by the CSSF.
	Notification of the approved Prospectus to the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, the "**BaFin**") and publication of the approved Prospectus on the Company's website.
June 18, 2015	Commencement of the offer period.
	Application for listing filed with the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
June 29, 2015	Listing approval issued by the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).
	Close of the offer period for private and retail investors (natural persons) at 12:00 CEST (Central European Summer Time) and for institutional investors at 16:00 CEST (Central European Summer Time).
	Determination of the offer price and allotment; publication of the offer price in the form of an ad hoc announcement on an electronic information system, on the Company's website and filed with the CSSF.
	Determination of the number of New Shares/Issuance of New Shares.
June 30, 2015	First day of trading.
July 2, 2015	Book-entry delivery of the Offer Shares against payment of the offer price (closing).

This Prospectus will be published on the website of the Luxembourg Stock Exchange and the Company's website (www.ado.properties) after approval by the CSSF on June 17, 2015. In addition, free copies of the printed Prospectus will be available at the Company's offices at 20 rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg (tel. +352 26 49 34 12) during regular business hours.

Information on the Shares

Voting Rights

Each Share carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights.

Dividend and Liquidation Rights

The Offer Shares will entitle their holders to participate in all dividends declared by the Company after their issuance. In the event of the Company's liquidation, any proceeds will be distributed to the holders of the Shares in proportion to their interest in the Company's share capital.

Form and Certification of the Shares

All of the Shares are ordinary shares without a nominal value. As of the date of the Prospectus, the Company's share capital amounted to €31,000. The Existing Shares and the Over-Allotment Shares are currently in registered form but will be converted into dematerialized form on or before June 26, 2015. The Offer Shares will also be in the form of dematerialized shares. The Offer Shares will be registered with the single securities issuance account with the settlement organization LuxCSD S.A., 42, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg ("**LuxCSD**"). Dematerialized shares are only represented, and the ownership of the shareholder over such shares is only established by a record in the securities account with LuxCSD. LuxCSD may, however, issue or request the Company to issue certificates relating to the Offer Shares for the purposes of the international circulation thereof.

Delivery and Settlement

The delivery of the Offer Shares against payment of the offer price by wire transfer is expected to take place on July 2, 2015. The Offer Shares will be made available to the shareholders in book-entry form.

ISIN/WKN/Common Code/Ticker Symbol

International Securities Identification Number (ISIN)	LU1250154413
German Securities Code (*Wertpapierkennnummer*, WKN)	A14U78
Common Code	125015441
Ticker Symbol	ADJ

Transferability of the Shares; Lock-up

The Shares will be freely transferable in accordance with the legal requirements for shares in dematerialized form. Except for the restrictions set forth in "—*Lock-up Agreement, Limitations on Disposal*" on page 33 and "*Underwriting—Selling Restrictions*" on page 132, there are no prohibitions on disposals or restrictions with respect to the transferability of the Shares.

Selling Shareholder

Immediately prior to the Offering, ADO Group Limited, the Selling Shareholder, holds 100% of the Company's outstanding share capital. For a discussion of the ownership structure of the Selling Shareholder, see "*Information on the Selling Shareholder—Shareholder Structure (Before and After the Offering)*".

Stabilization Measures, Over-Allotments and Greenshoe Option

In connection with the placement of the Offer Shares, UBS or its affiliates, acting for the account of the Underwriters, will act as the stabilization manager and may, as stabilization manager, and acting in accordance with legal requirements (Section 20a (3) of the German Securities Trading Act (*Wertpapierhandelsgesetz*) in conjunction with Commission Regulation (EC) No. 2273/2003 of December 22, 2003), make over-allotments and take stabilization measures to support the market price of the Shares and thereby counteract any selling pressure.

The stabilization manager is under no obligation to take any stabilization measures. Therefore, no assurance can be provided that any stabilization measures will be taken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the date the Shares are listed on the regulated market on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and must be terminated no later than the thirtieth calendar day after such listing date (the "**Stabilization Period**").

These measures may result in the market price of the Shares being higher than would otherwise have been the case. Moreover, the market price may temporarily be at an unsustainable level.

Under the possible stabilization measures, investors may, in addition to the Shares being offered, be allocated up to 2,100,000 Over-Allotment Shares as part of the allocation of the shares to be placed ("**Over-Allotment**"). For the purpose of a possible Over-Allotment, UBS, for the account of the Underwriters, will be provided with up to 2,100,000 shares from the holdings of the Selling Shareholder in the form of a securities loan; this number of shares will not exceed 10% of the Base Shares. In addition, the Selling Shareholder will grant the Underwriters an option to acquire the borrowed shares at the offer price less agreed commissions (the "**Greenshoe Option**"). This option will terminate 30 calendar days after the commencement of the stock exchange trading of the shares.

The stabilization manager is entitled to exercise the Greenshoe Option to the extent over-allotments of shares were initially made; the amount of shares is to be reduced by the number of shares held by the stabilization manager as of the date on which the Greenshoe Option is exercised and that were acquired by the stabilization manager in the context of stabilization measures.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire European Economic Area as to whether stabilization measures were taken, when price stabilization started and finished, and the Price Range within which stabilization was taken; the latter will be made known for each occasion on which price stabilization measures were taken. Exercise of the Greenshoe Option, the timing of its exercise and the number and type of shares concerned will also be announced promptly in the same manner.

Lock-up Agreement, Limitations on Disposal

In the Underwriting Agreement, the Company agreed with each Underwriter that the Company will not during the period ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) (currently expected to take place on June 30, 2015), without the prior written consent of the Joint Global Coordinators, to the extent legally permissible:

- announce or effect any capital increase from authorized capital;
- submit a proposal for a capital increase to its shareholders for resolution;
- announce its intention to issue, effect or submit a proposal for the issuance of any securities convertible into Shares or option rights for Shares; or
- enter into a transaction or perform any action economically similar to those described in the bullet points above.

The Company may, however, issue options, warrants and shares of the Company (i) under future employee share purchase and share option schemes or (ii) in consideration of all or a portion of the acquisition price of any business acquired by the Company or for purposes of entering into a joint venture, provided that the Company shall (i) consult with the Joint Global Coordinators prior to the issuance of the shares or other securities and (ii) use its best efforts to negotiate an undertaking of the recipient of the shares or such other securities of the Company to comply with certain restrictions on the disposal of shares contained in Underwriting Agreement.

In the Underwriting Agreement, the Selling Shareholder undertook, except in case of enforcement, in whole or in part, of the already existing pledge on the Shares, used as collateral, in the amount equal to 150% of the Selling Shareholder's bond issuance in the amount of approximately €165 million, and for which the Selling Shareholder has the right of early repayment, during the period ending six months after the first day of trading of the Company's Shares on the Frankfurt Stock Exchange, not to:

- offer, pledge, allot, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares of the Company or any other securities of the Company, including securities convertible into or exercisable or exchangeable for Shares of the Company;

- propose any increase in the share capital of the Company, vote in favor of such a proposed increase or otherwise support any proposal for the issuance of any securities convertible into shares of the Company, with option rights for Shares of the Company; or

- enter into a transaction or perform any action economically similar to those described in the bullet points above, in particular enter into any swap or other arrangement that transfers to another, in whole or in part, the economic risk of ownership of Shares of the Company, whether any such transaction is to be settled by delivery of Shares of the Company or such other securities, in cash or otherwise.

In separate agreements between each Board and current Senior Management member and the Global Coordinators, each Board and current Senior Management member undertook, without the prior written consent of the Joint Global Coordinators (which consent will not be unreasonably withheld), for a period commencing on or around June 17, 2015 until 12 months after the date of admission of the Shares to the Frankfurt Stock Exchange ("**Restricted Period**"), not to:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, charge, assign, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares or any securities exchangeable for or convertible into, or substantially similar to, Shares (or any interest therein or in respect thereof) or any rights arising from or attaching to any such Shares at any time;

- enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of Shares; or

- enter into any other transaction with the same economic effect as, or agree to do, or announce or otherwise publicise the intention to do any of the foregoing, whether any such transaction is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Admission to the Frankfurt Stock Exchange and Commencement of Trading

The Company expects to apply for admission of its shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, to the sub-segment thereof with additional post-admission obligations (Prime Standard) on or about June 18, 2015. The listing approval is expected to be announced on June 29, 2015. Trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) is currently expected to commence on June 30, 2015.

Designated Sponsors

UBS and Kempen & Co have agreed to assume the function of a designated sponsor of the Shares traded on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). Pursuant to the respective designated sponsor agreements concluded between the respective designated sponsors and the Company, each designated sponsor will, among other things, place limited buy and sell orders for the Shares in the electronic trading system of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) during regular trading hours. This is intended to achieve greater liquidity in the market for the Shares.

Interests of Parties Participating in the Offering

In connection with the Offering and the admission to listing and trading of the Shares, the Underwriters have formed a contractual relationship with the Company and the Selling Shareholder.

The Underwriters act for the Company and the Selling Shareholder on the Offering and coordinate the structuring and execution of the Offering. In addition, both UBS and Kempen & Co have been appointed to act as the designated sponsors for the Shares and BNP Paribas Securities Services has been appointed to act as the Luxembourg paying agent and LuxCSD principal agent (the "**LuxCSD Principal Agent**"). Upon successful implementation of the Offering, the Underwriters will receive a commission.

The Selling Shareholder will receive the proceeds of the Existing Shares sold in the Offering. Assuming placement of 12,438,889 Existing Shares and Over-Allotment Shares at the mid-point of the Price Range, and after deducting fees and expenses to be paid by the Selling Shareholder in connection with the Offering, the proceeds to the Selling Shareholder from the Offering would amount to approximately €271.5 million, or 58.3% of the total net offer proceeds (see "*Proceeds of the Offering and Costs of the Offering and Listing*").

Some members of the Board and some members of the senior management participate in long-term incentive plans and have stock options in the Selling Shareholder.

Some of the Underwriters or their affiliates may from time to time in the future have business relations with the Group and the Selling Shareholder (including lending activities) or may perform services for the Group and the Selling Shareholder in the ordinary course of business.

PROCEEDS OF THE OFFERING AND COSTS OF THE OFFERING AND LISTING

The Company will receive only the proceeds of the Offering resulting from the sale of New Shares. The Company will not receive any proceeds from the sale of Existing Shares and Over-Allotment Shares from the holdings of the Selling Shareholder.

The Company is targeting gross proceeds from the Offering in an amount of approximately €200.0 million by offering up to 10,000,000 New Shares (at the low end of the Price Range (as defined herein)).

The Company estimates that at the low end, mid-point and high end of the price range (the "**Price Range**") set for the offering of the Offer Shares, the proceeds for the placement of the New Shares would be as follows:

- at the low end of the Price Range, assuming the Offering consists of up to 10,000,000 New Shares, gross proceeds to the Company of approximately €200.0 million and net proceeds of €194.0 million;
- at the mid-point of the Price Range, assuming the Offering consists of up to 8,888,889 New Shares, gross proceeds to the Company of approximately €200.0 million and net proceeds of €194.0 million; and
- at the high end of the Price Range, assuming the Offering consists of up to 8,000,000 New Shares, gross proceeds to the Company of approximately €200.0 million and net proceeds of €194.0 million.

The Company estimates that at the low end, mid-point and high end of the Price Range, the proceeds to the Selling Shareholder would be as follows:

- at the low end of the Price Range, assuming the Offering consists of up to 12,000,000 Shares (10,000,000 Existing Shares and 2,000,000 Over-Allotment Shares as part of the Greenshoe Option), gross proceeds to the Selling Shareholder of at least €240.0 million and net proceeds of at least €232.8 million;
- at the mid-point of the Price Range, assuming the Offering consists of up to 12,438,889 Shares (10,500,000 Existing Shares and 1,938,889 Over-Allotment Shares as part of the Greenshoe Option), gross proceeds to the Selling Shareholder of at least €279.9 million and net proceeds of at least €271.5 million; and
- at the high end of the Price Range, assuming the Offering consists of up to 12,900,000 Shares (11,000,000 Existing Shares and 1,900,000 Over-Allotment Shares as part of the Greenshoe Option), gross proceeds to the Selling Shareholder of at least €322.5 million and net proceeds of at least €312.8 million.

The costs of the Company related to the offering of the Offer Shares and listing of the Company's entire share capital are expected to total approximately €3 million (excluding commissions payable to the Underwriters); thereof approximately €1.5 million will be borne by the Selling Shareholder, which means that the Company will ultimately bear approximately €1.5 million thereof. The Selling Shareholder will bear the offering and listing related costs of the Company in the ratio of Existing Shares to Base Shares.

Assuming an offer price at the low end, mid-point and high end of the Price Range and that the maximum number of Offer Shares is placed (and the Greenshoe Option has been fully exercised) and assuming further payment in full of the discretionary fee of up to €5.5 million, €6.0 million and €6.5 million, at the low end, mid-point and high end of the Price Range, respectively; the commission payable to the Underwriters will amount to €7.7 million €8.4 million and €9.1 million, respectively. Thereof, €6.0 million, €6.0 million and €6.0 million are attributable to the placement of the New Shares and will be borne by the Company; the remaining €7.2 million, €8.4 million and €9.7 million, respectively, are attributable to the placement of the Existing Shares and Over-Allotment Shares and will directly be borne by the Selling Shareholder.

Investors will not be charged expenses by the Company or the Underwriters.

REASONS FOR THE OFFERING AND LISTING AND USE OF PROCEEDS

The Company is conducting the Offering in order to gain better access to the capital markets and fund future growth. After the Offering, the Company intends to list the Shares on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and, simultaneously, on the sub-segment thereof with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Assuming that the maximum number of New Shares is placed for the low end, mid-point and high end of the Price Range (10,000,000 shares, 8,888,889 and 8,000,0000, respectively), the net proceeds are expected to amount to €194.0 million at the low end of the Price Range, to €194.0 million at the mid-point of the Price Range and to €194.0 million at the high end of the Price Range. The Company intends to use the net proceeds of the offer of the New Shares for add-on acquisitions of residential properties or portfolios in Berlin, growth of the Company and general corporate purposes.

Assuming that the maximum number of Existing Shares and Over-Allotment Shares are placed for the low end, mid-point and high end of the Price Range (12,000,000, 12,438,889 and 12,900,000, respectively), net proceeds to the Selling Shareholder at the low end of the Price Range are expected to amount to €232.8 million, at the mid-point of the Price Range are expected to amount to €271.5 million and at the high end of the Price Range are expected to amount to €312.8 million.

DIVIDEND POLICY; RESULTS AND DIVIDENDS PER SHARE; USE OF PROFITS

General Provisions Relating to Profit Allocation and Dividend Payments

There are no fixed dates on which a shareholder is entitled to receive a dividend. The Company may declare and pay dividends in accordance with Luxembourg company law. Dividends may be declared by the general meeting of the shareholders upon approval of the annual accounts for the immediately preceding financial year.

The Articles of Association also provide that the Board has the power to decide on and distribute interim dividends (including by way of staggered payments) by way of a cash dividend or by way of a dividend in kind, in accordance with the provisions applicable to commercial companies as set forth, in particular, in article 72-2 of the Luxembourg Company Law.

Dividends may be declared or paid in any currency as well as in kind including by way of issuance of shares.

The amount of a dividend declared by the general meeting of the shareholders upon approval of the annual accounts may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, minus any losses carried forward and sums to be placed in reserve in accordance with the law or the Articles of Association. Interim dividends may be declared and paid by the Board out of available net profits, premium or other available reserves subject to complying with conditions required by law subject to such dividend not exceeding the amount available for distribution which shall not exceed total profits made since the end of the last financial year for which the annual accounts have been approved, plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed to reserve pursuant to the requirements of the law or the Articles of Association of the Company.

If the Company declares to pay dividends to its shareholders, each shareholder is entitled to receive a dividend in proportion to the amount of capital held by it in the Company. Dividend payments that have not been claimed within five years after the date on which they become due revert back to the Company according to Article 2277 of the Luxembourg Civil Code. There are no specific dividend restrictions or procedures for non-resident shareholders.

Dividend Policy and Earnings per Share

In the past, the Company did not pay any dividends. Following the Offering, the Company plans to pay dividends in the amount of approximately 30–40% of FFO.

Distributable Reserves

The following table shows the total and per share profit for the financial year and distributable reserves of the Company as of and for the fiscal years ended December 31, 2014, 2013 and 2012, as shown in the Company's consolidated annual accounts prepared in accordance with IFRS for such year.

	For the year ended December 31, 2014		For the year ended December 31, 2013		For the year ended December 31, 2012	
	audited, unless otherwise specified					
	(in €)	(in € thousand)	(in €)	(in € thousand)	(in €)	(in € thousand)
	Per share(1)	Total	Per share(1)	Total	Per share(1)	Total
Profit for the financial year	34,247	68,494	11,427	22,854	7,352	14,703
Distributable reserves (unaudited)	49,163	98,326	14,916	29,832	3,489	6,978

(1) Based on 2,000 shares, unaudited.

CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

The following tables set forth the Group's actual capitalization and indebtedness (i) as of March 31, 2015, as well as adjustments for (ii) effects of the capital increase and Offering and (iii) the Group's total capitalization and indebtedness to reflect the adjustments described in (ii). Investors should read these tables in conjunction with "*Selected Consolidated Financial Data and Company Data*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and the unaudited condensed consolidated interim financial statements as of and for the First Quarter 2015, including the notes thereto, which are included in this Prospectus, beginning on page F-1.

Capitalization

	Actual as of March 31, 2015*	Effects of the capital increase, and Offering(1)(2)*	Total(3)*
		(in € thousand)	
Current liabilities	**76,659**	**—**	**76,659**
Current financial debt(10)	55,599	—	55,599
of which secured(4)	55,599	—	55,599
Other current debt	21,060	—	21,060
Non-current liabilities	**999,024**	**—**	**711,479**
Non-current bank loans	641,777	—	641,777
of which secured(4)	641,777	—	641,777
Non-current financial liabilities(11)	306,130	(287,545)	18,585
Other non-current liabilities(12)	51,117	—	51,117
Total equity	**173,876**	**481,545**	**655,421**
Total equity attributable to the Company's shareholders(6)	170,312	481,545	651,857
Subscribed capital(7)	2	40	42
Capital reserves(8)	13,569	481,534	495,103
Other reserves(9)	156,741	(29)	156,712
Non-controlling interests	3,564	—	3,564
Total equity attributable to the Company's shareholders and liabilities	**1,249,559**	**194,000**	**1,443,559**

* Columns may not add up due to rounding.

(1) By resolution of the extraordinary shareholders' meeting of the Company held on June 8, 2015, the Company's share capital was increased against a contribution in cash of €29,000, from €2,000 to €31,000. The capital increase was registered with the commercial register on June 8, 2015.

(2) It is assumed that 8,888,889 New Shares will be issued at the mid-point of the Price Range and generate net proceeds of €194.0 million. Additionally, the column "Effects of the capital increase, and Offering" includes both the effects from conversion of the shareholder loans as well as the issuance of the New Shares and an additional non-share capital contribution by the Underwriters.

(3) The column "Total" presents the Group's capitalization as of March 31, 2015, adjusted for the aggregate effects of the capital increase and the effects of the Offering.

(4) Mainly comprises land charges, bank account pledges and pledges of shares in affiliates.

(5) Comprises guarantees given by third parties in favor of the Group.

(6) Referred to as "shareholder's equity" in the ESMA Update.

(7) Referred to as "share capital" in the ESMA Update.

(8) Referred to as "legal reserve" in the ESMA Update and include share premium.

(9) The line item "other reserves" includes retained earnings and other reserves.

(10) "Current financial debt" is the total of current bank debt, current portion of non-current debt and other current financial debt.

(11) Referred to as "other non-current loans" in the ESMA Update.

(12) The line item "other non-current liabilities" includes derivatives and deferred tax liabilities.

Indebtedness

	Actual as of March 31, 2015*	Effects of the capital increase and Offering[1][2]*	Total[3]*
		(unaudited) (in € thousand)	
Cash and cash equivalents	24,198	194,000	218,198
Current bank debt	29,399	—	29,399
Current portion of non-current debt[4]	26,200	—	26,200
Other current financial debt	—	—	—
Current financial debt[5]	**55,599**	**—**	**55,599**
Net current financial indebtedness[6]	**31,401**	**(194,000)**	**(162,599)**
Non-current bank loans[7]	641,777	—	641,777
Non-current financial liabilities[8]	306,130	(287,545)	18,585
Non-current financial indebtedness[9]	**947,907**	**(287,545)**	**660,362**
Net financial indebtedness[10]	**979,308**	**(481,545)**	**497,763**

* Columns may not add up due to rounding.

(1) By resolution of the extraordinary shareholders' meeting of the Company held on June 8, 2015, the Company's share capital was increased against a contribution in cash of €29,000, from €2,000 to €31,000. The capital increase was registered with the commercial register on June 8, 2015.

(2) It is assumed that 8,888,889 New Shares will be issued at the mid-point of the Price Range and generate net proceeds of €194.0 million. Additionally, the column "Effects of the capital increase, and Offering" includes both the effects from conversion of the shareholder loans as well as the issuance of the New Shares and an additional non-share capital contribution by the Underwriters.

(3) The column "Total" presents the Group's indebtedness as of March 31, 2015, adjusted for the aggregate effects of the capital increase and the effects of the Offering.

(4) The item "Current portion of non-current debt" as referred to in the ESMA Update comprises financial liabilities that become due within the next twelve months and that were initially categorized as non-current financial indebtedness.

(5) "Current financial debt" is the total of current bank debt, current portion of non-current debt and other current financial debt.

(6) "Net current financial indebtedness" is the difference between current financial debt and the sum of liquidity and current financial receivables.

(7) Refers to "non-current bank loans" in the ESMA Update.

(8) Refers to "other non-current loans" in the ESMA Update.

(9) "Non-current financial indebtedness" is the total of other non-current, non-derivative financial liabilities and non-current financial liabilities.

(10) "Net financial indebtedness" is the total of net current financial indebtedness and non-current financial indebtedness.

Statement on Working Capital

The Company is of the opinion that the Group is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this Prospectus.

DILUTION

Total equity attributable to shareholders of the Company (before converting shareholders' loans and capital notes to equity) amounted to €170.3 million as of March 31, 2015. Total equity attributable to shareholders of the Company (after converting shareholders' loans and capital notes to equity) would amount to €457.9 million as of March 31, 2015 and would amount to €18.31 per share based on 25,000,000 outstanding Shares immediately before the Offering.

The dilutive effect of the Offering is illustrated in the table below demonstrating the amount by which the offer price at the low end, mid-point and high end of the Price Range exceeds the total equity attributable to shareholders per share after completion of the Offering. In this respect, the total equity attributable to shareholders is adjusted for the effects of the Offering, assuming (i) the execution of the capital increase in the maximum number of offered New Shares and (ii) an increase in the total equity attributable to shareholders at the low end, mid-point and high end of the Price Range by €194.0 million, €194.0 million and €194.0 million, respectively. The assumed increase is based on the expected net proceeds, taking into effect the reduction in deferred tax liabilities triggered through the incurrence of offer related costs by the Company. The adjusted total equity attributable to shareholders is expressed as a per share figure, assuming 35,000,000 outstanding Shares at the low end of the Price Range, 33,888,889 outstanding Shares at the mid-point of the Price Range and 33,000,000 oustanding Shares at the high end of the Price Range, upon completion of the Offering (these per share figures being referred to as "**Post-IPO Equity per Share**"). As each Share carries one vote, the respective voting rights of any shareholder will be diluted in the same percentage as a result of the Offering.

	Low End	Mid-Point	High End
Price per share (in €)	20.00	22.50	25.00
Total equity attributable to shareholders per share as of March 31, 2015 (based on 25,000,000 outstanding Shares before the Offering) (in €)	18.31	18.31	18.31
Post-IPO Equity per Share (in €)	18.62	19.24	19.75
Amount by which the price per share exceeds the Post-IPO Equity per Share (immediate dilution per share) (in €)	1.38	3.26	5.25
Immediate dilution (in %)	6.9	14.5	21.0
Voting rights per share	1	1	1

SELECTED CONSOLIDATED FINANCIAL DATA AND GROUP DATA

The financial data contained in the following tables is extracted or derived from the audited consolidated financial statements of the Group for the Fiscal Year 2014, the Fiscal Year 2013, and the Fiscal Year 2012 and the unaudited condensed consolidated interim financial statements of the Group as of and for the First Quarter 2015. These annual and interim consolidated financial statements have been prepared in accordance with IFRS. Additional information included in this Prospectus has been taken from the unconsolidated financial statements of the Company for the fiscal year ended December 31, 2014, which were also prepared in accordance with IFRS.

*For historical reasons, KPMG Hungária Kft., with registered office at Váci út 31, H-1134 Budapest, Hungary and registered with the Chamber of Hungarian Auditors under number 000202 ("**KPMG**"), has audited and issued an unqualified auditor's report with respect to the consolidated financial statements for the Fiscal Year 2014, Fiscal Year 2013 and Fiscal Year 2012 and for a FFO forecast. The aforementioned annual and interim consolidated financial statements of the Group and the related auditor's reports are included in this Prospectus beginning on page F-1.*

Where financial data in the following tables is labeled "audited", this means that it has been extracted from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above, but was taken either from the Group's unaudited condensed consolidated interim financial statements or the Group's accounting or controlling records, or is based on calculations of these figures. All of the financial data presented in the text and tables below are shown in thousands of euro (in € thousand), except as otherwise stated. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal point unless stated otherwise. Financial data presented in parentheses denotes the negative of such number presented. In respect of financial data set out in the Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

The following selected financial data should be read together with the section "Management's Discussion and Analysis of Financial Condition and Results of Operations", the consolidated financial statements including the related notes contained in this Prospectus and additional financial information contained elsewhere in this Prospectus.

Selected Consolidated Statements of Comprehensive Income Data

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	**2014**	**2014**	**2013**	**2012**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Revenue	13,491	7,426	34,329	22,673	15,698
Cost of revenue	(3,887)	(1,147)	(6,581)	(3,873)	(1,890)
Gross profit	**9,604**	**6,279**	**27,748**	**18,800**	**13,808**
General and administrative expenses	(1,108)	(603)	(3,162)	(2,686)	(2,635)
Changes in fair value of investment properties and assets held for sale	39,021	(309)	68,838	23,001	15,291
Results from operating activities	**47,517**	**5,367**	**93,424**	**39,115**	**26,464**
Finance income	556	3,943	4,669	17	106
Finance costs	(6,236)	(4,079)	(18,417)	(12,523)	(9,602)
Net finance costs	**(5,680)**	**(136)**	**(13,748)**	**(12,506)**	**(9,496)**
Profit before tax	**41,837**	**5,231**	**79,676**	**26,609**	**16,968**
Income tax expense	(11,010)	(187)	(10,398)	(3,668)	(2,211)
Profit for the period	**30,827**	**5,044**	**69,278**	**22,941**	**14,757**

Selected Consolidated Statements of Financial Position Data

	As of March 31,		As of December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Certain Assets					
Advances in respect of trading properties	—	1,363	31,972	—	—
Trading properties	43,591	—	13,750	—	—
Assets held for sale	—	5,192	1,117	7,395	—
Advances in respect of investment property	378,775	6,521	119,194	17,596	8,434
Investment properties	782,040	472,071	611,568	448,940	255,809
Total assets	**1,249,559**	**500,540**	**800,795**	**487,788**	**274,220**
Certain Liabilities					
Interest bearing loans from banks (current)	55,599	8,455	45,623	19,743	12,681
Current liabilities	**76,659**	**19,664**	**58,968**	**30,182**	**20,957**
Interest bearing loans from banks (non-current)	641,777	275,857	368,730	266,747	164,362
Amounts due to related parties (non-current)	306,130	120,783	204,633	114,629	52,944
Non-current liabilities	**999,024**	**419,255**	**610,756**	**401,865**	**233,965**

Selected Consolidated Cash Flow Statements Data

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Net cash from (used in) operating activities	9,277	3,383	(19,398)	15,229	12,243
Net cash from (used in) investing activities	(388,201)	(10,316)	(191,326)	(74,720)	(33,843)
Net cash from (used in) financing activities	393,460	6,458	215,715	62,581	16,830
Increase (decrease) in cash and cash equivalents during the period	14,536	(475)	4,991	3,090	(4,770)
Cash and cash equivalents at the beginning of the period	9,662	4,671	4,671	1,581	6,351
Cash and cash equivalents at the end of the period	24,198	4,196	9,662	4,671	1,581

Additional Non-IFRS Performance Measures

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

We expect the Performance Measures EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin, Adjusted EPRA NAV, FFO, FFO (including disposal result) and AFFO to be of use for potential investors. We believe that the Performance Measures are useful 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, because a number of companies, in particular companies in the real estate business, also publish these figures as key performance indicators. However, the Performance Measures are not recognized as line items under IFRS and should not be considered as substitutes for figures on net assets, result before taxes, net earnings, cash flow from operating activities or other income statement, cash flow or balance sheet data, as determined in accordance with IFRS, or as indicators of profitability or liquidity. The Performance Measures do not necessarily indicate whether cash flow will be sufficient or available for the Group's cash requirements, nor whether any such measure is indicative of the Group's historical operating results. The Performance Measures are not meant to be indicative of future results. Because not all companies calculate these Performance Measures in the same way, our presentation of the Performance Measures is not necessarily comparable with similarly-titled measures used by other companies.

The following table presents a summary of certain performance indicators for the periods presented.

	As of and for the three-month period ended March 31,		As of and for the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand, unless otherwise specified)		(unaudited) (in € thousand, unless otherwise specified)		
Key performance measures[1]					
In-place rent (end of period)	41,591	28,545	34,255	26,634	15,868
of which residential units	34,165	23,115	27,712	21,480	13,236
of which commercial units	6,628	4,792	5,877	4,736	2,467
of which other & parking units	798	638	666	418	165
In-place rent (per month in € per sqm)[2]	6.33	5.93	6.24	5.81	5.50
residential units	6.04	5.58	5.94	5.45	5.29
commercial units	8.41	8.21	8.21	8.29	6.94
Like-for-like rental growth (residential)[3]	8.5%	4.5%	8.0%	4.7%	5.8%
EBITDA[4]	8,019	5,700	24,584	16,242	11,233
EBITDA Margin[5]	77.4%	80.6%	76.9%	78.3%	72.6%
Adj. EBITDA (including disposal result)[6]	8,531	5,700	24,682	16,242	11,233
Adj EBITDA (including disposal result) margin (%)[7]	65.5%	80.6%	75.8%	78.3%	72.6%
FFO[8]	4,420	3,202	13,529	7,798	4,245
FFO (including disposal result)	4,932	3,202	13,627	7,798	4,245
AFFO[9]	3,778	2,814	10,080	6,074	3,159
Financing and financing position[1]					
LTV-Ratio (in %)[10]	81.3%	82.6%	78.4%	83.7%	86.4%
Adjusted LTV-Ratio (in %)[11]	57.4%	57.7%	54.4%	59.4%	66.3%
Total portfolio value[12]	1,204,406	485,147	777,601	473,931	264,243
EPRA NAV[13]	222,733	84,388	168,460	76,273	36,485
Adjusted EPRA NAV[14]	510,278	205,171	354,779	190,980	89,652
Adjusted net financial liabilities[15]	691,763	280,116	423,005	281,741	175,239
Average interest cost	2.6%	3.5%	3.0%	3.5%	3.8%
Average debt maturities (in years)	6	5	5	5	5
of which fixed or hedged	95.9%	98.5%	92.7%	98.3%	100%
Portfolio measures[1]					
Number of units	8,560	6,343	7,193	5,813	3,661
residential	7,914	5,794	6,601	5,269	3,288
commercial	646	549	592	544	373
Vacancy rate at period end (in % of sqm)[16]	4.0%	5.5%	4.7%	4.3%	3.0%
residential units	4.1%	5.2%	4.8%	4.0%	2.6%
commercial units	3.6%	7.8%	3.6%	6.1%	5.7%
Capital expenditures	2,233	2,055	9,346	4,161	4,311
of which maintenance capital expenditure (public)	642	388	3,449	1,724	1,086
of which maintenance capital expenditure/sqm (in €)	4.73	3.36	7.57	5.44	4.47
of which investment and modernization expenditures	1,591	1,667	5,897	2,437	3,225
of which investment capital expenditure/sqm (in €)	13.27	15.22	13.16	7.54	13.02
Certain per share information					
Adjusted EPRA NAV per share[17] (in €)	20.41	8.21	14.19	7.64	3.59
FFO per share (in €)	0.18	0.13	0.54	0.31	0.17
FFO (including disposal result) per share (in €)	0.20	0.13	0.55	0.31	0.17

(1) Excluding the Carlos Portfolio (as defined in "*Business—Our Portfolio*") acquisition.

(2) **In-place rent (per month in € per sqm)** is defined as the current gross rental income per month for rented residential and commercial units as agreed in the corresponding rent agreements as of March 31, 2015 and 2014 and December 31, 2014, 2013 and 2012, respectively, before deducting non-recoverable operating costs, divided by the lettable area of rented units as of the same dates. Residential in-place rent is often also referred to as "net cold rent".

(3) **Like-for-like rental growth (residential)** for the respective period is the growth in rental income on residential units during the respective period compared to the rental income on the same units owned during the corresponding period in the prior year.

(4) **EBITDA** is defined as profit for the period before income tax expense, depreciation, changes in fair value of investment properties and assets held for sale, net finance costs and result from disposals. The following table shows the calculation of EBITDA for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand, unless otherwise specified)		(audited) (in € thousand, unless otherwise specified)		
Profit for the period	30,827	5,044	69,278	22,941	14,757
Income tax expense	11,010	187	10,398	3,668	2,211
Depreciation	35	24	96	128	60
Net finance costs	5,680	136	13,748	12,506	9,496
Changes in fair value of investment properties and assets held for sale	(39,021)	309	(68,838)	(23,001)	(15,291)
Disposal results	(512)	—	(98)	—	—
EBITDA	**8,019**	**5,700**	**24,584**	**16,242**	**11,233**

(5) **EBITDA margin** is defined as EBITDA divided by net rental income.

(6) **Adjusted EBITDA** is defined as EBITDA including net result from disposals.

(7) **Adjusted EBITDA margin** is the Adjusted EBITDA divided by net rent and revenues from sales of residential units.

(8) **Funds from operations (FFO)** is an indicator of liquidity for real estate companies. FFO is EBITDA for the respective periods adjusted to generally reflect net cash interest payments and current income taxes ("**FFO**"). For the manner in which FFO is calculated, see footnote (9) below.

(9) **Capex-adjusted FFO ("AFFO")** is FFO adjusted for capitalized maintenance.

The following table shows the calculation of FFO and AFFO for the periods shown:

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(unaudited) (in € thousand)		
EBITDA[9a]	8,019	5,700	24,584	16,242	11,233
Net cash interest[9b]	(3,575)	(2,486)	(11,010)	(8,393)	(6,812)
Current income taxes	(24)	(12)	(45)	(51)	(176)
FFO	**4,420**	**3,202**	**13,529**	**7,798**	**4,245**
Capitalized maintenance[9c]	(642)	(388)	(3,449)	(1,724)	(1,086)
AFFO	**3,778**	**2,814**	**10,080**	**6,074**	**3,159**

(9a) For a calculation of EBITDA, see footnote (4) above.

(9b) Refers to the balance of interest paid to banks and Harel Insurance Investments and Financial Services Ltd. ("**Harel**"), a shareholder of the Selling Shareholder, and interest received from banks.

(9c) Refers to investments that are designed to preserve the value of the respective properties.

(10) **The LTV-Ratio** (in %) is the ratio of the nominal amount of financial liabilities, less cash and cash equivalents, to the sum of investment properties and advances for investment properties, trading properties and advances for trading properties and assets held for sale. The following table shows the calculation of the LTV-Ratio as of the dates shown:

	As of March 31,		As of December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited, unless otherwise specified) (in € thousand)		
Financial liabilities[10a]	1,003,506	405,095	618,986	401,119	229,987
Cash and cash equivalents	24,198	4,196	9,662	4,671	1,581
Net financial liabilities	**979,308**	**400,899**	**609,324**	**396,448**	**228,406**
Investment properties[10b]	1,160,815	478,592	730,762	466,536	264,243
Trading properties[10b]	43,591	1,363	45,722	0	0
Assets held for sale	0	5,192	1,117	7,395	0
Total investment properties, trading properties and assets held for sale	**1,204,406**	**485,147**	**777,601**	**473,931**	**264,243**
LTV-Ratio (in %)	**81.3%**[10b]	**82.6%**[10b]	**78.4%**[10b]	**83.7%**[10b]	**86.4%**[10b]

(10a) Financial liabilities include amounts owed to related parties, a large portion of which will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding thereafter. See Note (11) and (14) below.

(10b) Including advances in respect of investment properties and trading properties which we acquired after the related period end date.

(11) **Adjusted LTV-Ratio (in %)** is the LTV-Ratio adjusted to remove from the respective financial debt amount, such debt owed to related parties which will be converted into shares in the Company at the issuance of the New Shares. The following table shows the calculation of the Adjusted LTV-Ratio (in %) as of the dates shown:

	As of March 31,		As of December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited, unless otherwise specified) (in € thousand)		
Net financial liabilities	979,308	400,899	609,324	396,448	228,406
Financial liabilities owed to certain related parties:					
Selling Shareholder	27,443	18,144	24,202	23,616[11a]	12,780[11a]
Selling Shareholder (Capital notes)	260,102	102,639	162,117	91,091	40,387
Adjusted net financial liabilities	691,763	280,116	423,005	281,741	175,239
Total investment properties, trading properties and assets held for sale[11b]	**1,204,406**	**485,147**	777,601	473,931	264,243
Adjusted LTV-Ratio (in %)	**57.4%**	**57.7%**	54.4%	59.4%	66.3%

(11a) This amount includes current liabilities owed to the Selling Shareholder in the amount of €78 thousand (2012: €223 thousand) and non-current liabilities owed to the Selling Shareholder in the amount of €23,538 thousand (2012: €12,557 thousand).

(11b) See Note (10) above for a breakdown of the components of the total investment properties, trading properties and assets held for sale.

(12) **Total portfolio value** is the sum of investment properties, trading properties and assets held for sale, including advances in respect of investment properties and trading properties which were acquired after the related period end date. The total portfolio value differs from the figure determined by CBRE because trading properties are valued at acquisition cost. Additionally, the prepayment of one asset is not included in the CBRE valuation.

(13) **EPRA NAV** is used as an indicator of the Group's long-term equity and is calculated based on the equity attributable to Company shareholders increased by the fair value of derivative financial instruments (net) and deferred taxes (net).

The following table shows the calculation of the EPRA NAV as of the dates presented:

	As of March 31,		As of December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited, unless otherwise specified) (in € thousand)		
Equity attributable to Company shareholders	170,312	61,336	129,980	55,428	19,265
Revaluation from trading properties	—	—	—	—	—
Fair value measurement of derivative financial instruments (net)	11,179	8,975	12,096	7,407	11,367
Deferred taxes (net)	41,242	14,077	26,384	13,438	5,853
EPRA NAV (unaudited)	**222,773**	**84,388**	**168,460**	**76,273**	**36,485**

(14) **Adjusted EPRA NAV** is the EPRA NAV plus the amount of financial debt owed to related parties which will be converted into shares in the Company at the issuance of the New Shares, and therefore will no longer be outstanding financial debt of the Group following the Offering. The €18,585 thousand amount owed to Harel, a shareholder of the Selling Shareholder and holding 40% of the shares in the Waypoint Portfolio (as defined in "*Business—Our Portfolio*"), as of March 31, 2015, is expected to remain outstanding following the Offering.

	As of March 31,		As of December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited, unless otherwise specified) (in € thousand)		
EPRA NAV (unaudited)	**222,733**	**84,388**	**168,460**	**76,273**	**36,485**
Financial liabilities owed to certain related parties:					
Selling Shareholder.	27,443	18,144	24,202	23,616[14a]	12,780[14a]
Selling Shareholder (Capital notes)	260,102	102,639	162,117	91,091	40,387
Adjusted EPRA NAV (unaudited)	**510,278**	**205,171**	**354,779**	**190,980**	**89,652**

(14a) This amount includes current liabilities owed to the Selling Shareholder in the amount of €78 thousand (2012: €223 thousand) and non-current liabilities owed to the Selling Shareholder in the amount of €23,538 thousand (2012: €12,557).

(15) **Adjusted net financial liabilities** is financial liabilities less the amounts owed to the Selling Shareholder, which prior to the closing of the Offering will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial liabilities of the Group following the Offering.

(16) **Vacancy rate at period end (in % of sqm)** is the sqm of vacant units as of the respective period end, divided by the total sqm of units owned on the respective period end date.

(17) **Adjusted EPRA NAV per share** is adjusted EPRA NAV divided by 25,000,000 shares, which represents the outstanding number of Shares as of the date of this Prospectus, assuming that prior to the closing of the Offering, all the amounts owed to the Selling Shareholder will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial data contained in the following tables is extracted or derived from the audited consolidated financial statements of the Group for the Fiscal Year 2014, the Fiscal Year 2013, and the Fiscal Year 2012 and the unaudited condensed consolidated interim financial statements of the Group as of and for the First Quarter 2015. These annual and interim consolidated financial statements have been prepared in accordance with IFRS. Additional information included in this Prospectus has been taken from the unconsolidated financial statements of the Company for the fiscal year ended December 31, 2014, which were also prepared in accordance with IFRS.

For historical reasons, KPMG has audited and issued an unqualified auditor's report with respect to the consolidated financial statements for the Fiscal Year 2014, Fiscal Year 2013 and Fiscal Year 2012 and for a FFO forecast. The aforementioned annual and interim consolidated financial statements of the Group and the related auditor's reports are included in this Prospectus beginning on page F-1.

Where financial data in the following tables is labeled "audited", this means that it has been extracted from the audited financial statements mentioned above. The label "unaudited" is used in the following tables to indicate financial data that has not been taken from the audited financial statements mentioned above, but was taken either from the Group's unaudited condensed consolidated interim financial statements or the Group's accounting or controlling records, or is based on calculations of these figures. All of the financial data presented in the text and tables below are shown in thousands of euro (in € thousand), except as otherwise stated. In order to ensure that figures given in the text and the tables sum up to the totals given, the numbers are commercially rounded to the nearest whole number or in some cases to such number that facilitates the summing up. The percentage changes that are stated in the text and the tables have been commercially rounded to one decimal point unless stated otherwise. Financial data presented in parentheses denotes the negative of such number presented. In respect of financial data set out in the Prospectus, a dash ("–") signifies that the relevant figure is not available, while a zero ("0") signifies that the relevant figure is available but has been rounded to zero.

The following management's discussion and analysis should be read together with the section "Selected Consolidated Financial Data and Group Data", the consolidated financial statements including the related notes contained in this Prospectus and additional financial information contained elsewhere in this Prospectus.

Overview

We believe that following the Offering we will be the only company listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange that is focused on residential real estate located solely in Berlin, Germany. Apart from three commercial buildings, we specialize in and focus on the purchase and management of income producing multi-family residential buildings located in Berlin. As of December 31, 2014, our property portfolio consisted of 6,601 residential units with a total residential lettable area of 408,594 sqm, 592 commercial units (retail, office and other commercial) with a total commercial lettable area of 61,893 sqm, 1,577 parking spaces and spaces for storage, antennas, etc. Our portfolio value as of March 31, 2015, and including the Carlos Portfolio (as defined in "*Business—Our Portfolio*"), was approximately €1.2 billion. As of March 31, 2015, and including the Carlos Portfolio, our property portfolio consisted of 13,663 residential units with a total residential lettable area of 881,859 sqm, 713 commercial units (retail, office and other commercial) with a total commercial lettable area of 76,459 sqm, 3,228 parking spaces and spaces for storage, antennas, etc.

Most of our residential units contain one or two rooms and have an average size of approximately 65 sqm, which means that we are well positioned to benefit from the growth of one- and two-person households in Germany, which is expected to be particularly strong in Germany's metropolitan areas (*Source: GPE – Population Development*). As of March 31, 2015, and including the Carlos Portfolio, our vacancy rate was 4.0% and 4.3% for our residential units and commercial units, respectively. The monthly net rent per sqm was €5.66 and €8.16 for our residential units and commercial units, respectively.

We believe that the residential real estate market in Berlin benefits from positive demographic trends. Berlin is the most populous city in Germany, with 3.56 million inhabitants as of December 31, 2014 (*Source: Berlin-Brandenburg – Statistical Report 2015*). In 2014, Berlin's population grew by approximately 44,700 inhabitants, of which roughly 2,600 were due to birth surplus and 42,100 were due to migration to Berlin, and in 2013, the population grew by approximately 47,800, of which roughly 2,200 were due to birth surplus and roughly 45,600 were due to migration to Berlin (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin-Brandenburg*). It is expected that this growth trend will continue, with the Berlin population expected to increase from 3.56 million in 2014 to approximately 3.70 million in 2020 (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin Senate*). We also believe that we will continue to benefit from Berlin's status as the capital and largest city of Germany, which has one of Europe's strongest economies and is an important business, political and cultural center for continental Europe. In addition to a growing number of governmental employees in the city, Berlin is a growing business center for, among others, the services, pharmaceuticals, media, creative and technology sectors. The unemployment rate in Berlin, which in 2014 was higher than the unemployment rate in Germany as a whole, has been decreasing faster than the German average and this development is expected to continue (*Source: German Employment Agency*).

Our business model focuses on asset and property management, portfolio and facility management and identifying and acquiring residential properties in Berlin that present opportunities for us to create value by increasing rents, decreasing vacancy and privatizing condominiums. The current relatively low rent levels in Berlin compared to the other big cities in Germany (*Source*: *CBRE Report 2015*) present opportunities for our business and future growth. Our residential units face strong demand from broad segments of the population: from the growing youth population to individuals with low and medium household income, some of which are being supported by social benefits and transfer payments from public authorities. We believe that our residential units provide tenants with an attractive value proposition and are suitable to market demand, which is further enhanced by our capital expenditure for refurbishment since 2007.

In addition, we target value generation through the use of our efficient, fully integrated in-house management and tenant service platform, without legacy constraints, to manage our portfolios. We believe that due to our history and particularly through our operational efforts since our establishment in 2006, we have achieved significant recognition in the market and as evidenced by our track record in achieving continual rental growth (see "*Business—Competitive Strengths*" below).

During the First Quarter 2015, the Group generated revenues from property letting of €10,355 thousand (First Quarter 2014: €7,069 thousand; December 31, 2014: €31,972 thousand; December 31, 2013: €20,741 thousand; December 31, 2012: €15,463 thousand) and EBITDA of €8,019 thousand (First Quarter 2014: €5,700 thousand; December 31, 2014: €24,584 thousand; December 31, 2013: €16,242 thousand; December 31, 2012: €11,233 thousand). Adjusted EBITDA including disposal results for the First Quarter 2015 was €8,531 thousand (First Quarter 2014: €5,700 thousand; December 31, 2014: €24,682 thousand; December 31, 2013: €16,242 thousand; December 31, 2012: €11,233 thousand). During the First Quarter 2015, the Group generated FFO of €4,420 thousand (First Quarter 2014: €3,202 thousand; December 31, 2014: €13,529 thousand; December 31, 2013: €7,798 thousand; December 31, 2012: €4,245 thousand) and AFFO of €3,778 thousand (First Quarter 2014: €2,814 thousand; December 31, 2014: €10,078 thousand; December 31, 2013: €6,074 thousand; December 31, 2012: €3,159 thousand). As of March 31, 2015, the Group's EPRA NAV amounted to €222,733 thousand (First Quarter 2014: €84,388 thousand; December 31, 2014: €168,460 thousand; December 31, 2013: €76,273 thousand; December 31, 2012: €36,485 thousand) and Adjusted EPRA NAV amounted to €510,278 thousand (First Quarter 2014: €205,171 thousand; December 31, 2014: €354,779 thousand; December 31, 2013: €190,980 thousand; December 31, 2012: €89,652 thousand). The Group's LTV-Ratio and adjusted LTV-Ratio was 81.3% and 57.4%, respectively, as of March 31, 2015.

For a reconciliation of EBITDA, Adjusted EBITDA, FFO, AFFO, LTV-Ratio, adjusted LTV-Ratio, EPRA NAV and Adjusted EPRA NAV to the most nearly comparable IFRS figures, see "*Selected Consolidated Financial Data and Company Data—Additional Non-IFRS Performance Measures*".

Key Factors Affecting Results

Our results of operation have been, and will continue to be, affected by a number of events and actions, some of which are beyond our control. We believe that the specific factors discussed below have affected our results in the periods for which financial information is presented in this Prospectus and will continue to affect our results in the future.

Economic and Demographic Developments in Berlin

Our business activities are subject to general economic conditions especially in Berlin, where all of the real estate we own is located. Cyclical economic developments beyond our control, including changes in growth and unemployment rates, price trends and interest rate levels, affect rental income levels, the potential for privatizations and for property sales, opportunities for acquisitions and purchase prices. For example, economic growth and favorable market conditions in the periods under review contributed to higher rents. Recent economic data, however, reflects a slowdown in growth of the German economy, which may negatively affect our business in the future, particularly if the slowdown deepens into a recession. Rising interest rates can adversely affect the valuation of our investment properties, which may require us to recognize a valuation impairment charge that would negatively affect our income and balance sheet. In addition, inflation-driven or deflation-driven price increases or decreases affect our expenses. To the extent possible by law and taking into account the market environment, cost increases are compensated for by rent increases and/or allocated to ancillary costs. However, our focus on the affordable segment of the rental market in Berlin may mitigate the impact such developments may have on the Company.

Political and regulatory decisions and developments such as, for example, public subsidies for residential space also influence supply and demand in the residential property market and affect price trends for rented residential units and sales of residential units. Furthermore, an increase in the new construction of residential units can increase the vacancy in our portfolio and adversely affect our results of operations.

Demographic factors such as changes in average household size, home ownership rate and migration patterns also affect the rental yields and market values of properties in our residential portfolio. In 2013, three-quarters (75%) of the households in Germany were households with a maximum of two persons ("small households"), whereas in 1991, less than two-thirds (64%) of the households were small households (*Source: Federal Statistical Office, Households & Families*). With an increase of 1.2% in 2013, single-person households showed the highest rate of growth of all household sizes, followed by two-person households, which grew at 0.6%. It is expected that the number of households in Germany will continue to increase in the future with a total expected growth rate of 2.4% between 2009 and 2025 (*Source: Federal Statistical Office, Population*), particularly in cities and densely populated areas such as Berlin. This trend is even more pronounced for one- and two-person households which are expected to increase by 11.9% between 2009 and 2030 (*Source: Federal Statistical Office, Population*). As a result of these trends, the average household size is projected to fall below 2.00 by as early as this year (2015) and is expected to decrease to a level of 1.88 by 2030 (*Source: Federal Statistical Office, Households*). Trends in the individual micro market in which the Group operates, Berlin, may have a more significant impact on the Group's results than overall demographic developments, whether in Germany as a whole or at a regional or state level. In Berlin in 2014, the average household size was approximately 1.73 persons per household as compared to 1.81 persons per household in 2003 (*Source: CBRE Report 2014; Federal Statistical Office, Housing*). Of the private households in Berlin in 2013, approximately 54.1% were single-person households compared to the estimated German average of 39.7% single-person households (*Source: Berlin-Brandenburg; Federal Statistical Office, Housing*). For more information on the Berlin market in which the Group's residential properties are located, see "*Markets and Competition—Berlin*". See also the risk factor "*We are dependent on regional real estate markets, particularly in Berlin. Further, we are dependent on our ability to adapt our business activities to developments in these markets. Negative market developments in Berlin or an inability on our part to adapt our business activities and/or properties could have material adverse effects on our business, net assets, financial condition, cash flows and results of operations*".

Acquisitions, Portfolio Size, Rent Level and Vacancy Rates

Rental income depends on the performance of the key operational measures in the rental business: portfolio size, rent levels and vacancy rates. The following table sets forth information on our residential portfolio, in-place rent per month per square meter and vacancy rate and the information as of and for the First Quarter 2015 and does not include the Carlos Portfolio, which we acquired on April 1, 2015. As of March 31, 2015, and including the Carlos Portfolio on April 1, 2015, the Company owned 14,376 units, of which 13,663 were residential units, and had an in-place aggregate rent of approximately €66 million.

	As of and for the three-month period ended March 31,	As of and for the year ended December 31,		
	2015	**2014**	**2013**	**2012**
	(unaudited)	**(unaudited, unless otherwise specified)**		
Number of units	8,560	7,193	5,813	3,661
residential	7,914	6,601	5,269	3,288
commercial	646	592	544	373
In-place rent (in € thousand)	41,591	34,255	26,634	15,868
residential	34,165	27,712	21,480	13,236
commercial	6,628	5,877	4,736	2,467
other and parking	798	666	418	165
In-place rent (per month in € per sqm)(1)	6.33	6.24	5.81	5.50
residential	6.04	5.94	5.45	5.29
commercial	8.41	8.21	8.29	6.94
Vacancy rate at period end (in % of sqm)(2)	4.0%	4.7%	4.3%	3.0%
residential	4.1%	4.8%	4.0%	2.6%
commercial	3.6%	3.6%	6.1%	5.7%
Total portfolio value (in € thousands)(3)	1,204,406	777,601	473,931	264,243

(1) **In-place rent (per month in € per sqm)** is defined as the current gross rental income per month for rented residential and commercial units as agreed in the corresponding rent agreements as of March 31, 2015 and 2014 and December 31, 2014, 2013 and 2012, respectively, before deducting non-recoverable operating costs, divided by the lettable area of rented units as of the same dates. Residential in-place rent is often also referred to as "net cold rent".

(2) **Vacancy rate at period end (in % of sqm)** is defined as the number of vacant sqm as of the respective period end, divided by the total number of sqm owned on the respective period end date.

(3) **Total portfolio value** is the sum of investment properties, trading properties and assets held for sale, including advances in respect of investment properties and trading properties which were acquired after the related period end date. The total portfolio value differs from the figure determined by CBRE because trading properties are valued at acquisition cost. Additionally, the prepayment of one asset is not included in the CBRE valuation.

Portfolio size: Our rental income is affected by the overall size of our investment portfolio. During the past three years, driven by our strategy of increasing our investment portfolio and favorable market conditions, we increased significantly the number of residential and other properties we owned, with our last acquisition having taken place on April, 1, 2015. In addition, we have begun to selectively privatize certain residential units.

We intend to further grow our portfolio through acquisitions. While such acquisitions will positively affect rental income, the impact on residential in-place rent (per month in € per sqm), vacancy rates and operating measures such as FFO, the LTV-Ratio and EPRA NAV will depend on the characteristics of the acquired portfolio and related financing.

Rent levels: Our rental income is directly affected by the level of residential in-place rent per square meter per month we are able to charge. Rent levels generally depend on the location and condition of the respective properties. We constantly monitor current market rents and rent indices (*Mietspiegel*) in individual micro markets where our properties are located and seek to set our rents in line with the current market level to the extent allowed by law and contractual arrangements. We also put substantial effort into improving our residential units, particularly through refurbishments which increase the economic value of residential units and allow us to increase rents and more easily rent our units. In the past three years, we were able to raise the average residential in-place rent per square meter per month from €5.29 in December 2012, to €5.45 in December 2013, to €5.94 in December 2014 and to €6.04 in March 2015.

Vacancy rates and tenant turnover: Vacancy rates also affect our profitability due to the loss of rental income and the inability to pass on to tenants the ancillary expenses with respect to vacant units. The number of our vacant units depends largely on the condition, attractiveness and location of a particular property. Tenant turnover contributes to the number of vacant units due to the fact that time may elapse before a newly vacated unit can be re-let. Although high vacancy rates adversely affect our rental business, we may be able to charge additional premiums for vacant units in individual sales to prospective tenants and small capital investors and therefore from time to time choose to keep certain units designated for privatization vacant. We have implemented measures to reduce vacancy rates and the time it takes to conclude new leases with respect to vacated units and we will continue our efforts in this regard. Such measures contributed to us maintaining an overall vacancy rate, as of March 31, 2015, and including the Carlos Portfolio, of approximately 4.1% (where residential vacancy is 4.0% and commercial vacancy is 4.3%), including one project with a temporary vacancy rate of 39%. Without this project, our current vacancy rate is approximately 3.2% (including the recently acquired Carlos Portfolio.

Subsidies: As of March 31, 2015, and including the Carlos Portfolio, approximately 22% of the residential units that we own were rent-restricted due to subsidies provided by public authorities through programs for new buildings as well as for the modernization and renovation of existing buildings. Approximately 20% of this 22%, is attributable to the recently acquired Carlos Portfolio. Such subsidies were granted in the form of financial aid and grants, which we generally do not have to repay, and interest free or low-interest loans. If we do not meet specific conditions, we may be required to repay subsidies already received. In addition, a portion of our revenue is directly or indirectly dependent on social aid provided to or on behalf of our tenants, such as unemployment benefits (*Arbeitslosengeld I*), social welfare (*Arbeitslosengeld II, Hartz IV*) and housing subsidies (*Wohngeld*). See the risk factor "*Some of the properties that we have acquired are currently or have been subsidized by public authorities. As a result, the level of rents chargeable on a part of our portfolio is restricted. We may be required to repay subsidies that some of our properties have already received*".

Sales Prices, Sales Proceeds and Profit on Disposals of Properties

Our profit on the disposal of properties depends generally on the number of units sold, market prices for the properties in our portfolio and the mix of properties sold. Sales prices are influenced significantly by the location and condition of the property in question, the level of rental income we are able to generate, whether the unit is occupied or vacant, occupancy rate, prevailing interest rates and the general perception of the relevant asset class by investors. Increases in the construction of new residential units can reduce market demand for our real estate holdings and adversely affect the prices that we can realize from disposals. Political and regulatory decisions and developments, such as, for example, decisions to increase public spending for construction of affordable housing, also influence supply and demand in the residential property market and affect price trends for residential real estate.

We engage in single unit sales (privatizations) that include sales of single units in condominium properties and periodic sales of selected buildings and other properties. Historically, we have engaged a limited number of privatizations and in the future will engage in more as a strategy.

The following table sets forth information regarding single units sold by us in the periods under review:

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited)		(unaudited)		
Number of units sold (recorded sales)	11	0	4	0	0
Revenues from disposal of units sold (in € thousand)	2,661	0	610	0	0

Changes in Fair Value of Investment Properties and Assets Held for Sale

We value our investment properties initially at cost at the time of acquisition, including capitalized borrowing costs. We value assets held for sale at the lower of their carrying amount and their value less expected costs to sell. After the acquisition, we measure the fair value of investment properties and assets held for sale at least quarterly. Changes in certain market conditions such as prevailing rent levels, vacancy rates and interest rates may affect the valuation of investment properties and assets held for sale. Any changes in fair value of the investment portfolio of investment property and assets held for sale are recognized as gains or losses on the Group's income statement and can substantially affect the Group's results of operations. Changes in fair value of investment property and assets held for sale amounted to €39,021 thousand in the First Quarter 2015, €68,838 thousand in Fiscal Year 2014, €23,001 thousand in Fiscal Year 2013 and €15,291 thousand in Fiscal Year 2012. Through the end of Fiscal Year 2014, these valuations were based on valuations performed by W&W, an entity which is closely related to us, and on certain valuations performed by JKT Immobilien GmbH. We instructed CBRE to value our properties as of March 31, 2015. Their valuation report with respect to our properties as of March 31, 2015 is included in this Prospectus.

Maintenance and Improvements of Properties

We invest in maintaining and improving the quality of our residential properties. Modernization measures include projects to improve the condition of residential units to bring them up to market standards and otherwise to improve housing quality. In addition to ensuring a certain quality standard in our total residential portfolio by maintaining our properties, modernization projects tend to increase rent levels and reduce vacancies and vacancy losses, which positively impacts rental income and leads to increases in the fair value of our residential portfolio.

The following table shows our total expenditure on maintenance and modernization in the periods under review:

	For the three months period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Expenses for maintenance	985	703	2,964	1,774	781
Capitalized maintenance(1)	642	388	3,449	1,724	1,086
Modernization measures(2)	1,591	1,667	5,897	2,437	3,225
Total capitalized maintenance and modernization measures	2,233	2,055	9,346	4,161	4,311
Total	3,218	2,758	12,310	5,935	5,092

(1) Refers to investments that are designed to preserve the value of the respective properties.

(2) Refers to investments that are designed to increase the value of the respective properties and often trigger the statutory right to increase rents with respect to the modernized unit within the applicable legal framework or to reduce vacancy.

Most of our maintenance expenses are recognized as property operating and maintenance expenses within cost of revenue and thus impact our results of operations. Capitalized maintenance and modernization measures are not recognized as expenses, but are rather capitalized on the Group's balance sheet and increase the reported value of investment properties on the Group's balance sheet.

Cost of Financing

We are currently benefitting from favorable financing conditions, in particular from low interest rates, which may increase in the future. We were able to reduce our average interest rate to 2.6% as of March 31, 2015 while the average debt maturities increased to approximately 6 years as of the same date, including the loan from Harel. Our properties are largely debt-financed through classic banking loans secured by mortgages. Historically, our portfolio was also financed by loans from our shareholders. We depend on the availability of financing and our results of operations are materially affected by financing costs. Accordingly, entering into financing agreements on favorable terms, including for the purpose of refinancing our existing financial obligations, is of considerable importance to us and our results of operations are materially affected by financing costs. For additional information, see above "*Risk Factors—Financing and Valuation Risks—Our level of debt, the terms of current and future borrowings, and the hedging transactions we have entered into or will enter into in the future could significantly constrain our operations and could make it more difficult or expensive to obtain new sources of financing without breaching financial covenants*".

Changes in Interest Rates

Changes in interest rates affect our business. Changes in interest rates cause variations in interest income and costs on interest-bearing assets and liabilities. Loans obtained at variable rates which are not hedged expose us to cash flow interest risk, which could have adverse effects on our profit or loss and financial position. Interest rates impact capitalization and discount rates, which in turn influence the fair value of our investment portfolio and our assets held for sale. Moreover, lower interest rates in Germany tend to increase demand for residential properties, resulting in higher prices to be paid for acquired properties and also tend to positively impact the sale of properties. Conversely, rising interest rates lead to less favorable financing terms and negatively impact the sale of properties and thus tend to impact capitalization and discount rates.

In addition, changes in interest rates impact our cost of financing. They affect the conditions at which we may obtain fixed rate financing and impact interest payment obligations under our floating rate debt obligations. Approximately 96% of our interest rates (based on the value weighted interest rates on the liabilities due to financial institutions as of March 31, 2015) are either fixed or hedged, limiting our risk from increasing interest reference rates in the future.

We have engaged in, and currently expect to continue to engage in, hedging transactions to reduce the risk of interest rate fluctuations. We fulfill the requirements of the IAS 39 hedge accounting rules applicable to accounting for hedging instruments (interest rate swaps) in hedging against cash flow risks from variable interest rate loans. When interest rate levels fluctuate, the fair value of the interest rate swaps also fluctuates.

Property Operating Expenses

Our results of operations are impacted by the operating expense associated with our properties. While we are able to pass on many of the operating expenses associated with us owning our properties to our tenants, there are a significant number of expenses which we are not able to so pass along, including salaries and related expenses, net cost of utilities recharged and property operations and maintenance expenses.

Factors Affecting Comparability of Financial Information

We have acquired a large number of properties during the past three fiscal years. In Fiscal Year 2012, we acquired 36,000 sqm of property including 563 residential units and in Fiscal Year 2013, we acquired 155,000 sqm of property including 2,053 residential units and 178 commercial units. In Fiscal Year 2014, we acquired 78,000 sqm of property including 1,328 residential units and 72 commercial units. In January 2015, we acquired 91,000 sqm of property including 1,333 residential units and 51 commercial units, and on April 1, 2015, we acquired the Carlos Portfolio. As a result of these acquisitions, our historical financial statements are not directly comparable with each other.

Results of Operations

The following table provides an overview of our results of operations for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	**2014**	**2014**	**2013**	**2012**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Revenue	13,491	7,426	34,329	22,673	15,698
Cost of revenue	(3,887)	(1,147)	(6,581)	(3,873)	(1,890)
Gross profit	**9,604**	**6,279**	**27,748**	**18,800**	**13,808**
General and administrative expenses	(1,108)	(603)	(3,162)	(2,686)	(2,635)
Changes in fair value of investment property and assets for sale	39,021	(309)	68,838	23,001	15,291
Results from operating activities	**47,517**	**5,367**	**93,424**	**39,115**	**26,464**
Finance income	556	3,943	4,669	17	106
Finance costs	(6,236)	(4,079)	(18,417)	(12,523)	(9,602)
Net finance costs	**(5,680)**	**(136)**	**(13,748)**	**(12,506)**	**(9,496)**
Profit before tax	**41,837**	**5,231**	**79,676**	**26,609**	**16,968**
Income tax expense	(11,010)	(187)	(10,398)	(3,668)	(2,211)
Profit for the period	**30,827**	**5,044**	**69,278**	**22,941**	**14,757**
Other comprehensive income(1)					
Effective portion of changes in fair value of cash flow hedges, net of tax	595	(1,345)	(4,021)	3,472	(7,211)
Change in hedging reserve classified to profit and loss, net of tax	—	—	—	—	(67)
Total other comprehensive income (loss)	**595**	**(1,345)**	**(4,021)**	**3,472**	**7,278**
Total comprehensive income for the period	**31,422**	**3,699**	**65,257**	**26,413**	**7,479**
Profit attributable to:					
Owners of the company	28,356	5,067	68,494	22,854	14,703
Non-controlling interest	2,471	(23)	784	87	54
Profit for the period	**30,827**	**5,044**	**69,278**	**22,941**	**14,757**
Total comprehensive income attributable to:					
Owners of the company	28,949	3,727	64,488	26,312	7,451
Non-controlling interest	2,473	(28)	769	101	28
Total comprehensive income for the period	**31,422**	**3,699**	**65,257**	**26,413**	**7,479**

(1) All items recognized in other comprehensive income are or may be reclassified to profit or loss.

Revenue

Revenue includes rental income from tenants, sales of housing units and income from facility services.

The following table provides a breakdown of our revenue for the periods presented:

	For the three month period ended March 31,		For the year ended December 31,		
	2015	**2014**	**2014**	**2013**	**2012**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Rental income from tenants	10,355	7,069	31,972	20,741	15,463
Sales of housing units	2,661	0	610	—	—
Income from facility services	475	357	1,747	1,932	235
Revenue	**13,491**	**7,426**	**34,329**	**22,673**	**15,698**

Comparison of the First Quarter 2015 and the Three-Month Period ended March 31, 2014 ("First Quarter 2014")

Revenue increased 81.7% from €7,426 thousand as of and for the First Quarter 2014 to €13,491 thousand in the First Quarter 2015 primarily due to an increase in rental income from tenants and realized revenues from the sale of housing units.

Rental income from tenants increased 46.5% from €7,069 thousand in the First Quarter 2014 to €10,355 thousand in the First Quarter 2015, primarily due to an increase in units we owned, from 6,343 units as of the First Quarter 2014 to 8,560 units as of the First Quarter 2015. The residential like-for-like rental growth for the twelve-months ending March 31, 2015 was 8.5%.

Sales of housing units amounted to €2,661 thousand in the First Quarter 2015. In the First Quarter 2014, we did not sell any housing units.

Income from facility services increased 33.1% from €357 thousand in the First Quarter 2014 to €475 thousand in the First Quarter 2015 primarily due to an increase in residential units owned by the Company.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Revenue increased 51.4% from €22,673 thousand in the Fiscal Year 2013 to €34,329 thousand in the Fiscal Year 2014 primarily due to an increase in rental income from tenants. Rental income from tenants increased 54.1% in Fiscal Year 2014, from €20,741 thousand in Fiscal Year 2013 to €31,972 thousand in Fiscal Year 2014 primarily due to the increase in the number of residential units we acquired in Fiscal Year 2014 and the first full year of rental income realization from residential units we acquired during Fiscal Year 2013. In Fiscal Year 2014, we acquired 1,328 residential units and in Fiscal Year 2013, we acquired 2,053 residential units, most of them in the fourth quarter of the year. In addition, we were able to increase rents on the residential units we owned. In Fiscal Year 2014, we increased like-for-like in-place residential rents on average by 8.0%.

We realized our first revenue from the sales of housing units in the Fiscal Year 2014, with the sale of 4 residential units, all of which occurred in the fourth quarter of 2014.

Income from facility services decreased 9.6% from €1,932 thousand in the Fiscal Year 2013 to €1,747 thousand in the Fiscal Year 2014 primarily due to the acquisition of a portfolio in the fourth quarter of 2013 with respect to which portfolio we previously provided management and facility services to a third party and recognized the income from these services as part of our income from facility services.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Revenue increased 44.4% from €15,698 thousand in the Fiscal Year 2012 to €22,673 thousand in the Fiscal Year 2013 primarily due to an increase in rental income from tenants. Rental income from tenants increased 34.1% in Fiscal Year 2013, from €15,463 thousand in Fiscal Year 2012 to €20,741 thousand in Fiscal Year 2013 primarily due to the increase in the number of residential units we acquired in Fiscal Year 2013 and the first full year of rental income realization from residential units we acquired during Fiscal Year 2012. In Fiscal Year 2013, we acquired 2,053 residential units, most of them in the fourth quarter, and in Fiscal Year 2012 we acquired 563 residential units. In addition, we were able to increase rents on the residential units we owned. In Fiscal Year 2013, we increased like-for-like in-place residential rents on average by 4.7%.

Income from facility services increased 722.1% from €235 thousand in the Fiscal Year 2012 to €1,932 thousand in the Fiscal Year 2013 primarily due to facility management services provided to Stenham in connection with a real estate portfolio they owned and which we later purchased from them in Fiscal Year 2013. The increase was also due to us recording for the first time in Fiscal Year 2013 in-house facility service expenses separately and not including such expenses as part of net income from facility services as in earlier years.

Cost of Revenue

Cost of revenue includes salaries and related expenses, property operations and maintenance costs, costs of utilities recharged net, and cost of sales of housing units.

The following table provides a breakdown of our cost of revenue for the periods presented.

	For the three month period ended March 31,		For the year ended December 31,		
	2015	**2014**	**2014**	**2013**	**2012**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Salaries and related expenses	1,056	466	2,451	1,784	1,018
Cost of utilities recharged, net	(303)	(22)	654	315	91
Cost of sales of housing units	2,149	—	512	—	—
Property operations and maintenance	985	703	2,964	1,774	781
Cost of revenue	**3,887**	**1,147**	**6,581**	**3,873**	**1,890**

Comparison of the First Quarter 2015 and the First Quarter 2014

Cost of revenue increased 238.9% from €1,147 thousand in the First Quarter 2014 to €3,887 thousand in the First Quarter 2015 primarily due to the cost of sales of housing units which we did not incur in the First Quarter 2014 and an increase in salaries and related expenses.

Salaries and related expenses increased from €466 thousand in the First Quarter 2014 to €1,056 thousand in the First Quarter 2015 primarily due to the hiring of additional personnel and other related expenses needed to support our increased operations primarily due to the increase in the number of units we owned.

Cost of utilities recharged, net increased from €22 thousand in the First Quarter 2014 to €303 thousand in the First Quarter 2015 primarily due to the annual calculation of utilities to tenants from the prior year.

Cost of sales of housing units in the First Quarter 2015 amounted to €2,149 thousand. Since we had not yet begun our privatization in the First Quarter 2014, we did not incur any cost of sales of housing units during that period.

Property operations and maintenance increased 40.1% from €703 thousand in the First Quarter 2014 to €985 thousand in the First Quarter 2015 primarily due to the increase in operations.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Cost of revenue increased 69.9% from €3,873 thousand in the Fiscal Year 2013 to €6,581 thousand in the Fiscal Year 2014 primarily due to the increase in property operations and maintenance expense and the increase in salaries and related expenses.

Property operations and maintenance expense increased 67.1% from €1,774 thousand in the Fiscal Year 2013 (8.6% of rental income from tenants) to €2,964 thousand in the Fiscal Year 2014 (9.3% of rental income from tenants) primarily due to the increase in the number of residential units and other properties we owned in Fiscal Year 2014 compared to Fiscal Year 2013.

Salaries and related expenses increased 37.4% from €1,784 thousand in the Fiscal Year 2013 (7.9% of rental income from tenants and facility services) to €2,451 thousand in the Fiscal Year 2014 (7.3% of rental income from tenants and facility services) primarily due to the increase in the number of employees we hired to support our growth. As of December 31, 2014, our total number of full-time employees was 121, compared to 83 of such employees as of December 31, 2013.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Cost of revenue increased from €1,890 thousand in the Fiscal Year 2012 to €3,873 thousand in the Fiscal Year 2013 primarily due to increased property operations and maintenance expenses and salaries and related expenses. The increase in property operations and maintenance expenses from €781 thousand in the Fiscal Year 2012 to €1,774 thousand in the Fiscal Year 2013 was primarily due to our growth. The increase in salaries and related expenses from €1,018 thousand in the Fiscal Year 2012 to €1,784 thousand in the Fiscal Year 2013 was primarily due to an increase in the number of employees to support our growth. As of December 31, 2013, our total number of full-time employees was 83, compared to 47 of such employees as of December 31, 2012.

Gross Profit

Gross profit is revenue less the cost of revenue.

The following table provides a breakdown of our gross profit for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Revenue	13,491	7,426	34,329	22,673	15,698
Cost of revenue	(3,887)	(1,147)	(6,581)	(3,873)	(1,890)
Gross profit	**9,604**	**6,279**	**27,748**	**18,800**	**13,808**

Comparison of the First Quarter 2015 and the First Quarter 2014

Gross profit increased 53.0% from €6,279 thousand in the First Quarter 2014 to €9,604 thousand in the First Quarter 2015 due to an increase in operations. The gross profit included profit of €512 thousand from the sale of housing units.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Gross profit increased 47.6% from €18,800 thousand in the Fiscal Year 2013 to €27,748 thousand in the Fiscal Year 2014. The gross profit increased at a rate slightly lower than the growth in revenue primarily due to property operations and maintenance expenses increasing at a rate greater than the growth in rental income from tenants.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Gross profit increased 36.2% from €13,808 thousand in the Fiscal Year 2012 to €18,800 thousand in the Fiscal Year 2013. The percentage rate of increase in gross profit was lower than the 44.4% rate of increase in revenue primarily as in year 2013 the company provided management and facility services to a third party.

General and Administrative Expenses

General and administrative expenses includes primarily salaries and related expenses, professional services, office, communication and IT expenses, services from parent company and advertising and marketing expenses.

The following table shows a breakdown of our general and administrative expenses for the periods presented:

	For the three month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Salaries and related expenses	334	186	948	695	823
Share based payment	44	62	139	47	93
Rent	8	16	80	75	236
Professional services	307	162	813	782	736
Travelling	3	11	34	20	26
Office, communication and IT expenses	121	60	294	242	198
Advertising and marketing	136	34	219	40	50
Impairment (profit) loss on trade receivables	(1)	(9)	143	296	101
Depreciation	35	24	96	128	60
Services from parent company[(1)]	59	15	234	138	90
Others	62	42	162	223	222
General and administrative expenses	**1,108**	**603**	**3,162**	**2,686**	**2,635**

(1) Services from parent company includes consulting, bookkeeping, accounting and company secretary services provided by the Shareholder to us. They will not be providing us with such services following the completion of the Offering.

Comparison of the First Quarter 2015 and the First Quarter 2014

General and administrative expenses in the First Quarter 2015 constituted 8.2% of revenue as compared with 8.1% of revenue in First Quarter 2014. The general and administrative expenses increased 83.7% from €603 thousand in the First Quarter 2014 to €1,108 thousand in the First Quarter 2015 primarily due to an increase in salaries and related expenses, professional services and advertising and marketing costs. The increase in salaries and related expenses, professional services and advertising and related expenses were primarily due to the increase in our operations and our privatizations.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

General and administrative expenses in year 2014 constituted 9.2% of revenue as compared with 11.8% of revenue in Fiscal Year 2013. General and administrative expenses increased 17.7%, from €2,686 thousand in the Fiscal Year 2013 to €3,162 thousand in the Fiscal Year 2014 primarily due to the increase in salaries and related expenses, advertising and marketing expenses and services from parent company, which were partially offset by a decrease in impairment loss on trade receivables. The increase in salaries and related expenses, advertising and marketing expenses and services from parent company were all primarily due to the increased number of residential units and other properties we acquired in Fiscal Year 2014.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

General and administrative expenses in Fiscal Year 2013 constituted 11.8% of revenue as compared with 16.8% of revenue in Fiscal Year 2012. General and administrative expenses increased 1.9% from €2,635 thousand in the Fiscal Year 2012 to €2,686 thousand in the Fiscal Year 2013.

Results from Operating Activities

Results from operating activities includes gross profit less general and administrative expenses and changes in fair value of investment properties and assets held for sale.

Investment properties are initially recorded at cost, including capitalized borrowing costs. In subsequent periods, investment properties are measured at fair value and any changes in fair value are recognized as changes in fair value of investment properties and assets held for sale. Assets held for sale are generally recorded at the lower of their (i) carrying amount less depreciation and (ii) fair value less costs to sell. Any change in fair value (less costs to sell) which results in assets held for sale to be below their respective carrying amount are recognized as changes in fair value of investment properties and assets held for sale.

Comparison of the First Quarter 2015 and the First Quarter 2014

Results from operating activities increased from €5,367 thousand in the First Quarter 2014 to €47,517 thousand in the First Quarter 2015 primarily due to changes in the fair value of investment property and assets held for sale.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Results from operating activities increased from €39,115 thousand in the Fiscal Year 2013 to €93,424 thousand in the Fiscal Year 2014 primarily due to the changes in fair value of investment properties and assets held for sale and to the increase in revenue.

Changes in fair value of investment property and assets held for sale increased from €23,001 thousand in the Fiscal Year 2013 to €68,838 thousand in the Fiscal Year 2014 due to increasing residential portfolio, the increased levels of rental income, increase level of market rents, increase level of rents per sqm, and a decrease in the applicable discount rate.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Result from operating activities increased 47.8% from €26,464 thousand in the Fiscal Year 2012 to €39,115 thousand in the Fiscal Year 2013, primarily due to the changes in fair value of investment properties and assets held for sale.

Changes in fair value of investment property and assets held for sale increased 50.4% from €15,291 thousand in the Fiscal Year 2012 to €23,001 thousand in the Fiscal Year 2013 primarily due to the increased levels of rental income, increased level of market rents, increased level of rents per sqm, and decrease in the applicable discount rate.

Net Finance Costs

Net finance costs is total finance income less total finance costs.

Total finance income comprises change in fair value of other financial asset, change in fair value of derivatives, interest received on bank deposits and in Fiscal Year 2014 the recognition of finance income from the forgiveness of a loan in connection with the sale of a property in Dresden.

Total finance costs comprise interest on bank loans, interest on loans from related parties and other finance expenses.

The following table shows a breakdown of our total finance income and total finance costs for the periods presented:

	For the three month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Interest received on bank deposits	0	1	5	3	8
Change in fair value of derivatives	231	22	76	14	—
Forgiveness of loan	—	3,920	3,920	—	—
Change in fair value of other financial asset(1)	325	—	668	—	—
Reversal of hedging reserve due to refinance	—	—	—	—	98
Total finance income	**556**	**3,943**	**4,669**	**17**	**106**
Interest on bank loans	(3,304)	(2,486)	(11,015)	(8,396)	(6,820)
Interest on loans from related parties(2)	(2,224)	(1,391)	(6,481)	(3,581)	(2,225)
Interest on loans from Harel	(271)	—	(85)	—	—
Change in fair value of derivatives	—	—	—	—	(43)
Other finance expenses	(437)	(202)	(836)	(546)	(514)
Total finance costs	**(6,236)**	**(4,079)**	**(18,417)**	**(12,523)**	**(9,602)**
Net finance costs	**(5,680)**	**(136)**	**(13,748)**	**(12,506)**	**(9,496)**

(1) The other financial asset is an option to acquire the remaining 5.4% interest in each of four Dutch subsidiaries, which option we received in connection with the purchase of a real estate portfolio from Stenham.

(2) Interest on loans from related parties includes interest on loans from the Selling Shareholder and interest on capital note to the Selling Shareholder.

Comparison of the First Quarter 2015 and the First Quarter 2014

Net finance costs increased from €(136) thousand in the First Quarter 2014 to €(5,680) thousand in the First Quarter 2015 primarily due to income from forgiveness of loans in the First Quarter 2014.

Total finance income decreased from €3,943 thousand in the First Quarter 2014 to €556 thousand in the First Quarter 2015 primarily due to the income from forgiveness of loans in the Fiscal Year 2014 for which there was not a corresponding item of finance income in the First Quarter 2015.

Total finance costs increased 52.9% from €(4,079) thousand in the First Quarter 2014 to €(6,236) thousand in the First Quarter 2015 primarily due to lower interest on loans from related parties primarily due to a smaller principal amount of such loans outstanding which was partially offset by an increase in interest on bank loans primarily due to additional indebtedness incurred to fund the acquisition of properties.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Net finance costs increased 9.9% from €(12,506) thousand in the Fiscal Year 2013 to €(13,748) thousand in the Fiscal Year 2014 primarily due to significantly higher finance costs used to finance the growth of the portfolio which were partially offset by the recognition of finance income in the amount of €3,920 thousand from the forgiveness of a loan on the only asset outside of Berlin which we owned and which we sold in the beginning of Fiscal Year 2014.

Total finance costs increased 47.1%, from €(12,523) thousand in Fiscal Year 2013 to €(18,417) thousand in Fiscal Year 2014, primarily due to increased interest on loans from related parties and interest on bank loans. The increase in interest on loans from related parties was primarily due to the increased amount of bank loans and shareholder loans used to finance growth in the portfolio. The loans from the Selling Shareholder to the Company have been converted to capital of the Company prior to the Offering. The increase in interest paid on bank loans was primarily due to the €127,863 thousand increase in interest bearing loans from banks, from €286,490 thousand as of December 31, 2013 to €414,353 thousand as of December 31, 2014, the proceeds of which were used to finance the growth of the portfolio.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Net finance costs increased 31.7% from €(9,496) thousand in the Fiscal Year 2012 to €(12,506) thousand in the Fiscal Year 2013 primarily due to increased interest paid on bank loans. The increase in interest paid on the bank loans was primarily due to the increase in outstanding interest-bearing loans from banks, which amount increased from €77,043 thousand as of December 31, 2012 to €286,490 thousand as of December 31, 2013, the proceeds of which were used to finance the growth of the portfolio.

Profit Before Tax

Comparison of the First Quarter 2015 and the First Quarter 2014

Profit before tax increased from €5,231 thousand in the First Quarter 2014 to €41,837 thousand in the First Quarter 2015 primarily due to changes in fair value of investment properties and assets held for sale and higher revenue which was partially offset by higher finance costs and higher cost of revenue.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Profit before tax increased from €26,609 thousand in the Fiscal Year 2013 to €79,676 thousand in the Fiscal Year 2014 primarily due to changes in fair value of investment properties and assets held for sale and increased revenue which were partially offset by higher finance costs and higher cost of revenue.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Profit before tax increased 56.8% from of €16,968 thousand in the Fiscal Year 2012 to €26,609 thousand in the Fiscal Year 2013 primarily due to an increase in the changes of fair value of investment properties which was partially offset by higher finance costs and higher cost of revenue.

Income Tax Expense

The following table shows a breakdown of our income tax expense for the periods presented:

	For the three month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Current year	(24)	(12)	(45)	(51)	(176)
Adjustments for prior years	—	—	30	65	(10)
Deferred tax expense	(10,986)	(175)	(10,383)	(3,682)	(2,025)
Income tax expense	**(11,010)**	**(187)**	**(10,398)**	**(3,668)**	**(2,211)**

Comparison of the First Quarter 2015 and the First Quarter 2014

Income tax expense increased from €(187) thousand in the First Quarter 2014 to €(11,010) thousand in the First Quarter 2015 due to the significant changes in fair value of investment property and assets for sale which increased deferred tax expense in the First Quarter 2015 by €(10,811).

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Income tax expense increased 183.5% from €(3,668) thousand in the Fiscal Year 2013 to €(10,398) thousand in the Fiscal Year 2014 primarily due to significantly higher profit before taxes.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Income tax expense increased 65.9% from €(2,211) thousand in the Fiscal Year 2012 to €(3,668) thousand in the Fiscal Year 2013 primarily due to the significant increase in profit before taxes and the increase in the Cyprus statutory income tax rate from 10% to 12.5%.

Profit for the Period

Comparison of the First Quarter 2015 and the First Quarter 2014

Profit for the period increased from €5,044 thousand in the First Quarter 2014 to €30,827 thousand in the First Quarter 2015, which percentage increase was lower than the increase in profit before tax due to the increase in income tax expense.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Profit for the year increased from €22,941 thousand in the Fiscal Year 2013 to €69,278 thousand in the Fiscal Year 2014, which percentage increase was similar to the percentage increase in profit before tax.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Profit for the year increased 55.5% from €14,757 thousand in the Fiscal Year 2012 to €22,941 thousand in the Fiscal Year 2013, which percentage increase was similar to the percentage increase in profit before tax.

Real Estate Portfolio and Investments

The following table provides an overview of the development of our real estate portfolio from January 1, 2012 through June 17, 2015:

	Investment properties	Trading properties	Assets held for sale	Advanced Payment	Total
Balance as of January 1, 2012	207,115	—	—	11,019	218,134
Additions	21,300	—	—	8,434	29,734
Investments	4,311	—	—	—	4,311
Change in fair value of investment properties and assets held for sale	15,291	—	—	—	15,291
Transfer from advance payments	11,019	—	—	(11,019)	—
Disposals	(3,227)	—	—	—	(3,227)
Balance as of December 31, 2012	255,809	—	—	8,434	264,243
Additions	157,266	—	7,395	17,596	182,257
Investments	4,430	—	—	—	4,430
Change in fair value of investment properties and assets held for sale	23,001	—	—	—	23,001
Transfer from advance payments	8,434	—	—	(8,434)	—
Disposals	—	—	—	—	—
Balance as of December 31, 2013	448,940	—	7,395	17,596	473,931
Additions	72,080	13,750	—	151,166	236,996
Investments	10,122	—	—	—	10,122
Change in fair value of investment properties and assets held for sale	68,655	—	—	—	68,655
Transfer from advance payments	17,596	—	—	(17,596)	—
Disposals	(5,825)	—	(6,278)	—	(12,103)
Balance as of December 31, 2014	611,568	13,750	1,117	151,166	777,601
Additions	—	—	—	389,302	389,302
Investments	2,260	—	—	—	2,260
Change in fair value of investment properties and assets held for sale	39,021	—	—	—	39,021
Transfer from advance payments	129,191	32,502	—	(161,693)	—
Disposals	—	(2,661)	(1,117)	—	(3,778)
Balance as of March 31, 2015	782,040	43,591	—	378,775	1,204,406
Additions	6,000	—	—	—	6,000
Investments	2,253	—	—	—	2,253
Change in fair value of investment properties and assets held for sale	0	—	—	—	—
Transfer from advance payments	378,059	—	—	(378,059)	—
Disposals	0	(1,001)	0	0	(1,001)
Balance as of June 17, 2015	1,168,352	42,590	—	716	1,211,658

Overview of Our Properties

Investment Properties

Investment property includes our properties held to generate rental income or for capital appreciation or both, rather than for (i) use in the production or supply of goods or services or for administrative purposes; or (ii) sale in the ordinary course of business.

We value investment property initially at cost at the time of acquisition, including capitalized borrowing costs. After acquisition, we measure investment property at fair value. Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of our investment properties as of March 31, 2015, and including the Carlos Portfolio, were based on the IPO Valuation Report prepared by CBRE, and the fair values for our investment properties as of December 31, 2012, December 31, 2013 and December 31, 2014 were based on valuations performed by W&W, an entity which is closely related to us, and on certain valuations performed by JKT Immobilien GmbH. The fair values were determined on the basis of the forecasted net cash flows from the properties, using the DCF method. To determine the fair value of properties which are not generating any substantial income or are completely vacant, the appraising relied on market rents to determine the expected cash flow, or used the sales comparison approach.

As of March 31, 2015, and including the Carlos Portfolio, the Group's portfolio also included 3,228 parking spaces and 198 other units. We lease some of our investment property under commercial tenancy or lease agreements. The commercial tenancy or lease agreements usually run for 5 years. Most of our tenancy agreements for residential property provide for the parties to give three months' notice as of the end of a month if the agreement is to be terminated.

Assets Held for Sale

Non-current assets are classified as held for sale if it is highly probable that such assets will be sold rather than continuing to be used. We generally value such assets at the lower of cost and realizable value. Once classified as held for sale assets, such assets are no longer depreciated.

Trading properties

Trading properties are measured at the lower of cost and net realizable value. The cost of 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.

Liquidity and Capital Resources

Cash Flows

The following table provides an overview of the Group's cash flows for the periods presented:

	For the three-month period ended March 31,		For the year ended December 31,		
	2015	**2014**	**2014**	**2013**	**2012**
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Cash flows from operating activities					
Profit for the period	30,827	5,044	69,278	22,941	14,757
Adjustments for:					
Depreciation	35	24	96	128	60
Change in fair value of investment properties and assets held for sale	(39,021)	309	(68,838)	(23,001)	(15,291)
Net finance costs	5,680	136	13,748	12,506	9,496
Income tax expense	11,010	187	10,398	3,668	2,211
Share based payment	44	62	139	47	93
Change in short-term restricted bank deposits related to tenants	(278)	(514)	(1,792)	(1,129)	(475)
Change in trade receivables	(13)	(111)	(166)	(844)	113
Change in other receivables	(1,725)	(260)	98	215	116
Change in trading properties	2,131	—	(13,085)	—	—
Change in advances in respect of trading properties	—	(1,363)	(31,972)	—	—
Change in trade payables	475	(413)	(133)	(1,209)	736
Change in other payables	125	282	2,935	1,864	459
Income tax received (paid)	(13)	—	(104)	43	(32)
Net cash from (used in) operating activities	**9,277**	**3,383**	**(19,398)**	**15,229**	**12,243**
Cash flows from investing activities					
Purchase and capital expenditures of investment properties and assets held for sale	(4,932)	(1,089)	(68,840)	(57,056)	(25,611)
Advances paid for investment property purchase	(379,800)	(3,021)	(119,194)	(17,596)	(8,434)
Purchase of property and equipment	(628)	(14)	(149)	(152)	(245)
Interest received	—	—	5	3	8
Proceeds from investment property and from assets held for sale	954	8,004	12,312	—	3,227
Acquisition of subsidiaries, net of cash of the acquired subsidiaries	494	(13,281)	(13,841)	(4,641)	—
Repayment of long-term restricted bank deposits, net			—	3,250	(3,161)
Change in short-term restricted bank deposits, net	(4,289)	(915)	(1,619)	1,472	373
Net cash used in investing activities	**(388,201)**	**(10,316)**	**(191,326)**	**(74,720)**	**(33,843)**
Cash flows from financing activities					
Long term loans received from banks	285,471	10,097	115,765	43,893	121,858
Repayment of long term borrowings from banks	(1,672)	(7,179)	(10,924)	(3,582)	(103,756)
Short term loans received from banks	—	—	31,000	—	—
Repayment of short term borrowings from banks	(1,037)	(1,569)	(4,956)	—	—
Interest paid	(3,422)	(2,481)	(10,875)	(8,201)	(6,320)
Settlement of derivatives		—	—	—	(1,100)
Loans received from related parties	2,870	—	24,199	15,747	2,098(1)
Repayment of loans from related parties	—	—	(1,633)	(8,470)	—(1)
Loans received from related parties (cash received in a form of capital note)	111,250	7,590	73,139	23,194	4,050
Net cash from (used in) financing activities	**393,460**	**6,458**	**215,715**	**62,581**	**16,830**
Increase (decrease) in cash and cash equivalents during the period	14,536	(475)	4,991	3,090	(4,770)
Cash and cash equivalents at the beginning of the period	9,662	4,671	4,671	1,581	6,351
Cash and cash equivalents at the end of the period	**24,198**	**4,196**	**9,662**	**4,671**	**1,581**

(1) In Fiscal Year 2012, loans received from related parties and repayment of loans from related parties were netted against each other and shown as a single item "Loans received from related parties, net".

Comparison of the First Quarter 2015 and the First Quarter 2014

Cash Flows from Operating Activities

Cash flows from operating activities increased from €3,383 thousand in the First Quarter 2014 to €9,277 thousand in the First Quarter 2015. The increase was primarily due to higher rental income from tenants and the proceeds from privatization.

Cash Flows from Investing Activities

Cash flows used for investing activities increased from €(10,316) thousand in the First Quarter 2014 to €(388,201) thousand in the First Quarter 2015 primarily due to advances paid for the purchase of investment properties.

Cash Flows from Financing Activities

Cash flows from financing activities increased from €6,458 thousand in the First Quarter 2014 to €393,460 thousand in the First Quarter 2015 primarily due to an increase in long-term loans received from banks and an increase in loans received from related parties.

Comparison of the Fiscal Years Ended December 31, 2014 and December 31, 2013

Cash Flows from Operating Activities

Cash flows from operating activities decreased from €15,229 thousand in net cash generated from operating activities in Fiscal Year 2013 to €(19,398) thousand in net cash used in operating activities in Fiscal Year 2014 primarily due to the acquisition of two buildings that include 90 residential condominium units, which we began to sell and treat as trading properties and €31,972 thousand paid as an advance for the purchase of additional trading properties.

Cash Flows from Investing Activities

Cash flows used for investing activities more than doubled from €(74,720) thousand in Fiscal Year 2013 to €(191,326) thousand in Fiscal Year 2014. The increase was primarily due to advances paid for the purchase of investment properties and the acquisition of subsidiaries, which were partially offset by the proceeds from the disposal of investment properties.

Cash Flow from Financing Activities

Cash flows from financing activities increased from €62,581 thousand in Fiscal Year 2013 to €215,715 thousand in Fiscal Year 2014 primarily due to an increase in long-term and short-term loans received from banks, loans received from related parties (in the form of a capital note) and other loans received from related parties.

Comparison of the Fiscal Years Ended December 31, 2013 and December 31, 2012

Cash Flow from Operating Activities

Cash flows from operating activities increased from €12,243 thousand in Fiscal Year 2012 to €15,229 thousand in Fiscal Year 2013. The increase was primarily due to higher rental income, which was partially offset by higher cost of revenue.

Cash Flow from Investing Activities

Cash flows used in investing activities increased 120.8% from €(33,843) thousand in Fiscal Year 2012 to €(74,720) thousand in Fiscal Year 2013. The increase was due primarily to a significant increase in the purchase and development of investment property, advances for the purchase of investment property and the acquisition of subsidiaries, which was partially offset by a release of long-term restricted bank deposits compared to additional long-term restricted bank deposits in the prior year.

Cash Flow from Financing Activities

Cash flows from financing activities rose 271.8% from €16,830 thousand in Fiscal Year 2012 to €62,581 thousand in Fiscal Year 2013. The increase was primarily due to significantly lower repayment of borrowings from banks and additional amounts received from the Shareholder through the issuance by the Company of a non-interest bearing capital note, which was partially offset by significantly lower long term loans received from banks.

Description of FFO

The following table provides further information on the components the Company believes to be relevant for assessing a stabilized FFO (on a run rate basis):

	As of March 31, 2015
	(unaudited) (in € million) (numbers are approximate)
Annualized in-place rent(1)	66
Net operating income(2)	58
Stabilized administration costs(3)	(7)
Financing costs(4)	(18)
Estimated cash taxes(5)	(0.5)
Estimated minority interest(6)	(1)

(1) "Annualized in-place rent" is the annualized in-place rent as of March 31, 2015 including the Carlos Portfolio.

(2) "Net operating income" is the sum of rental income and income from facility services less cost of rental activities divided by rental income.

(3) "Administration costs" include the estimate of expected additional costs for the status of being a public company.

(4) "Financing costs" refers to the annual interest paid to banks based on existing loans as of March 31, 2015 including the Carlos Portfolio.

(5) "Cash taxes" are the estimate of actual taxes paid on income from rental activities based on the Company's existing tax structure and taxes paid in the Fiscal Year 2014, including estimate of expected additional tax costs resulting from the transfer of incorporation to Luxemburg and the acquisition of the Carols Portfolio.

(6) "Minority interest" is the estimate of actual payments to minority shareholders related to their holdings in subsidiaries and the loan from Harel and based on the Fiscal Year 2014.

Cash Management System

Our cash management system is designed to ensure that the Company and its subsidiaries can meet their payment obligations. Our cash management system monitors and manages the short, medium and long-term liquidity of the Company and its subsidiaries.

Liabilities

Financial Liabilities

Our principal financial liabilities comprise bank loans, loans from our Selling Shareholder, trade payables, and derivatives. We have various financial assets such as restricted bank deposits, cash and cash equivalents and trade receivables, which arise from our operations.

The following table sets forth our financial liabilities for the periods presented:

	As of March 31,	As of December 31,		
	2015	2014	2013	2012
	(unaudited) (in € thousand)	(audited) (in € thousand)		
Financial liabilities				
Floating rate borrowings from banks	29,399	30,397	4,925	17,589
Fixed/hedged rate borrowings from banks	667,977	383,956	281,565	159,454
Trade payables	3,887	2,655	2,603	2,788
Tenants security deposits	7,157	6,880	5,158	3,322
Other payables	8,712	1,619	1,339	1,605
Fixed rate loans from related parties	306,130	204,633	114,629	52,944
Derivatives	11,179	12,096	7,407	11,367
Total financial liabilities	1,063,813	642,236	417,626	249,069

Contingent Liabilities

Contingent liabilities are potential obligations towards third parties arising from past events, whose existence or non-existence will be determined in the future. We are involved in a small number of legal actions arising in the ordinary course of business. While the outcome of these legal actions is currently not determinable, it is management's opinion that these matters will not have a material adverse effect on the Company's consolidated financial position or results of its operations and therefore no provisions were recognized for such litigation.

Quantitative and Qualitative Disclosure About Market Risk

Credit Risks

We are exposed to credit risk arising from rental agreements. The Group manages credit risk by careful selection of contractual counterparties and taking a deposit security of three months which will be returned upon termination of the lease agreement. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant; currently at 1% of rental income based on the historic rent collection of 99% within eight weeks over the past three months. The maximum exposure is the carrying amount of the financial asset, which was €7,157 thousand as per March 31, 2015. Rental agreements are entered into with tenants with good credit history or with respect to whom the Company is otherwise confident that they will be able to meet their rental obligations when due. There are no significant concentrations of credit risk within the Group.

Interest Rate Risks

The Group's exposure in the ordinary course of its business to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. Loans obtained at variable rates expose the Group to cash flow interest risk, which could have adverse effect on the Group's profit or loss or financial position. Changes in interest rates cause variations in interest income and costs on interest-bearing assets and liabilities.

Borrowings issued at fixed rates expose the Group to fair value interest risk.

Where possible and commercially reasonable, we use derivative financial instruments, in particular interest rate swaps, to manage the interest rate risk arising from the Group's operations and its sources of finance. As of March 31, 2015, 96% of our debt was either fixed rate or floating rate covered by interest rate hedging transactions. The only assets which were not fixed or the financing thereof not hedged are the ones related to trading properties, for which the Group is exposed to cash flow risk.

Liquidity Risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group relies on external funding to finance its current and future properties. The future acquisitions of investment properties and the ability of the Group to expand its operations is dependent on its ability to obtain future bank financing. The Group intends to repay its existing bank loans primarily by cash generated from its operating activity (primarily rental income).

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that not more than 20% of its liabilities, including related interest, will be for less than one year. The tables below summarize the maturity profile of the Group's financial liabilities at December 31, 2014, 2013 and 2012 based on contractual undiscounted payments.

	At December 31, 2014						
	< 3 months	**3 to 12 months**	**1 to 2 years**	**3 to 5 years**	**> 5 years**	**Total**	**Carrying amount**
	(in € thousand)						
Borrowings from banks	4,810	22,760	32,092	264,354	148,411	472,427	414,353
Loans from related parties	—	—	—	—	261,271	261,271	204,633
Trade payables	2,655	—	—	—	—	2,655	2,655
Tenants security deposits	—	6,880	—	—	—	6,880	6,880
Other payables	—	1,619	—	—	—	1,619	1,619
Derivatives	140	664	937	7,717	4,332	13,790	12,096
Total	**7,605**	**31,923**	**33,029**	**272,071**	**414,014**	**758,642**	**642,236**

	At December 31, 2013						
	< 3 months	**3 to 12 months**	**1 to 2 years**	**3 to 5 years**	**> 5 years**	**Total**	**Carrying amount**
	(in € thousand)						
Borrowings from banks	13,418	16,026	14,772	237,114	54,032	335,362	286,490
Loans from related parties	—	—	—	—	153,063	153,063	114,629
Trade payables	2,603	—	—	—	—	2,603	2,603
Tenants security deposits	—	5,158	—	—	—	5,158	5,158
Other payables		1,339	—	—	—	1,339	1,339
Derivatives	343	410	378	4,752	2,774	8,657	7,407
Total	**16,364**	**22,933**	**15,150**	**241,866**	**209,869**	**506,182**	**417,626**

	At December 31, 2012						
	< 3 months	3 to 12 months	1 to 2 years	3 to 5 years	> 5 years	Total	Carrying amount
	(in € thousand)						
Borrowings from banks	12,532	7,017	9,416	56,871	128,813	214,649	177,043
Loans from related parties	—	—	—	—	71,538	71,538	52,944
Trade payables	2,788	—	—	—	—	2,788	2,788
Tenants security deposits	—	3,322	—	—	—	3,322	3,322
Other payables	—	1,605	—	—	—	1,605	1,605
Derivatives	805	451	605	3,651	8,270	13,782	11,367
Total	**16,125**	**12,395**	**10,021**	**60,522**	**208,621**	**307,684**	**249,069**

Critical Accounting Policies

The preparation of the Group's consolidated financial statements in accordance with IFRS requires management to use estimates and make assumptions and judgments that affect the Group's results or financial statements. Some of these estimates, assumptions and judgments are critical to the Group due to the high degree of uncertainty of the relevant parameters at the time they are used or due to various alternatives available to management in making decisions that would lead to significantly different results reflected on the Group's financial statements. Following is a summary of the Group's critical accounting policies.

Valuation of Investment Property

Financial statements of the Company include investment properties that are subject to considerable estimation uncertainty due to the risk that the investment properties will not be valued appropriately because the fair value is determined by making estimations and assumptions of factors which are not derived from quoted market prices and certain factors may not be known to the appraiser or to the Group.

Valuation of Derivatives

The consolidated financial statements of the Group include derivatives valuations that are calculated by the relevant financing bank and checked by management. The risk that derivatives will not be appropriately valued exists because the Group needs to make judgments about the estimation of the credit risk used by the financing bank and about whether such bank used the correct market observable to the other variables.

Valuation of Capital Note

The financial statements of the Group include capital notes that bear no interest. The value of the capital notes is calculated by discounting the face value based on the estimated bank interest margin which the Company pays when borrowing from banks plus the estimated 5 year Euro area central government bond rate, which is the approximate market interest rate for such instrument. The risk that the capital note will not be appropriately valued exists since the Group needs to estimate the bank interest margin.

Income Taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment

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

Financial Assets

The Group considers evidence of impairment for financial assets at an individual level. All individually significant assets are individually assessed for impairment. 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. The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables). Receivables with a short duration are not discounted.

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

Non-Financial Assets

The recoverable amount of non-financial assets (other than investment properties and deferred tax assets) is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of non-financial assets is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Recent Accounting Pronouncements

The following new standards, amendments and interpretations to existing standards have been published that are not yet effective for the Group's accounting period ended December 31, 2014, and have not been early adopted in preparing these consolidated financial statements:

Financial Instruments IFRS 9 (2014)

A final version of the standard, which includes revised guidance requirements on the classification and measurement of financial instruments, and a new model for measuring impairment of financial assets has been published.

Classification and measurement

In accordance with IFRS 9 (2014), there are three principal categories for measuring financial assets: amortized cost, fair value through profit and loss and fair value through other comprehensive income. The basis of classification for debt instruments is the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Investments in equity instruments will be measured at fair value through profit and loss (unless the entity elected at initial recognition to present fair value changes in other comprehensive income).

IFRS 9 (2014) requires that changes in fair value of financial liabilities designated at fair value through profit or loss that are attributable to changes in its credit risk, should usually be recognized in other comprehensive income.

Hedge accounting – general

Under IFRS 9 (2014), additional hedging strategies that are used for risk management will qualify for hedge accounting. IFRS 9 (2014) replaces the present 80%-125% test for determining hedge effectiveness, with the requirement that there be an economic relationship between the hedged item and the hedging instrument, with no quantitative threshold. In addition, IFRS 9 (2014) introduces new models that are alternatives to hedge accounting as regards credit exposures and certain contracts outside the scope of IFRS 9 (2014) and sets new principles for accounting for hedging instruments. In addition, IFRS 9 (2014) provides new disclosure requirements.

Impairment of financial assets

IFRS 9 (2014) presents a new "expected credit loss" model for calculating impairment. For most financial assets, the new model presents a dual measurement approach for impairment: if the credit risk of a financial asset has not increased significantly since its initial recognition, an impairment provision will be recorded in the amount of the expected credit losses that result from default events that are possible within the twelve months after the reporting date. If the credit risk has increased significantly, in most cases the impairment provision will increase and be recorded at the level of lifetime expected credit losses of the financial asset.

IFRS 9 (2014) is effective for annual periods beginning on or after January 1, 2018 with early adoption being permitted. It will be applied retrospectively with some exemptions.

The Group has not yet commenced examining the effects of adopting IFRS 9 (2014) on its financial statements.

Revenue from contracts with customers IFRS 15

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and in what amount. The new model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized:

- over time, in a manner that depicts the entity's performance; or

- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principle that an entity shall provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017 with early adoption being permitted.

The Group has not yet completed its analysis of the impact of this standard.

PROFIT FORECAST

Forecast of Funds from Operations Post-Tax (Excluding Results of Disposals) for the Fiscal Year 2015 of the Group

The forecast of FFO for the fiscal year ending December 31, 2015 (the "**Fiscal Year 2015**") of the Group described in this section applies to its FFO post-tax and excluding results of disposals on a consolidated basis (the "**FFO Forecast**"). The FFO Forecast is not a statement of fact and should not be interpreted as such by potential investors. Rather, it reflects the forward-looking expectations of the Senior Management of the Group with respect to the development of FFO of the Group. Potential investors should not place undue reliance on this FFO Forecast.

For the FFO Forecast, the Group defines FFO as follows: EBITDA for the period net of cash interest payments (excluding interest payment from financial debt owed to the Selling Shareholder, which will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering) and current income taxes, excluding any IPO costs. EBITDA is defined as profit for the period before income tax expense, depreciation, changes in fair value of investment properties and assets held for sale, net finance costs and result from disposals.

The FFO Forecast is based on the following assumptions made by the Senior Management of the Company. These assumptions relate to factors outside of the Group's influence or factors that the Group can only influence to a limited extent. Even though Senior Management of the Company considers the assumptions to be reasonable at the time of the publication of the FFO Forecast, they may prove in retrospect to be incorrect or unfounded. Should one or more of these assumptions prove to be incorrect or unfounded, the Group's actual FFO for the period could differ materially from its FFO Forecast.

FFO Forecast for the Current Fiscal Year 2015 for the Group

Based on the assumptions and estimates set below and based on the fact that the income from the Carlos Portfolio is included from April 1, 2015 onwards, the Company's Senior Management anticipates FFO (post-tax and excluding results of disposals) in the range of €27–28 million for the Fiscal Year 2015.

Explanatory Notes to the FFO Forecast

Principles of the FFO Forecast Preparation

The FFO Forecast for the current Fiscal Year 2015 was prepared in accordance with the requirements of item 13 of Annex 1 of the Commission Regulation (EC) No 809/2004. The FFO Forecast includes actual results for the First Quarter 2015.

The FFO Forecast was prepared applying the accounting policies of the Group as described in the notes to the Group's financial statements for the period ended December 31, 2014. The applied methods of disclosure, recognition and measurement are presented in the notes to those financial statements.

For the purpose of this FFO Forecast, we included the acquisition of the Carlos Portfolio which contributed income from April 1, 2015 onwards. The FFO Forecast for the current Fiscal Year 2015 is influenced by a range of factors and is based on certain assumptions made by the Company's Senior Management.

Factors and Assumptions

Factors Outside the Influence of the Company's Management

The FFO Forecast for the current Fiscal Year 2015 is subject to factors over which the Company's management has no influence. These factors and the related assumptions of the Company's Senior Management are described below:

Factor: Unforeseen Events Such As "Force Majeure"

In preparing the FFO Forecast, the Group assumes that no material unforeseeable events will occur that could result in material or lasting constraints on the ongoing operations of the entities of the group, such as force majeure (for example fires, floods, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

Factor: Legislative and Other Regulatory Measures

In preparing the FFO Forecast, the Group assumes that there will be no or only insignificant changes to the current legal and regulatory framework and no material legal and regulatory changes, other than those described in the Prospectus (e.g. pertaining to tenancy and tax law).

Factor: Economic Development in the Real Estate Industry

For the purpose of the FFO Forecast, the Group assumes that:

- there will be no financial crisis that affects Europe and especially Berlin;
- there will be no significant negative economic developments in Berlin; and
- there will be no significant negative developments in the real estate industry, especially in Berlin, and the Group will be able to retain its current competitive position.

Factor: Interest Rate Development

In preparing the FFO Forecast, the Group assumes that current interest rate levels will remain unchanged. Given that the Group has hedged almost all of its floating rate liabilities, the Group anticipates no significant effects on financing costs, if a change were to occur.

Factors That Can Be Influenced by the Company's Senior Management to a Limited Extent

Other factors, over which the Company's Senior Management has limited influence, may also influence the forecasted FFO for the Group for the Fiscal Year 2015. The relevant assumptions are described below:

Factor: Income from Net Rent

Income from net rent comprises in-place rent (often also referred to as "net cold rent") before adding income from facility services to the existing tenants and deducting non-transferable operating cost.

The contracted net rent of the Group, including from the Carlos Portfolio, for April 2015 amounted to approximately €5.5 million per month, including approximately €2.0 million net rent per month from the Carlos Portfolio. For the purpose of the FFO Forecast, the Group thus assumes that income from net rent will amount to approximately €60 million (existing portfolio and the Carlos Portfolio from April 1, 2015) for the Fiscal Year 2015 based on the current contracted rents (€18 million for the period from April 1, 2015 to December 31, 2015 relates to the Carlos Portfolio).

The Group assumes for the purpose of the FFO Forecast, that the vacancy rate for investment properties will remain unchanged at the end of the Fiscal Year 2015 compared to March 31, 2015. In the forecast period for the remaining nine months of 2015, the Group assumes that terminated leases will be compensated by new leases and that the new leases will generate at least equivalent rents.

Factor: Expenses Related to Letting Activities

Expenses related to letting activities include all costs related to letting activities, such as maintenance, net facility expenses, non-recoverable and other property-related costs. For the purpose of the FFO Forecast, the Group assumes that the ratio of expenses related to the net rent, including from the Carlos Portfolio, will decrease slightly for the Fiscal Year 2015 compared to the Fiscal Year 2014, to a total income from net rent less expenses related to letting activities divided by net rent (the "**NOI Margin**") of approximately 87–88%.

Factor: General and Administrative Expenses

For the purpose of the FFO Forecast, the Group assumes that the general and administrative expenses will increase compared to the First Quarter 2015 to an annual level of approximately €7 million due to additional management personnel, increasing operating expenses related to the requirements of being a publicly listed company and the implementation of new IT-software. However, the total general and administrative expenses as a percentage of revenue will be reduced since revenues are expected to increase at a higher rate.

Factor: Finance Expense

The Group assumes that:

- all covenants under financing agreements (especially financial covenants) will be complied with; and
- sufficient liquidity will remain available, and that the average financing conditions for the Group relating to the existing financing agreements can be maintained for new agreements or extension of existing financing agreements.

Factor: Current Income Tax Expense

The Group assumes unchanged corporate and trade tax rates and that there will be no further changes in the tax environment or in tax laws in the current Fiscal Year 2015.

Factors That Can Be Influenced by the Company's Senior Management: Investments at Tenant Fluctuation

Factor: Investments and Tenant Disposals

In the event of tenant fluctuations, the Company's Senior Management can determine what amount should be invested in order to raise the rent potential of the rental space. The amount of the incurred expenses impacts the rent of new tenants and new leases. The Group assumed that the vacancy percentage and the costs resulting from a change of tenants will be the same as were in the First Quarter 2015.

Factor: Acquisitions and Disposals

In preparing the FFO Forecast, the Group does not assume that any acquisitions will take place, other than the Carlos Portfolio that was closed on April 1, 2015, nor does it assume disposals during 2015, other than the ongoing privatization of condominiums in line with the Group's strategy.

Other Explanatory Notes

The FFO Forecast does not include any extraordinary items or results of non-recurring activities within the meaning of the IDW Accounting Practice Statement IDW AcPS HFA 2.003 (IDW RH HFA 2.003). The FFO Forecast for the current Fiscal Year 2015 was prepared on May 25, 2015. As the FFO Forecast relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that the group's actual FFO for the current Fiscal Year 2015 may differ materially from the FFO Forecast.

Independent Auditor's Report on the Funds from Operations (FFO) Post-Tax (Excluding Results of Disposals) Forecast (FFO Forecast)

To the Board of Directors of ADO Properties S.A.

We report on the Forecast of Funds from Operations Post-Tax (Excluding Results of Disposals) of ADO Properties S.A. (the "**Company**" and together with its consolidated subsidiaries, the "**Group**"), for the year ending December 31, 2015 (the "**FFO Forecast**"). The FFO Forecast and the material assumptions upon which it is prepared, are set out in the "Profit Forecast" section of the Prospectus. The basis of compilation is described in the explanatory notes to the FFO Forecast. Management is responsible for the preparation of the FFO Forecast and for the factors and assumptions made therein, in accordance with the requirements of item 13 of Annex 1 of the Commission Regulation (EC) No 809/2004. Our responsibility is to express an opinion as required by item 13.2 of Annex 1 of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the FFO Forecast on the basis stated and the consistency of the basis of accounting with the accounting policies of the Group as described in the explanatory notes to the FFO Forecast.

We conducted our work in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. Our work included evaluating the basis for compilation of the FFO Forecast and considering whether it has been properly compiled based upon the disclosed assumptions and the accounting policies of the Group. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the FFO Forecast has been properly compiled on the basis stated and the basis of accounting used for the FFO Forecast has been consistent with the accounting policies of the Group. Since the FFO Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we express no opinion as to whether the actual results reported will correspond to those shown in the FFO Forecast and differences may be material. Our engagement does not include an audit of the historical financial information used as a basis in a compilation nor does it provide any assurance whether the assumptions provide a reasonable basis for the FFO Forecast.

In our opinion, the FFO Forecast has been properly compiled on the basis stated in the explanatory notes and the basis of accounting used is consistent with the accounting policies of the Group as described in the notes to the consolidated financial statements of the Group for the period ended December 31, 2014.

This report is required by item 13.2 of Annex 1 of the Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that requirement and for no other purposes. We do not accept or assume responsibility to anyone other than the Company and the Board of Directors as a body, for our work, for our report or for the opinion we have formed.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Budapest, June 17, 2015

KPMG Hungária Kft.

Istvan Henye
Partner

MARKETS AND COMPETITION

Markets

Our business activities are influenced by numerous demographic, economic and political factors. Given our involvement in the real estate sector, we are affected by developments in and related to the residential property market in Germany, particularly in the geographical region of Berlin where our entire portfolio is located, macro-economic indicators such as population growth, economic growth, employment, purchasing power and the consumer price index. More particularly, we are significantly affected by trends in micro-economic indicators due to the residential property market environment in Berlin, such as the future development of housing prices, rent levels and vacancy rates, as well as home ownership rates.

Germany

With a population of 81.1 million as of the end of 2014, a GDP of approximately €2.90 trillion in 2014 and a price-adjusted growth rate of GDP of 1.6% in 2014 and 0.1% in 2013, Germany is both the most populous and most economically productive country in the European Union (*Source: Federal Statistical Office, Press Release 024/2015-01-21; Federal Statistical Office, National Economy & Environment – Domestic Product; Federal Statistical Office, Press Release 061/2015-02-24; Eurostat*).

Demographic Trends

Germany's population has declined in the last decade, having peaked at 82.5 million in 2002. Between 2002 and 2013, Germany's population declined by approximately 2.1%. Projections forecast a continuation of this trend and predict that the population will reach a level of 77.0 million people by 2030 (*Source: GPE – Population Development; Federal Statistical Office, Statistical Yearbook*).

Contrary to the predicted long-term population decline, Germany's population in 2014 increased for the fourth year in a row, growing to a total of around 81.1 million, an increase of approximately 300,000 as compared to 2013 and approximately 200,000 as compared to 2012 (*Source: Federal Statistical Office, Press Release 024/2015-01-21; Federal Statistical Office, Population*). In 2013, the net immigration amounted to approximately 429,000 people, with approximately 1.23 million immigrating into Germany and approximately 800,000 emigrating from Germany (*Source: Federal Statistical Office, Population*). This development is not uniform across Germany but varies from region to region. In 2013, three-quarters (75%) of the households in Germany were households with a maximum of two persons ("small households"), whereas in 1991, less than two-thirds (64%) of the households were small households (*Source: Federal Statistical Office, Households & Families*). With an increase of 1.2% in 2013, single-person households showed the highest rate of growth of all household sizes, followed by two-person households, which grew at 0.6%. It is expected that the number of households in Germany will continue to increase in the future with a total expected growth rate of 2.4% between 2009 and 2025 (*Source: Federal Statistical Office, Population*), particularly in cities and densely populated areas such as Berlin. This trend is even more pronounced for one- and two-person households which are expected to increase by 11.9% between 2009 and 2030 (*Source: Federal Statistical Office, Population*). As a result of these trends, the average household size is projected to fall below 2.00 by as early as this year (2015) and is expected to decrease to a level of 1.88 by 2030 (*Source: Federal Statistical Office, Households*).

Provided that these aforementioned demographic trends continue as predicted, the demand for housing in general is expected to continue to grow. Particularly, residential units suitable for one- or two-person households is expected to be in high demand in the future.

Gross Domestic Product and Economic Growth Developments

Following the sharp 5.6 percentage point drop in price-adjusted GDP in 2009, the German economy not only stabilized but also recovered in recent years. Price-adjusted (i.e. real) GDP increased by 4.1% in 2010, by 3.6% in 2011, by 0.4% in 2012, by 0.1% in 2013 and by 1.6% in 2014 (*Source: Eurostat*). Further, the European Commission has projected growth of 1.5% for Germany's GDP in 2015 (2.0% in 2016) due to a robust labor market, an increase in domestic demand, favorable financing conditions and falling crude oil prices (*Source: EC European Economic Forecast Winter 2015*).

Employment and Purchasing Power

The steady economic growth in Germany is further reflected in the consistent reduction of unemployment and the simultaneous increases in disposable income, consumption expenditure and purchasing power per capita. In 2014, unemployment in Germany amounted to 5.0% (*Source: Eurostat*). This marked a 0.2 percentage point reduction from the 5.2% unemployment rate measured for the year 2013 (*Source: Eurostat*). In 2014, the overall per capita purchasing power measured €21,179 per capita, up from €20,621 per capita in 2013, an increase of 2.7% (*Source: GfK Kaufkraft – Purchasing Power Germany 2014; GfK – Press Release 2013*). Similarly, the German purchase power increased by 2.8% in 2014 from the level in 2013 (*Source: Eurostat*) and with a compound annual growth rate of 3.7% from 2009 to 2014 (*Source: European Committee annual macro-economic database AMECO*).

Consumer Price Developments

In 2014, the annual average consumer price index ("**CPI**") in Germany was up 0.9% from the CPI in 2013, although the monthly average consumer price index fell 0.4% in January 2015 (*Source: Federal Statistical Office, Press Release 045/2015-02-12; Federal Statistical Office, Consumer Price Index for Germany*).

An Overview of the German Housing Market

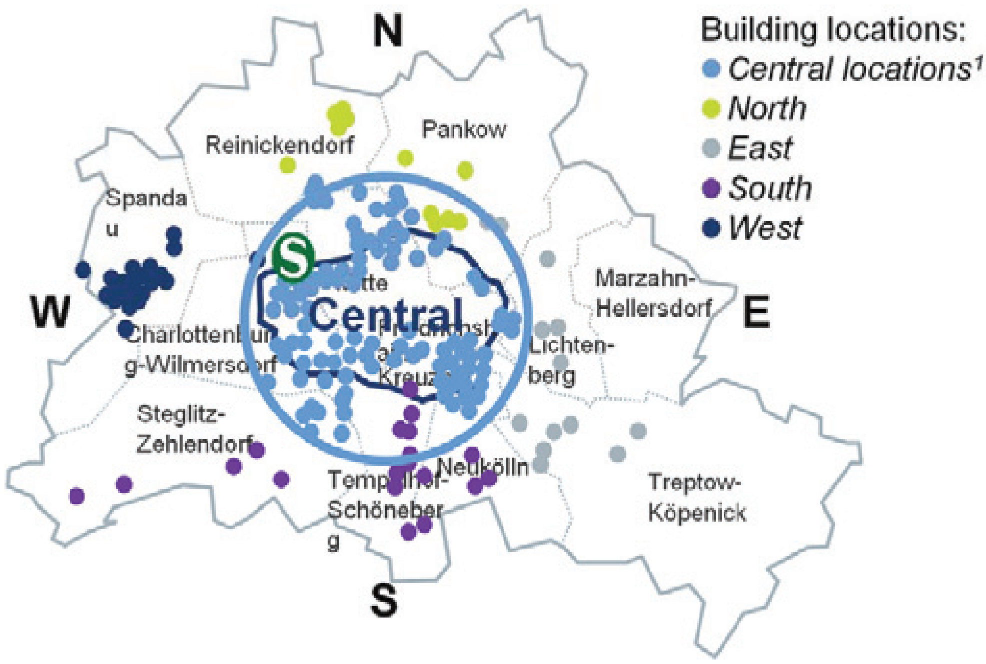
The low interest rates, positive employment and wage prospects, the influx of immigrants and the fall in crude oil prices increasing households' purchasing power continue to drive demand for property in Germany (*Source: German Federal Bank, Report December 2014*). The recent movements in and the risks associated with the euro crisis also greatly influence the demand for property in Germany (*Source: Broyer – Euro Crisis*). The real estate and the housing markets are of significance for the German economy (that is, German GDP) and individuals in Germany. "Real Estate Activities", as they are referred to on the national balance sheet, amounted to a share of 10.0% of Germany's total GDP in 2014 (*Source: Federal Statistical Office, National Economy & Environment – Domestic Product*).

With an average owner occupancy rate of only 45.9% in 2011, the housing market in Germany is predominantly a rental market, where approximately 54.1% of housing was tenant-occupied (*Source: Federal Statistical Office, Statistical Yearbook; Federal Statistical Office, Housing*). Germany's sophisticated rental market and real estate finance is characterized by low volatility and high stability relative to many other European countries (*Source: MPRA Paper No. 43315*). German demand for living space, a measure based on a quantitative analysis of population and household growth forecasts (housing required in the future) compared to the extent that the current construction supply can keep pace, has been projected to increase by 6.0% between 2010 and 2025 (*Source: BBSR – Residential Market Prediction 2025*).

New housing construction, especially in the affordable segment, is characterized by a disequilibrium between supply and demand, which results in less attractive yields for new construction compared to rents in existing buildings. Currently, there is an estimated deficit of 212,000 housing units in Germany in 2014, an increase of almost 5.2% from last year, particularly concentrated in large cities and metropolitan areas (*Source: IVD Construction Permits*).

Berlin

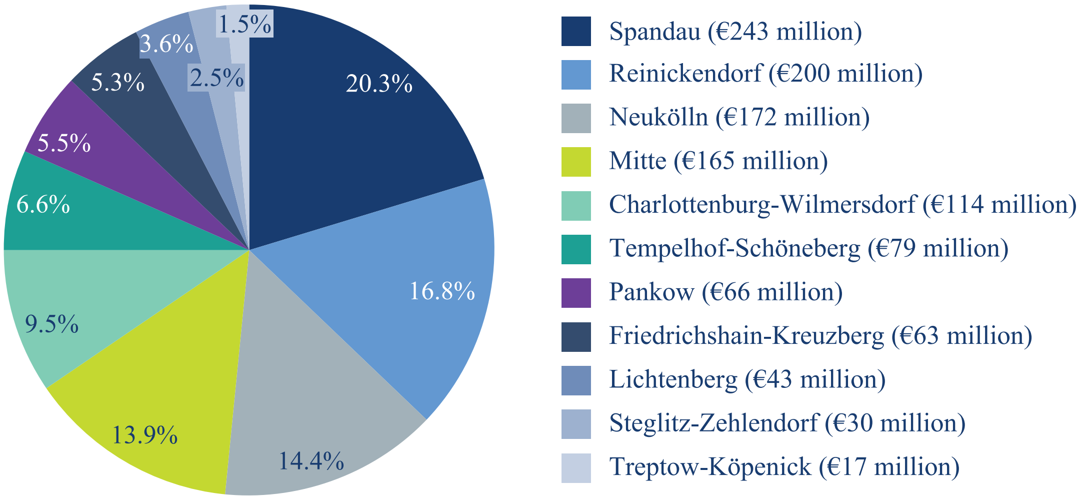
As shown in the following map, all of our real estate properties are exclusively located in Berlin. Berlin is subdivided into twelve boroughs and our properties are located in eleven of these twelve boroughs.



1 Berlin's central locations comprise the districts Charlottenburg-Wilmersdorf, Friedrichshain, Kreuzberg, Mitte, North Neukölln, North Steglitz, Prenzlauerberg, South Reinickendorf and Schöneberg

Source: Company data as at March 31, 2015, and including the Carlos Portfolio.

Our portfolio is split among the districts in Berlin by Fair Value (in €) as follows:



Source: Company data as at March 31, 2015, and including the Carlos Portfolio.

As of March 31, 2015, and including the Carlos Portfolio, 3,637 residential units, or 20.3% of the Group's portfolio (in terms of Fair Value), were located in Spandau, 2,792 residential units, or 16.8% of the Group's portfolio (in terms of Fair Value), were located in Reinickendorf, 1,789 residential units, or 13.1% of the Group's portfolio (in terms of Fair Value), were located in Mitte, 1,585 residential units, or 14.4% of the Group's portfolio (in terms of Fair Value), were located in Neukölln, 974 residential units, or 9.5% of the Group's portfolio (in terms of Fair Value), were located in Charlottenburg-Wilmersdorf, 670 residential units, or 6.6% of the Group's portfolio (in terms of Fair Value), were located in Tempelhof-Schöneberg, 659 residential units, or 3.6% of the Group's portfolio (in terms of Fair Value), were located in Lichtenberg, 607 residential units, or 5.5% of the Group's portfolio (in terms of Fair Value), were located in Pankow, 544 residential units, or 5.3% of the Group's portfolio (in terms of Fair Value), were located in Friedrichshain-Kreuzberg, 254 residential units, or 2.5% of the Group's portfolio (in terms of Fair Value), were located in Steglitz-Zehlendorf and 152 residential units, or 1.5% of the Group's portfolio (in terms of Fair Value), were located in Treptow-Köpenick.

Demographic and Economic Overview

Berlin is the most populous city in Germany with a population of approximately 3.52 million in 2013 and a population of 3.56 million in 2014 (*Source: Berlin-Brandenburg – Statistical Report 2015*). In recent years, Berlin's population has increased every year and grew by 1.3% in 2014 (*Source: Berlin-Brandenburg – Statistical Report 2015*). In 2013, Berlin's population density was approximately 3,840 inhabitants per sqkm (*Source: Berlin-Brandenburg*). In 2014, the population of Berlin accounted for approximately 4.4% of the total population of Germany (*Source: Federal Statistical Office, Statistical Yearbook*). The Berlin Senate Department expects the population to increase to 3.70 million by 2020 and to 3.76 million by 2030, although the trend is already ahead of the forecast (*Source: Berlin Senate 2012; Federal Statistical Office, Statistical Yearbook; DG Hyp Report 2015*). In 2013, Berlin experienced the highest population growth of any German federal state with a growth of 1.4% as compared to 2012 (*Source: Federal Statistical Office, Genesis Online Database, Population*).

Berlin attracts migrants from other regions of Germany as well as from foreign countries. The migration surplus between 2004 and 2013 accounted for approximately 200,000 migrants from other regions in Germany and foreign countries (*Source: Berlin-Brandenburg*). In 2014, Berlin's population grew by approximately 44,700 inhabitants, of which roughly 2,600 were due to birth surplus and 42,100 were due to migration to Berlin, and in 2013, the population grew by approximately 47,800, of which roughly 2,200 were due to birth surplus and roughly 45,600 were due to migration to Berlin (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin-Brandenburg*). Migration into Berlin is particularly strong among young people in the ages between 18 years and 30 years which also positively impacts Berlin's birth rate (*Source: Berlin-Brandenburg*).

Compared to Germany, the ageing of Berlin's population is expected to progress more slowly. In 2013, the number of live births in Berlin was 35,038 and the number of deaths in Berlin was 32,792 (*Source: Berlin-Brandenburg*). The percentage of inhabitants under the age of 20 years is projected to decrease from an estimated 15.7% in 2010 by approximately 0.8 percentage points until 2025, and the percentage of inhabitants above the age of 60 years is expected to increase from around 24.5% in 2010 by approximately 5.3 percentage points until 2025 (*Source: GFOB Regional Planning 2025*).

Current projections anticipate an increase in the number of households by approximately 3.0% between 2010 and 2025, translating into an additional 15,000 new apartments required annually, an increase driven by Berlin's growing population and an increasing number of 1-person and 2-person households and the total number of households to equal 1.98 million for 2014 (*Source: IWK; Michael Bauer Research GmbH*).

Gross Domestic Product and Economic Growth Developments

GDP growth of Berlin was the highest in Germany with a growth of 4.4% in 2014 (*Source: GFSSO*). Berlin's GDP was €109.2 billion in 2013 and increased from €105.1 billion in 2012, which was a nominal increase of 3.8% and a price-adjusted increase of 1.2% (*Source: Berlin-Brandenburg – Statistical Report 2014*). Berlin's GDP per capita in 2013 was €31,910, approximately 5.9% lower than the GDP per capita for Germany of €33,895 in the respective year. Berlin's GDP per capita increased by 3.0% over two years from €30,986 in 2011, based on the 2011 census, to €31,910 in 2013 (*Source: GFSSO*).

Employment and Purchasing Power

In 2014, the unemployment rate in Berlin was 11.1% (Source: *Statistical Office Berlin-Brandenburg, Referat 41B, Bevölkerung/Kommunalstatistik*) with 191,813 persons unemployed, a decrease of 5.1% or 9,856 persons compared to 2013 with 11.7% or 201,669 persons (*Source: German Employment Agency*). Although this is the highest unemployment rate among the federal states, it was the lowest level recorded for Berlin over the last twenty years (*Source: Statistical Office Berlin-Brandenburg, Referat 41B, Bevölkerung/Kommunalstatistik*). However, the unemployment rate in Berlin with 11.1% was 4.4 percentage points higher than the unemployment rate in Germany as a whole (*Source: German Employment Agency*). Additionally, the number of Berlin employees paying social insurance increased by 2.9% between mid-2013 and mid-2014 (*Source: German Employment Agency*).

The purchasing power index in Berlin in 2013 was 93.5 and increased to 93.8 in 2014 (for both indices, the Germany-wide averaged equaled 100) (*Source: Michael Bauer Research GmbH*). In monetary terms, Berlin residents possessed a purchasing power of €20,517 per person in 2014, an increase of 3.1% when compared to 2013, while the Germany-wide purchasing power was €21,879 per person in 2014 (*Source: Michael Bauer Research GmbH*). Although Berlin may have the lowest purchasing power per household compared to other major German cities such as Frankfurt am Main, Munich, Hamburg, Dusseldorf, Stuttgart and Cologne, the average asking rent in Berlin for 2014 was also the lowest in these cities. For example, the purchasing power in Berlin is 18% lower than in Frankfurt am Main while asking rents per sqm are 29% lower, and Berlin households have a purchasing power 30% lower than households in Munich, which has the highest purchasing power among the seven major cities in Germany. However, asking rents are 40% lower in Berlin than in Munich (*Source: CBRE Report 2015*).

Consumer Price Developments

In February 2015, the CPI in Berlin fell by 0.6% compared to February 2014 (*Source: Berlin-Brandenburg – Press 2015*). The disposable income of households per capita increased by 1.7% from €17,314 in 2011 to €17,601 in 2012 and was thereby 14% lower than in Germany in each year (*Source: GFSSO*).

Industry

Berlin is a tourism hub with 28.7 million overnight stays in 2014 (*Source: Visit Berlin*). Tourism is the largest individual sector of the Berlin economy, employing in 2014 more than 275,000 workers in hospitality, retail and transport directly related to tourism (*Source: Berlin Tourismus & Kongress GmbH, press release 08.08.2014*). Berlin industry as a whole is growing after languishing for a long period, employing more than 105,000 workers in vehicle- and engine-building, pharmaceuticals, and medical- and electro-technology (*Source: Senatsverwaltung für Wirtschaft, Technologie und Forschung Berlin, press release 14.05.2014*). The Berlin job market is punctuated by a lively culture of entrepreneurship with around 40,000 new companies founded each year, the highest ratio by population of all the federal states (*Source: Senatsverwaltung für Wirtschaft, Technologie und Forschung Berlin*).

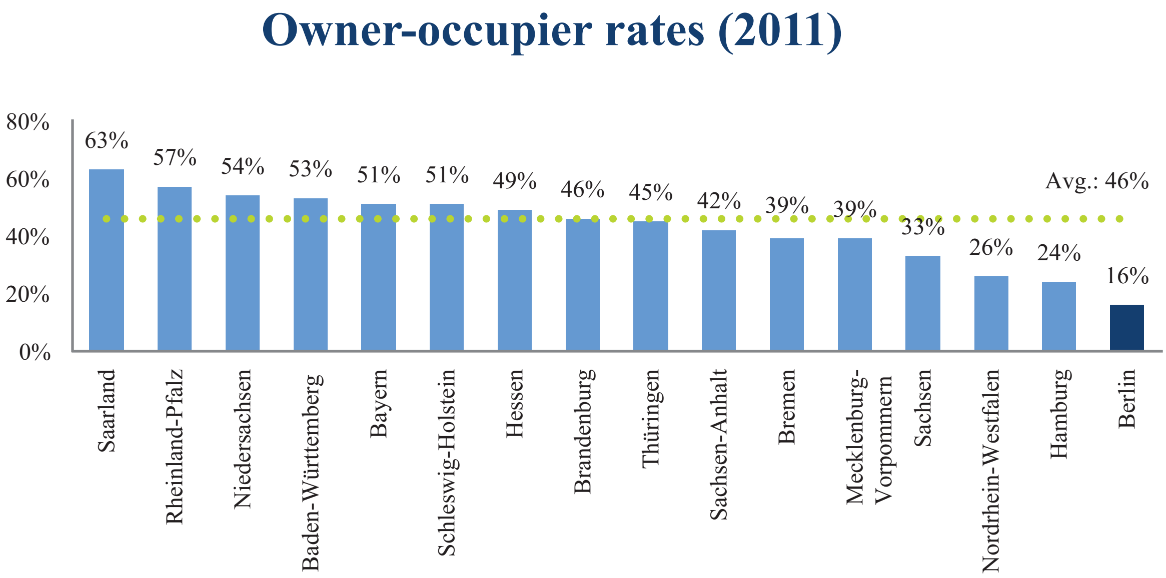
Additionally several companies and institutions have relocated to Berlin or are expected to do so and to provide higher-qualified jobs in combination with the expected stimulus from the new airport Berlin-Brandenburg International (BBI), which plans to start operations before the end of this decade.

Real Estate Stock and Housing Trends Berlin

Berlin has the largest residential rental market in Germany, with approximately 1.93 million residential units in 2013 (*Source: Berlin-Brandenburg*). In 2013, there were approximately 550 apartments per 1000 inhabitants in Berlin.

Demand for housing in Berlin is high. The number of households in Berlin increased by 6.2% from 1.82 million in 2000 to approximately 1.93 million in 2013 (*Source: Berlin-Brandenburg*). The forecast for further household growth is expected at around 3.0% until 2025 (*Source: GFOB Regional Planning 2025*). Growth in the number of households exceeding new supply is expected to result in a decrease in vacancies and an increase in market rents (*Source: IBB Housing Market 2013*). In 2014, the average household size in Berlin was approximately 1.73 persons per household as compared to 1.81 persons per household in 2003 (*Source: Federal Statistical Office, Housing*). Of the private households in Berlin in 2013, approximately 54.1% were single-person households compared to the estimated German average of 39.7% single-person households (*Source: Berlin-Brandenburg; Federal Statistical Office, Housing*). The demand for one- or two-family houses in terms of floor space could increase by 15.1% until 2025, which translates into a total demand for 1,530 units in newly constructed one- or two-family houses per year. During the same period, the demand for multi-family houses could rise by 13.3%, which corresponds to 14,146 units in newly constructed multi-family houses per year (*Source: BBSR – Residential Market Prediction 2025, upper case scenario*). Additionally the average size of apartments advertised in Berlin has fallen from 72.4 sqm in 2013 to 70.6 sqm in 2014 (*Source: Berlin-Brandenburg*).

Construction is striving to meet the growing demand for housing in Berlin: 22.6% more residential units and 8.3% more residential buildings were completed in 2013 as compared to 2012 (*Source: Berlin-Brandenburg*). However, in absolute terms the number of completed buildings and units were still relatively low. In 2013, 4,526 residential units were completed and in 2012, 4,180 residential units were completed (*Source: Berlin-Brandenburg; IWK*). The number of permits issued indicate that construction will increase further, as 16,098 permits for residential units were issued in 2014, 9,873 were issued in 2013 and 7,571 permits were issued in 2012 (*Source: Berlin-Brandenburg – Statistical Report Permits*). If all building permits issued from 2012-2014 result in completed residential buildings, approximately 33,500 new residential units will be added between 2015 and 2017, significantly less than required to meet projected demand for new residential units (*Source: Berlin-Brandenburg – Statistical Report 2015; IWK*). According to the latest home ownership data from the census in 2011, the home ownership rate in Berlin was approximately 16% (*Source: CBRE Report 2015*), as can be seen in the chart below. This was significantly below the German home ownership rate of 45.9% in 2011 (*Source: Federal Statistical Office, Statistical Yearbook*). The main reason for this circumstance had been the long term availability of residential living space to rent in Berlin (*Source: Federal Statistical Office, Statistical Yearbook*). Nonetheless, the home ownership rate in Berlin is expected to increase in the future (*Source: IBB Housing Market 2013*).



(Note: average is the owner-occupier rate for Germany as a whole. *Source: GFSSO*)

According to CBRE-empirica-Leerstandsindex report, the apartment vacancy rate in Berlin has been decreasing steadily since 2006 and stood at 1.8% in 2013 (*Source: CBRE-empirica-Leerstandsindex*). Compared to other major German cities, such as Frankfurt am Main, Munich, Hamburg, Dusseldorf, Stuttgart and Cologne, Berlin still has a higher vacancy rate (*Source: CBRE Report 2015*).

Development of Residential Rents and Sale Prices in Berlin

The number of residential units available in Berlin was 1.93 million in 2013 (*Source: Berlin-Brandenburg*). The available floor area has increased by 1.3% since 2010 from 135.5 million sqm to 137.2 million sqm in 2013 and the average residential floor has thereby increased to 40.1 sqm per inhabitant from 39.2 sqm in 2010 (*Source: Berlin-Brandenburg*).

The average (median) asking rent in Berlin has been increasing steadily in recent years. The average (median) asking rent was increased from €7.50 per sqm per month in 2012 to €8.55 per sqm per month in 2014 (*Source: CBRE-empirica*). The average net rent per apartment rose 3.8% from €581 in 2013 to €603 in 2014 (*Source: CBRE Report 2015*). Although increasing, market rents in Berlin remain 40% below Munich and the Berlin housing cost ratio (actual rent plus any additional costs, divided by average purchasing power) of 26% in 2014, 27% in 2013 and 27% in 2012 remains below the German average (*Source: CBRE Report 2015; CBRE Report 2014; CBRE Report 2013*).

The average (median) asking rent varies amongst the different districts of Berlin. In the district of Spandau, the average (median) asking rent was €6.75 per sqm per month in 2014, an increase of 7.3% as compared to 2013. In

Reinickendorf, the average (median) rent was €7.08 per sqm per month in 2014, an increase of 7.2% as compared to 2013. In Neukölln, the average (median) asking rent was €8.50 per sqm per month in 2014, an increase of 9.7% as compared to 2013 (*Source: CBRE Report 2015*).

Prices for condominiums on the Berlin market have also been increasing in recent years. The average (median) asking price for condominiums increased by 10.7% to €2,754 per sqm in 2014 from €2,487 per sqm in 2013, and the average (median) price for apartment buildings increased by 10.2% from €1,684 per sqm in 2014 from €1,528 per sqm in 2013 (*Source: CBRE-empirica*). Despite these increases, in the First Quarter 2014, condominium prices in Berlin remained 48% lower than those of Munich for the Fiscal Year 2014 (*Source: CBRE-empirica*). In the district of Spandau, the average (median) asking price was €1,389 per sqm in 2014, an increase of 2.9% as compared to 2013 (*Source: CBRE Report 2015*). In Reinickendorf, the average (median) asking price was €1,848 per sqm, an increase of 11.4% as compared to 2013 (*Source: CBRE Report 2015*). In Neukölln, the average (median) asking price was €2,083 per sqm in 2014, an increase of 17.4% as compared to 2013 (*Source: CBRE Report 2015*).

Competition

The Berlin residential real estate market is highly fragmented. We compete with a number of privately and communally owned residential real estate companies as well as the Berlin owned municipal real estate companies. As of December 31, 2014, we and our main publicly listed competitors owned approximately 130,976 units in Berlin. Our most significant competitors are:

- Deutsche Annington Immobilien SE: As at March 11, 2015, Deutsche Annington had a property portfolio of approximately 350,000 residential units with a total fair market value of €21.7 billion (*Source: Deutsche Annington*). The Deutsche Annington group was founded in 2001 in the course of the takeover of government-owned railroad housing companies and consolidated into its present form with the acquisition of the Viterra residential housing portfolio in 2005 and the acquisition of GAGFAH S.A. in March 2015 (*Source: Deutsche Annington*). Although the total number of apartments Deutsche Annington owns in Berlin after the GAGFAH-merger remains unpublished, as of December 31, 2014, approximately 13,600 apartments, or 6.8% of its total portfolio at that time, with a fair value of €1.0 billion, were located in Berlin (*Source: Deutsche Annington*).

- Westgrund AG: As at December 31, 2014, Westgrund had a property portfolio of approximately 16,000 residential and commercial units with a value of €313.5 million (*Source: Westgrund*). Thereof, approximately 2,000 residential and commercial units, with a floor area of approximately 124,000 sqm (approximately 12% of Westgrund's available living sqm) and a fair market value of €120 million, were located in Berlin (*Source: Westgrund*). Westgrund was founded in 1990 and has shares listed for trading on the Frankfurt Stock Exchange (*Source: Westgrund*).

- ADLER Real Estate AG: As at December 31, 2014, ADLER Real Estate had a property portfolio of approximately 25,000 residential units with a total sqm of 1.6 million. Approximately 1,300 apartments and a floor area of 80,000 sqm, or approximately 5.2% of the company's portfolio, were located in Berlin (*Source: ADLER*). The ADLER group began undertaking real estate development projects in 2000 and acquired its current structure through the acquisition of the operative residential property business of Münchener Baugesellschaft in 2007 and the takeover of ESTAVIS AG in 2014 (*Source: ADLER*).

- Deutsche Wohnen AG: As at March 26, 2015, Deutsche Wohnen had a property portfolio of approximately 149,000 units with a total fair market value of €10.0 billion (*Source: Deutsche Wohnen*) and approximately 73% of the units in its total portfolio was located in Berlin. Deutsche Wohnen focuses on residential real estate, in particular in the Berlin, Rhine-Main, Rhineland, Dresden and Hannover areas (*Source: Deutsche Wohnen*). The Deutsche Wohnen group acquired the residential real estate portfolios of the former Hoechst AG and the Heimstätte Rheinland-Pfalz group in 1998/99, merged with the GEHAG group in July 2007, acquired the residential real estate portfolio of the former BauBeCon Group and acquired GSW Immobilien AG in 2013 (*Source: Deutsche Wohnen*). Deutsche Wohnen AG has been publicly traded on the Frankfurt Stock Exchange in Germany since 1999 (*Source: Deutsche Wohnen*).

- A few examples of our competitors that are owned and operated by the state of Berlin and manage portfolios predominately located in Berlin are as follows: Degewo AG manages a real estate portfolio of approximately 73,000 managed apartments (*Source: Degewo*); HOWOGE Wohnungsbaugesellschaft Berlin manages a real estate portfolio of approximately 57,000 apartments (*Source: HOWOGE*); GESOBAU AG manages a real estate portfolio of approximately 40,000 units (*Source: GESOBAU*); Stadt und Land Wohnbauten-Gesellschaft mbH manages a real estate portfolio of approximately 52,000 residential and commercial units, of which it owns approximately 42,000 apartments (*Source: Stadt und Land*); and WBM GmbH manages a real estate portfolio of approximately 33,000 units (*Source: WBM*).

- Immeo Wohnen GmbH: Immeo has a property portfolio of approximately 49,000 units predominately located in the Rhein-Ruhr region of Germany (*Source: Immeo*). As of 2011, approximately 5,300 apartments or approximately 10.8% of the company's portfolio by numbers of apartments are located in Berlin (*Source: Immeo*). Immeo was first created as a stand-alone entity in 2004 and was acquired by the French real estate group Foncière des Régions in 2005 (*Source: Immeo*).

- Akelius GmbH: Akelius has a property portfolio of approximately 18,000 units throughout Germany, half of which are located in Berlin (*Source: Akelius*). Akelius is a subsidiary of Akelius Residential Property AB and has been present in the German real estate markets since 2006 (*Source: Akelius*).

- Pears Global Real Estate Germany GmbH: Pears Global was founded in 2005 as a consulting firm of the Pears Family Trust and its principal task is to advise the Pears Family Trust on real estate investments predominantly in Germany, Switzerland, Austria and Poland (*Source: Pears Global*). It oversees a widespread property portfolio throughout Germany and has approximately €500 million available for property acquisitions in the next three years (*Source: Pears Global*).

BUSINESS

Overview

We believe that following the Offering we will be the only company listed on the regulated market (Prime Standard) of the Frankfurt Stock Exchange that is focused on residential real estate located solely in Berlin, Germany. Apart from three commercial buildings, we specialize in and focus on the purchase and management of income producing multi-family residential buildings located in Berlin. As of December 31, 2014, our property portfolio consisted of 6,601 residential units with a total residential lettable area of 408,594 sqm, 592 commercial units (retail, office and other commercial) with a total commercial lettable area of 61,893 sqm, 1,577 parking spaces and spaces for storage, antennas, etc. Our portfolio value as of March 31, 2015, and including the Carlos Portfolio (as defined in "*—Our Portfolio*"), was approximately €1.2 billion. As of March 31, 2015, and including the Carlos Portfolio, our property portfolio consisted of 13,663 residential units with a total residential lettable area of 881,859 sqm, 713 commercial units (retail, office and other commercial) with a total commercial lettable area of 76,459 sqm, 3,228 parking spaces and spaces for storage, antennas, etc.

Most of our residential units contain one or two rooms and have an average size of approximately 65 sqm, which means that we are well positioned to benefit from the growth of one- and two-person households in Germany, which is expected to be particularly strong in Germany's metropolitan areas (*Source: GPE – Population Development*). As of March 31, 2015, and including the Carlos Portfolio, our vacancy rate was 4.0% and 4.3% for our residential units and commercial units, respectively. The monthly net rent per sqm was €5.66 and €8.16 for our residential units and commercial units, respectively.

We believe that the residential real estate market in Berlin benefits from positive demographic trends. Berlin is the most populous city in Germany, with 3.56 million inhabitants as of December 31, 2014 (*Source: Berlin-Brandenburg – Statistical Report 2015*). In 2014, Berlin's population grew by approximately 44,700 inhabitants, of which roughly 2,600 were due to birth surplus and 42,100 were due to migration to Berlin, and in 2013, the population grew by approximately 47,800, of which roughly 2,200 were due to birth surplus and roughly 45,600 were due to migration to Berlin (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin-Brandenburg*). It is expected that this growth trend will continue, with the Berlin population expected to increase from 3.56 million in 2014 to approximately 3.70 million in 2020 (*Source: Berlin-Brandenburg – Statistical Report 2015; Berlin Senate*). We also believe that we will continue to benefit from Berlin's status as the capital and largest city of Germany, which has one of Europe's strongest economies and is an important business, political and cultural center for continental Europe. In addition to a growing number of governmental employees in the city, Berlin is a growing business center for, among others, the services, pharmaceuticals, media, creative and technology sectors. The unemployment rate in Berlin, which in 2014 was higher than the unemployment rate in Germany as a whole, has been decreasing faster than the German average and this development is expected to continue (*Source: German Employment Agency*).

Our business model focuses on asset and property management, portfolio and facility management and identifying and acquiring residential properties in Berlin that present opportunities for us to create value by increasing rents, decreasing vacancy and privatizing condominiums. The current relatively low rent levels in Berlin compared to the other big cities in Germany (*Source*: *CBRE Report 2015*) present opportunities for our business and future growth. Our residential units face strong demand from broad segments of the population: from the growing youth population to individuals with low and medium household income, some of which are being supported by social benefits and transfer payments from public authorities. We believe that our residential units provide tenants with an attractive value proposition and are suitable to market demand, which is further enhanced by our capital expenditure for refurbishment since 2007.

In addition, we target value generation through the use of our efficient, fully integrated in-house management and tenant service platform, without legacy constraints, to manage our portfolios. We believe that due to our history and particularly through our operational efforts since our establishment in 2006, we have achieved significant recognition in the market and as evidenced by our track record in achieving continual rental growth (see "*—Competitive Strengths*" below).

During the First Quarter 2015, the Group generated revenues from property letting of €10,355 thousand (First Quarter 2014: €7,069 thousand; Fiscal Year 2014: €31,972 thousand; Fiscal Year 2013: €20,741 thousand; Fiscal Year 2012: €15,463 thousand) and EBITDA of €8,019 thousand (First Quarter 2014: €5,700 thousand; Fiscal Year 2014: €24,584 thousand; Fiscal Year 2013: €16,242 thousand; Fiscal Year 2012: €11,233 thousand). Adjusted EBITDA including disposal results for the First Quarter 2015 was €8,531 thousand (First Quarter 2014: €5,700 thousand; Fiscal Year 2014: €24,682 thousand; Fiscal Year 2013: €16,242 thousand; Fiscal Year 2012: €11,233 thousand). During the First Quarter 2015, the Group generated FFO of €4,420 thousand (First Quarter 2014: €3,202 thousand; Fiscal Year 2014: €13,529 thousand; Fiscal Year 2013: €7,798 thousand; Fiscal Year 2012: €4,245 thousand) and AFFO of €3,778 thousand (First Quarter 2014: €2,814 thousand; Fiscal Year 2014: €10,080 thousand; Fiscal Year 2013: €6,074 thousand; Fiscal Year 2012: €3,159 thousand). As of March 31, 2015, the Group's EPRA NAV amounted to €222,733 thousand (First Quarter 2014: €84,388 thousand; Fiscal Year 2014: €168,460 thousand; Fiscal Year 2013: €76,273 thousand; Fiscal Year 2012: €36,485 thousand) and Adjusted EPRA NAV amounted to €510,278 thousand (First Quarter 2014: €205,171 thousand; Fiscal Year 2014: €354,779 thousand; Fiscal Year 2013: €190,980 thousand; Fiscal Year 2012: €89,652 thousand). The Group's LTV-Ratio and adjusted LTV-Ratio was 81.3% and 57.4%, respectively, as of March 31, 2015.

For a reconciliation of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, FFO, AFFO, LTV-Ratio, adjusted LTV-Ratio, EPRA NAV and Adjusted EPRA NAV to the most nearly comparable IFRS figures, see "*Selected Consolidated Financial Data and Company Data—Additional Non-IFRS Performance Measures*".

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:

Our approximately €1.2 billion portfolio is located solely in Berlin and predominantly in the districts of Berlin with attractive growth perspectives.

Our portfolio of 13,663 residential units and 713 commercial units is located solely in Berlin and predominantly in the districts of Berlin with attractive growth perspectives. As of March 31, 2015, and including the Carlos Portfolio, more than half of our portfolio was located in districts with above average Berlin rental growth. The Berlin residential market continuously benefits from a combination of positive net migration, increase in the quality of the work force, decreasing average household size and limited supply of new rental stock, resulting in continued rental growth, which we expect to positively impact our business (for further information, see "*Markets and Competition—Berlin*").

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

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

We benefit from an organically grown, efficient, fully integrated, scalable and in-house platform for portfolio management and privatizations, which is led by an experienced management team that has worked together since 2007.

We benefit from an organically grown and scalable platform for portfolio management and privatizations. Our platform, combined with our in-depth knowledge of the Berlin market and almost a decade of local presence, makes us well suited to identify portfolio assets that can be improved through targeted capital expenditures. Our management team has worked in the same organization and setting since 2007 and is experienced in in-house asset management, property and facility management and construction management. Furthermore, we have qualified teams of real estate professionals in all areas of our business operations that have been built without legacy constraints, which allows us to be flexible in adapting to market conditions to sustain further portfolio growth. The concentration of our portfolio in the Berlin market further increases our platform efficiency and allows us to work with a lean and specialized operational setup. Our approach has led to a competitive EBITDA margin of 77% as of and for December 31, 2014 and a track record of decreasing vacancy in our portfolio.

We believe we have significant rental growth potential following 6.2% average annual like-for-like rental growth over the past three years (2012-2014).

We believe we have significant rental growth potential (i.e. the margin between in-place rent and actual market rent) following 6.2% average annual like-for-like rental growth over the past three years (2012-2014) and 8.5% average like-for-like rental growth in the twelve-month period ending March 31, 2015. Our management has instituted a clear investment strategy to drive rental growth. Our re-positioning and refurbishing of assets through targeted capital expenditures has led to increased rents, resulting in higher returns, and ultimately to our annual like-for-like growth.

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

Throughout our history, we have based our conservative financing strategy on the financing of assets through mortgages and have built strong relationships with a range of key lenders in Germany. We have a conservative balance sheet with, as of March 31, 2015, a current adjusted LTV-Ratio of 57.4%, approximately 2.6% cost of debt and long-term financing with no major maturities until 2018 and a weighted average maturity of approximately six years. Following the Offering, we target a conservative LTV-Ratio of around 45% to 50% and we plan to invest the primary proceeds of the Offering into targeted capital expenditures in the existing portfolio and selective accretive add-on acquisitions in the Berlin residential market. We have repeatedly proven our ability to access the bank financing market at favorable rates, most recently in executing large acquisitions such as the Carlos Portfolio, which was financed at approximately 1.7% for a period of seven years.

We have a straightforward corporate governance structure supported by long-term shareholders.

We have a straightforward corporate governance structure supported by long-term shareholders which has utilized a system of IFRS reporting since 2008, in line with the Selling Shareholder's reporting requirements, and the internal compliance standards of a listed company. Our internal compliance has been supported by an on-site professional compliance officer from Shikun & Binui Limited ("**Shikun & Binui**"), the major shareholder of the Selling Shareholder. In addition, we are supported by long-term shareholders who have extensive real estate experience in several markets in the world (see "*Information on the Selling Shareholder*") and are committed to our successful development.

Strategy

Our strategy is focused on sustainable and continuous growth to become the leading pure-play Berlin real estate company which focuses on residential properties with potential to generate value.

Our strategy is focused on sustainable and continuous growth to become the leading pure-play Berlin real estate company which focuses on residential properties with potential to generate value. Using our local market knowledge of Berlin, which is the most populous city in Germany (*Source: Berlin-Brandenburg – Statistical Report 2015*), we focus on the modernization, refurbishment and repositioning of our portfolio assets, while constantly screening and anticipating developments in different Berlin sub-markets and districts. This focus allows us to capture additional growth potential and create positive returns on our portfolio acquisitions.

We plan to continue to focus on increasing rents through active asset management and targeted investments to modernize, refurbish and re-position our properties.

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

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

We have a scalable platform capable of implementing accretive growth through acquisitions based on significant sourcing capabilities and exploiting economies of scale derived from our pure-play Berlin portfolio and our existing management operations. Our current platform would allow us to add additional units at marginal incremental costs, thereby improving our EBITDA margin. We intend to focus on further expanding our pure-play Berlin portfolio where our management's in-depth understanding of the local market provides us with attractive acquisition and re-positioning opportunities, including of undermanaged assets. Before purchasing assets, we measure any potential acquisition for short- to medium-term accretion potential, potential for increasing rents as well as potential for condominium conversion or privatization. We believe that there are sufficient acquisition opportunities in the market to support our business plans for the foreseeable future.

We plan to continue to realize value by converting properties into condominiums and selling them at prices exceeding the current fair value of the properties.

We plan to continue to realize value by converting properties into condominiums and selling them at prices exceeding the current fair value of the properties. We have already transformed approximately 277 units into condominiums which we plan to sell over the next 24 months, and we are in the process of converting approximately an additional 278 units into condominiums. We have identified approximately 1,156 additional units in our properties which can be converted into condominiums and sold at a rate of approximately 100-150 units per year from 2016 onwards on a continuous basis, thereby contributing cash flows to our overall business. We will also continue to assess the potential for condominium conversion or sales of existing condominiums in acquired portfolios.

We are committed to tenant satisfaction through our business approach.

We are committed to tenant satisfaction and demonstrate our commitment through our business approach of placing 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 focus on a sustainable financing strategy with a conservative target LTV-Ratio of 45%–50%, enabling for continuous dividends.

We focus on a sustainable financing strategy with a conservative target LTV-Ratio of 45%–50% post-IPO, enabling for continuous dividends. We believe we have adopted a conservative financing structure which also permits us to benefit from attractive financing conditions and allows us to react quickly on opportunities for potential acquisitions. Our Group is financed on a level appropriate to the risk characteristics of our business and assets. We believe that this conservative capital structure allows for predictable growth, allowing us to distribute continuous dividends while ensuring that our indebtedness does not restrict our business or strategy.

Our Portfolio

Overview

As of March 31, 2015, and including the Carlos Portfolio, we held a real estate portfolio comprised of 13,663 residential units, 713 commercial units, 3,228 parking spaces and 198 spaces for storage, antennas, etc. Our portfolio is located exclusively in Berlin and consists of multi-family properties, except for three commercial buildings.

As of March 31, 2015, and including the Carlos Portfolio, the aggregate residential area of our portfolio amounted to 881,859 sqm, with an average residential unit size of approximately 65 sqm. An average unit consists of one or two rooms. The Group had leased approximately 96% of our residential units and 95.7% of our commercial units and generated an average monthly net rent of €5.66 per sqm for our residential units and €8.16 per sqm for our commercial units. As of March 31, 2015, and including the Carlos Portfolio, vacancy rates for our residential units and commercial units were 4.0% and 4.3%, respectively. Within the Carlos Portfolio, there were no pure play commercial assets, although a considerable number of commercial units were included as part of the assets.

Portfolio Overview

The following table sets forth key data relating to our portfolio:

	As of and for the three-month period ended March 31,		As of and for the year ended December 31,		
	2015	**2014**	**2014**	**2013**	**2012**
	(unaudited and in € thousand, unless otherwise specified)		(unaudited and in € thousand, unless otherwise specified)		
Key performance measures(1)					
In-place rent (end of period)	41,591	28,545	34,255	26,634	15,868
of which residential units	34,165	23,115	27,712	21,480	13,236
of which commercial units	6,628	4,792	5,877	4,736	2,467
of which other & parking units	798	638	666	418	165
In-place rent (per month in € per sqm)(2)	6.33	5.98	6.24	5.81	5.50
residential units	6.04	5.48	5.94	5.45	5.29
commercial units	8.41	8.21	8.21	8.29	6.94
Like-for-like rental growth (residential)(3)	8.5%	4.5%	8.0%	4.7%	5.8%
Total portfolio value(4)	1,204,406	485,147	777,601	473,931	264,243
Portfolio measures					
Number of units	8,560	6,343	7,193	5,813	3,661
residential	7,914	5,749	6,601	5,269	3,288
commercial	646	459	592	544	373
Vacancy rate at period end (in % of sqm)(5)	4.0%	5.5%	4.7%	4.2%	3.0%
residential units	4.1%	5.2%	4.8%	4.0%	2.6%
commercial units	3.6%	7.8%	3.6%	6.1%	5.7%
Capital expenditures	2,233	2,055	9,346	4,161	4,311
of which maintenance capital expenditure (public)	642	388	3,449	1,724	1,086
of which maintenance capital expenditure/sqm (in €)	4.73	3.36	7.57	5.44	4.47
of which investment and modernization expenditures	1,591	1,667	5,897	2,437	3,225
of which investment capital expenditure/sqm (in €)	13.27	15.22	13.16	7.54	13.02

(1) Excluding the Carlos Portfolio acquisition.

(2) **In-place rent (per month in € per sqm)** is defined as the current gross rental income per month for rented residential and commercial units as agreed in the corresponding rent agreements as of March 31, 2015 and 2014 and December 31, 2014, 2013 and 2012, respectively, before deducting non-recoverable operating costs, divided by the lettable area of rented units as of the same dates. Residential in-place rent is often also referred to as "net cold rent".

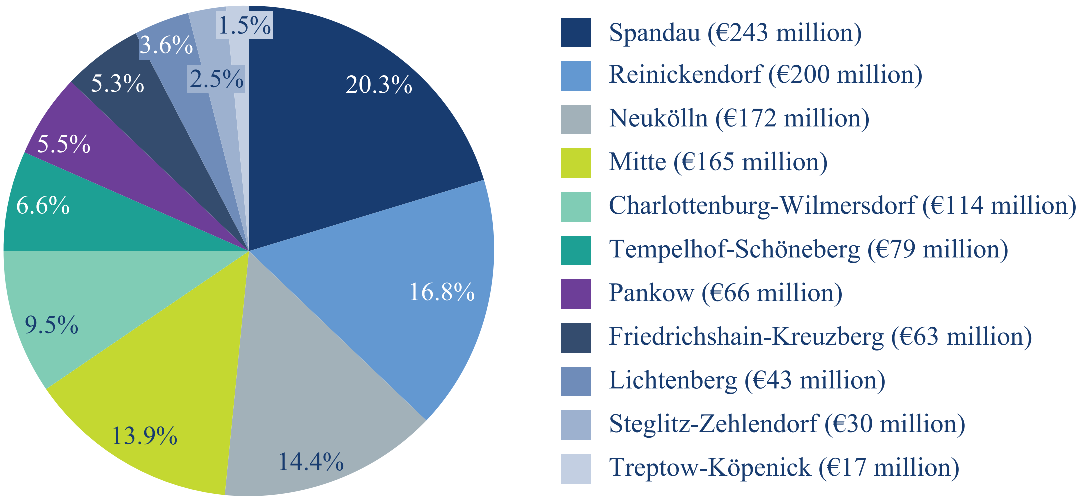
(3) **Like-for-like rental growth (residential)** for the respective period is the growth in rental income on residential units during the respective period compared to the rental income on the same units owned during the corresponding period in the prior year.

(4) **Total portfolio value** is the sum of investment properties, trading properties and assets held for sale, including advances in respect of investment properties and trading properties which were acquired after the related period end date. The total portfolio value differs from the figure determined by CBRE because trading properties are valued at acquisition cost. Additionally, the prepayment of one asset is not included in the CBRE valuation.

(5) **Vacancy rate at period end (in % of sqm)** is the sqm of vacant units as of the respective period end, divided by the total sqm of units owned on the respective period end date.

Portfolio by District in Berlin

The following graphic shows the portfolio segmentation by Fair Value as of March 31, 2015, and including the Carlos Portfolio:



Source: Company data as at March 31, 2015, and including the Carlos Portfolio.

The following table provides an overview of the geographical distribution of our total portfolio split by the districts in Berlin according to the number of our residential units as of March 31, 2015, and including the Carlos Portfolio:

	Property value (in € million)(1)	Residential Units	Commercial Units	Total Residential Lettable Area (in sqm)	Occupancy (in %)	Rent Restricted Units (% of units)	Average rent/month (€/sqm)(2)	Like-for-Like Growth (2012-2014) (%)	Average market rent/month (€/sqm)(3)
Charlottenburg-Wilmersdorf	114	974	46	59,702	93.7	0.0	6.45	5.4	8.52
Friedrichshain-Kreuzberg	63	544	38	31,048	97.4	0.0	6.36	5.3	926
Lichtenberg	43	659	167	28,149	82.3	0.0	6.63	3.0	8.36
Marzahn-Hellersdorf	—	—	—	—	—	—	—	—	—
Mitte	165	1,789	104	111,877	97.7	7.0	5.75	5.5	7.62
Neukölln	172	1,585	132	103,125	97.7	4.5	5.78	7.5	8.13
Pankow	66	607	32	37,763	94.9	0.0	6.77	6.9	7.83
Reinickendorf	200	2,792	47	193,810	96.6	7.0	5.28	8.2	5.81
Spandau	243	3,637	68	242,502	95.9	70.5	5.19	6.5	5.75
Steglitz-Zehlendorf	30	254	9	17,113	97.9	0.0	6.83	3.0	8.27
Tempelhof-Schöneberg	79	670	46	45,702	97.9	1.5	5.95	6.0	7.80
Treptow-Köpenick	17	152	24	11,068	94.5	0.0	5.48	8.1	6.66
Total	**1,193**	**13,663**	**713**	**881,859**	**96.0**	**21.7**	**5.66**	**6.2**	**6.93**

(1) Property value (rounded) includes residential units, commercial units, parking and spaces for storage, antennas, etc.

(2) Average rent (per sqm/month in €) is defined as the current gross rental income per month for rented residential units as agreed in the corresponding rent agreements as of March 31, 2015 and 2014 and December 31, 2014, 2013 and 2012, respectively, before deducting non-recoverable operating costs, divided by the residential lettable area of rented residential units as of the same dates.

(3) Refers to the estimated rental value used by CBRE for calculating the fair value of the Group's residential real estate portfolio, as shown in the Valuation Report. The market rent value is determined on the basis of an analysis of the local property market, CBRE's market knowledge and other third-party information, and is thus an indicator of an average rent value that could theoretically be achieved in the respective market. It does, however, not imply that an adjustment of the in-place rent to the market rent is feasible, as stringent legal and contractual restrictions regarding rent increases exist. Further, there may not be sufficient demand for our residential units if they are offered at such price on average.

Statistical Asset Data for Our Portfolio

Carlos Portfolio

On April 1, 2015, the Company increased significantly the size of its portfolio through the closing of the acquisition of a portfolio with consisting of 5,749 residential units located in the districts of Spandau and Reinickendorf ("**Carlos**" or the "**Carlos Portfolio**"). The Carlos Portfolio has an in-place rent of €5.20 per sqm/month and a vacancy rate of 3.5% as of April 1, 2015. According to the CBRE/Berlin Hyp Housing Market Report Berlin, the average rent for new lettings in Spandau is at €6.75 per sqm/month and in Reinickendorf €7.08 per sqm/month. Financing for the transaction, a non-recourse mortgage loan, was secured on March 26, 2015 with a consortium of two German banks with a fixed interest rate of approximately 1.7% per annum. We plan to improve profitability of the Carlos Portfolio through insourcing management and services, which were outsourced by the previous owner, reducing vacancy and completing targeted investments to increase rents.

If the acquisition and financing of the Carlos Portfolio had been completed at the commencement of the First Quarter 2015, it would have increased the assets, liabilities and earnings of the Company. The assets of the Company would have increased due to the additional 5,749 residential units of the Carlos Portfolio which has a fair value of €376 million, close to the actual purchase price of the Carlos Portfolio of €375 million. The liabilities of the Company would have increased due to the non-recourse mortgage loan the Company assumed to finance the acquisition and the shareholder's loan provided to the Company in order to finance the Carlos Portfolio. The acquisition would have increased the earnings of the Company as the Carlos Portfolio would have contributed rental income from January 1, 2015. Except for in the financial tables, and in light of its recent acquisition, throughout this Prospectus we have included figures that include the Carlos Portfolio.

Waypoint Portfolio

On January 1, 2015, we completed the acquisition of a portfolio consisting of 1,064 residential units and 229 condominiums, most of which are located in buildings that were built before 1918 ("*Altbau*") in the inner city locations (the "**Waypoint Portfolio**"). As of March 31, 2015, the Waypoint Portfolio had an in-place rent of €5.98 per sqm/month for the residential units, an in-place rent of €7.84 per sqm/month for the commercial units and a vacancy rate of 4.5% (including condominiums) and 3.9% (excluding condominiums). In our view, the Waypoint Portfolio was in good condition before we acquired it and currently does not require significant investments. As some of the buildings were already condominiums at purchase, they can be privatized in the mid-term.

Subsidies

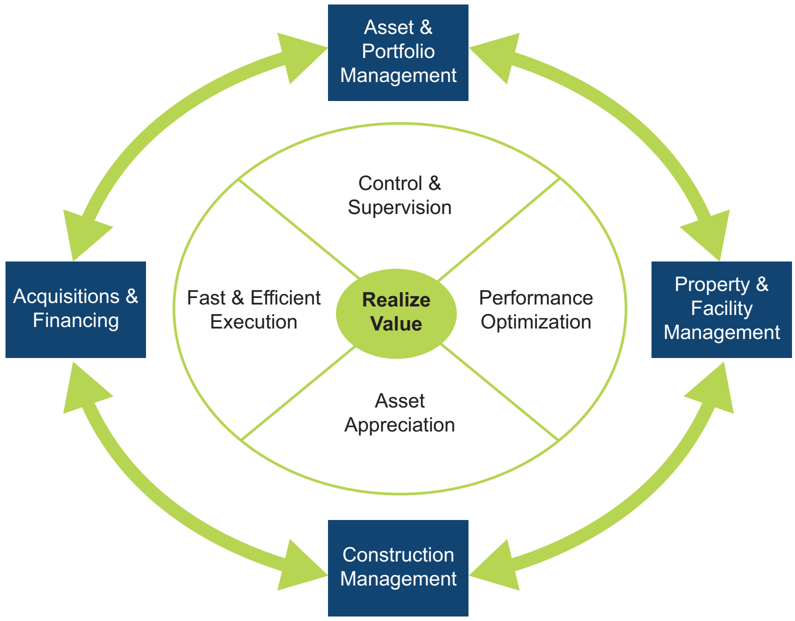
Before the acquisition of the Carlos Portfolio, 2.8% of our residential units (222 residential units) were under existing subsidies when we acquired them. 47.7% (2,744 residential units) of the units in the Carlos Portfolio were under existing subsidies when we are acquired them. Starting from 2017, the properties from the Carlos Portfolio will begin to be released from subsidy.

Business Operations

Overview

We consider Berlin residential real estate to be a decisively local business, which requires strong local market intelligence and an in-depth knowledge about our own assets and tenants in order to create value. Our fully integrated, in-house and scalable platform for active asset management and privatizations is led by an experienced management team that has worked together since 2007. Therefore, we manage our operating business in a fashion that enables us to make targeted investments, accretive add-on acquisitions and condominium conversions and privatizations in the various micro-locations in Berlin.

The following chart depicts our operating model:



We have four business functions that are responsible for (i) asset and portfolio management, (ii) property and facility management, (iii) construction management and (iv) acquisition and financing. An exclusive external partner with whom we have worked closely together since our establishment, has been fully integrated into our acquisition process. The teams within each business function collect and process district-specific knowledge related to the relevant task. The performance of each business function is reflected by the building performance that is monitored on the basis of key performance indicators set for each building.

Our business function responsible for asset and portfolio management is conducted by ADO Properties GmbH. ADO Properties GmbH focuses mainly on the purchase and management of revenue producing real estate in Berlin. It is the coordination and financial arm of our business. Based on their knowledge of the different Berlin micro-markets and the condition of the specific apartments, and taking into account current vacancy rates and refurbishment and modernization requirements, our asset and portfolio management team periodically updates the target rent for new lettings.

Our business function responsible for property and facility management is comprised of ADO Immobilien Management GmbH ("**ADO Immobilien**"), formerly Central Asset Management GmbH, and Central Facility Management GmbH ("**CFM**") provides property management and services to tenants, respectively. ADO Immobilien specializes in value optimization through residential and commercial property management, providing services in property management, letting management, tenant bookkeeping, rent collection and controlling and reporting. CFM has been a distinct in-sourced team and brand since 2013 and provides an immediate response for all kinds of facility management, including cleaning and janitor services and gardening. The creation of our distinct facility management team has led to cost savings and increased tenant satisfaction because we exercise full control over these services.

Our business function responsible for product optimization through construction management is CCM City Construction Management GmbH ("**CCM**"). CCM offers complete and comprehensive construction management services including site survey and evaluation, coordination with local authorities, budget estimate and control, control and approval of supplier invoices, project scheduling, site management and documentation.

Our fourth business function is for the identification and selection of possible acquisitions and financing of acquisitions. For certain acquisition services, including acquisition advice, finance consulting, economic, legal and technical due diligence, valuation and market research, we have partnered with W&W Real Estate GmbH ("**W&W**"), an entity that we work closely with (for further information, see "*—Material Agreements—Agreement for Acquisition Services—W&W Contract*"). Since our establishment, W&W has been fully integrated into our acquisition process. W&W is exclusively partnered with us. W&W offers essential acquisition services. W&W currently utilizes a five-person team that builds our pipeline of potential acquisitions in accordance with our acquisition matrix. Because W&W are Berlin experts, with fifteen years of experience in the residential real estate market in Berlin, that have extensive knowledge of the particulars of the different micro-locations in Berlin, the team speedily analyzes opportunities for acquisitions (see also "*—Acquisitions and Financing*" below).

Asset and Portfolio Management

We take a broad view of asset management, which for us encompasses all areas of improving and increasing the cash flow and value of our business and includes portfolio and transaction management, property management, supply management, organizational management and financial management. Through our asset management activity, we seek to manage our assets to grow FFO and cash flow resulting in increases of the value of our real estate portfolio. To achieve these goals, we focus on increasing rental income, reducing vacancy, reducing the costs and risks of operating our assets and maintaining a conservative capital structure.

ADO Properties GmbH provides all of our asset management services out of our operational office in Berlin and oversees the development of our portfolio. We consider our portfolio development efforts an important part of our strategy. To this end, we capitalize on major societal trends to guide our portfolio development efforts. The trends that we have identified are demographic trends such as the expected continued increase of one- to two-person households and the increase of population in Berlin over the next ten years. Our acquisition strategy and investments are designed to respond to demand generated by these trends. W&W assists with transaction management within this business function.

Targeted sales of condominiums (privatizations) are part of our strategy to actively manage our portfolio. The prices achieved in our value-oriented privatizations significantly exceed the fair value based on the assumption of multi-family rental blocks. Before September 2014, we purchased buildings that had already been converted into condominiums but we did not immediately begin selling those condominiums. We began the business practice of converting residential units into condominiums and selling them only in September 2014 as our total portfolio became sizeable enough for privatizations to commence and based on the significant margin potential and attractive conditions. From January 2007 until January 2015, we purchased 7 converted properties with a total of 293 residential and 2 commercial units. From September 2014 until April 2015, we have sold 28 units, achieving an average selling gain of 80.6% on the average portfolio acquisition value. Furthermore, we identified 13 additional buildings in our portfolio that are eligible for conversion and offer a total of 278 residential and 21 commercial units. Of these, we have completed the conversion process for one building and commenced sales of units in that building. We will continue with the conversion of the remaining 12 buildings in order to add their units to the sales pipeline.

Property and Facility Management

Our property and facility management function comprises all owner-related competencies, including tenancy-related administrative functions within the Group. This business function follows the principle that all tasks that can be performed using standardized and scalable procedures and executes the asset-by-asset strategy developed by our asset management. Our goal is to maximize rental revenue by increasing rent, reducing vacancies and managing tenant fluctuation. It is steered by highly integrated interdisciplinary processes. Our property management function manages our letting process, encompassing tenant booking and marketing, rent collection, rent development and technical services. We also manage the commercial units that we own, which are located on the ground floors of our residential buildings, except for our three purely commercial buildings.

Letting Services. We have initiated measures to make our letting process more efficient. Our letting department performs virtually all administrative work to support our letting agents, which allows them to focus on closing new letting contracts and letting strategies. Our letting specialists, who have an intimate knowledge of the different districts in Berlin, also have a significant amount of discretion to freely address prospective tenant needs. We support our letting service activities with a wide range of marketing activities (such as signs and illumination of windows and banners) that are focused on an entire property, individual units or individual micro-locations as well as on specific tenant target groups delineated by life cycle or economic situation. In our marketing activities, we conduct a careful tenant screening process that includes tenant credit checks.

We perform and adapt various marketing strategies to the different building types. For example, we placed a special banner and flyer material in the HTW University of Berlin to attract young students into our building on Löwenbergerstrasse which, due to its location and unit type, is suitable for young and single individuals.

Furthermore we perform an ongoing vacancy reduction management. We survey units during the three-month cancellation period and if the technical condition of the unit is good, we immediately begin our marketing efforts to bring vacancy to a minimum by aiming to immediately rent the units with limited or no period of vacancy in between tenants. Our property and facility management works closely with our in-house construction management to receive recommendations on the scope of refurbishment needed in order to fulfill market needs and to rent out the vacant units successfully.

Rent Collection. We strictly monitor overdue rent from our tenants. We established a structured arrears management process, which is managed by five employees supported by a specialized external law firm, including specified dunning letters, outbound calls, email and on-site visits. Account managers may give tenants the option of a deferred payment or installment payments. To provide this service, we currently employ managers who can give tenants expert advice and who can negotiate individually tailored solutions in order to avoid costly eviction proceedings for all parties involved. We have achieved a sustainable high rent collection rate.

Rent Development. Rent development involves observation of market rents and the ability to increase rents on a regular basis for existing letting contracts. The rent revisions are primarily determined by the Berlin rent table (*Mietspiegel*), the restrictions of the German letting laws, the economic purchasing power of our tenants as well as restrictions due to subsidies. See "*Markets and Competition—Markets—Development of Residential Rents and Sale Prices in Berlin*".

We seek to increase our income from rent through (i) closing the gap to market rents on existing tenancies within the regulatory limits, (ii) moving rents to market levels as rent restrictions fall away and (iii) higher rents for new lease contracts in relation to rents of existing contracts and (iv) continuing growth in the long-term through opportunistic acquisitions of assets with visible operational upside potential. In the First Quarter 2015 we amended approximately 223 letting contracts resulting in an additional annualized net rent of approximately €0.38 million. In the year ended December 31, 2014, we amended approximately 827 residential and commercial letting contracts resulting in an additional annualized net rent of approximately €1.44 million. In the year ended December 31, 2013, we amended approximately 557 residential and commercial letting contracts with an additional annualized net rent of approximately €0.79 million. In the year ended December 31, 2012 we amended approximately 498 residential and commercial letting contracts resulting in an additional annualized net rent of approximately €0.95 million per year. As of December 31, 2014, average residential in-place rent was €5.94 per month and sqm, which was approximately 14.3% below market rent of €6.93 per month and sqm as determined in the Valuation Report.

Our tenant turnover rate based on our total portfolio averaged approximately 11.3% per year for the year ended December 31, 2014 as well as the years ended December 31, 2013 and December 31, 2012, and is a factor in increasing the value of our assets through unit turn refurbishment and modernization and results in rent increase opportunities.

Technical Services. Our property management manages technical services and customer services, including an internal tenant call line and external service call number that can be reached at all times for emergencies. We perform ongoing maintenance in response to tenant requests by hiring external suppliers and work with a strict budget (annual investment program) per building. We provide standard items for residential units such as utilities, cable, etc. Any major technical services needed for vacant units are procured by CCM; property management makes the strategic decisions for investments that are carried out by our construction management.

Management of Commercial Units. Management of the commercial units in our portfolio is handled by a small team in parallel with the management of our residential properties. Apart from the three commercial buildings that we hold, the commercial units currently held in our property portfolio are integrated into the residential properties that we manage and primarily include small retail businesses within residential buildings.

Construction Management

CCM offers complete and comprehensive in-house construction management services. Through CCM, we continue to invest in our existing real estate portfolio, having spent a total of €11.6 million over the three-year period from January 1, 2012 to December 31, 2014 on modernizations and refurbishments. During this three year period, the average capex investment per sqm was €17.39 which demonstrates that our approach of capex investment is an integral part of our rental growth strategy and properties enhancement. We have focused targeted investment on units with highest rent potential which has allowed us to increase average in-place rent by more than 64% from January 1, 2012 to December 31, 2014.

In the First Quarter 2015, we invested €2.2 million in modernizations and refurbishments. Modernization measures are mainly investments that trigger the statutory right to increase rents with respect to the modernized unit or building under the applicable legal framework. Our management believes that with an average investment return of more than 17.5% on investments from rent increases and vacancy reduction from January 1, 2012 to December 31, 2014, we have an excellent investment track record. We are continuously investing in modernizing properties to bring them up to market expectations.

In addition we conduct periodic modernization of our properties, for example, the planned replacement of roofs or windows, modernizations of facades, refresh of staircases, etc. Such refurbishment is done according to an annual investment program. Through our standardized procedures and work volume we optimize our costs of construction.

The following table shows the Group's investments in modernizations and refurbishments and their effect on the vacancy rate and in-place rent in the periods indicated:

Calendar Year	Amount Invested (€ thousand)	Number of Units	Average Rent Increase (in %)(1)
2014	5,554	421	69.4
2013	2,021	169	61.7
2012	1,991	181	56.8
Total/Average	**9,555/3,189**	**771**	**64.6**

(1) Average rent increase after residential unit refurbishment.

We apply strict criteria when selecting investment opportunities and concentrate on investment opportunities that can be integrated into our asset and portfolio management and that will further improve rent out possibilities. In particular, we seek to acquire properties that will allow for increased rents and decreased vacancy in order to generate high value. This is generally achieved by balancing the following three factors:

- Rent perspective: affordability and at the market standard suitable for the current demand;
- Technical perspective: mix of necessary and value-creating measures; and
- Economic perspective: adequate returns.

The entire investment process, from project selection to post-completion, is managed by CCM after ADO Properties GmbH, the business function responsible for asset and portfolio management, has reviewed and approved the capex application. Our construction management consists of twenty employees that are building engineers, architects, technicians and other craft specialists with a vast working experience in the real estate market. Through CCM, we also hire third-party service providers and construction companies that perform the modernizations and refurbishments of buildings and apartments to the market standard suitable for current demand. For all major works we typically execute a bidding process to be able and select the best supplier for the requested work.

Acquisitions and Financing

As part of our growth strategy, we aim to expand our existing property portfolio by purchasing both single properties and portfolios in Berlin. We have a fully integrated scalable platform that allows for profitable growth from acquisitions. Through selective and accretive add-on acquisitions, we have developed a long-standing track-record in the Berlin market. Our acquisitions follow a standardized, integrated process that results in analysis of the property to be acquired three months before the potential takeover.

Our asset and portfolio management works closely with W&W, which is comprised of a small number of experienced professionals with extensive real estate and local knowledge, to identify and acquire properties. After we, or W&W, has become aware of a property to potentially acquire, W&W conducts the first inspection of the property and prepares the matrix which includes a capex estimation, an analysis of the tenants and room/size ratios and the financing conditions. From the result of the first inspection and matrix, W&W forms an opinion on acquiring the property and W&W submits a proposal, including a presentation to our chief executive officer ("**CEO**") and chief financial officer ("**CFO**"). After our CEO's approval, a letter of intent and indicative offer is sent to the seller, a project leader is appointed and initial shareholder approval (in the future, the Board's approval) is requested. To receive the initial approval, we present the prepared matrix, a property overview and key points of the potential acquisition. After receiving the initial shareholder approval (in the future, the Board's approval), a second inspection, operational confirmation, legal procedures that include due diligence and negotiation of the purchase agreement and collection of indicative term-sheets takes place. Following discussions on performance figures amongst all of our business functions, we hold a final internal meeting to form a final opinion and signed final matrix. This signed final matrix, accompanied by signed technical, legal, and ADO Immobilien due diligence reports, is presented for shareholder approval (in the future, the Board's approval) and confirmation to proceed to acquisition signing.

Provided the seller accepts the final offer, the closing stage is normally initiated involving confirmatory due diligence. Throughout this process, negotiations on financing are conducted in parallel. We have diversified funding with seven German mortgage banks to finance our properties and acquisitions. For further information on our material financing please see "—*Financing Agreements*" below.

Corporate Information

The corporate structure serves as the Group's logistical backbone for our operations and handles the human resources, financial accounting and information technology functions of the Group. Third parties provide legal services and property valuation. CBRE has provided a property valuation for purposes of this Prospectus (see "*Valuation Report*").

Human Resources and Employees

Our human resources is provided centrally by ADO Properties GmbH for the Group and manages recruitment and employee development and training. We use an integrated human resources software that includes employee time keeping and payroll accounting. Payroll accounting is outsourced to an external tax advisor who has access to our integrated human resources software for this purpose.

Employees

As of March 31, 2015, we have a seasoned team of 159 full-time professionals many of whom have degrees in real estate management, accounting, construction engineering and facility management. Apart from the CFO, who will be based in both Berlin and Luxembourg, the Company's secretary and certain Board Members, all of our full-time employees are located in Berlin and are employed in our operating businesses responsible for asset and property management (75 employees), facility management (64 employees) and construction management (20 employees). All of our real estate personnel are experts certified in their respective field of employment. Our CEO has held his position since our establishment in 2006. Our CFO and chief operating officer have each held their position since 2007. Our CFO has also been the CFO of the Selling Shareholder since 2007.

The following table shows the number of Group full-time employees for the periods presented (in each case as of the end of the period).

	As of March 31,	As of December 31,		
	2015	2014	2013	2012
Total	159	121	83	47

Since March 31, 2015 we have hired 37 additional employees, of which 26 are added to the facility management and property management departments, to support and facilitate our growth as a result of the acquired portfolios since the beginning of January of this year.

There is currently no employee workers council (*Betriebsrat*) or employee union agreements (*Tarifvertrag*).

Pension and Incentive Plans

We do not provide a private pension plan for our employees. Our employees participate in the German state pension plan (*Deutsche Rentenversicherung*) whereby employees and the Company are obliged to pay in by law.

Some members of the Board and the Senior Management participate in long-term incentive plans and have stock options in the Selling Shareholder (for further information, see "*Description of the Governing Bodies of ADO Properties S.A.—Compensation and Shareholdings of Board Members*").

Financial Management

We conduct financial accounting, all other treasury functions and tenant accounting in-house. Our financial statements are prepared quarterly and annually. In prior periods, our annual accounts have been prepared in accordance with Cypriot generally accepted accounting principles. As of and for the Fiscal Year 2015, our annual accounts will be prepared in accordance with Luxembourg generally accepted accounting principles and our consolidated financial statements in accordance with IFRS. Our treasury department manages the Group cash flow planning, bank loans and day-to-day payments. Tenant accounting, as part of property management, is integrated into our financial accounting and treasury processes to ensure a consistent high quality of bookkeeping.

Information Technology

To ensure the scalability of our information technology for further growth in the future, we have implemented a new information technology software, which is provided by a third-party supplier and managed internally by our information technology manager, to integrate all ERP, accounting, consolidation and controlling functions into one software. Since taking it over on April 1, 2015, we have managed the Carlos Portfolio using this new software. We will extend the use of this new software to manage all the other portfolios and expect to complete this extension by July 1, 2015.

Intellectual Property, Trademarks and Domains

We do not hold any patents. The following trademarks which are material for the Group's business are currently registered in favor of Q-ADO Dienstleistungs GmbH:

- word and figurative mark "ADO Properties" registered under number DE 302008045025;
- wordmark "ADO" registered under number DE 302014071419;
- wordmark "Fortica" registered under number DE 302014022378; and
- wordmark "Fortica" registered under number CTM 013031406.

The Group's most significant internet domain is: www.ado.properties.

Insurance Coverage

We have procured various operating insurance policies, which include, among others: business and environmental liability coverage, electronic data processing equipment insurance, motor vehicle insurance, employee accident insurance, employee fraud insurance, and property damage and third-party liability insurance, that cover fire, lightning and explosions, water damage, storms and hail, natural hazards including, e.g. floods and earthquakes, broken glass and vandalism as well as statutory liability as a property owner.

The Selling Shareholder has provided a directors and officers ("**D&O**") insurance policy covering its, and its subsidiaries', officers and directors. This policy provides coverage for our officers, directors, employees and the equivalent individuals of our significant subsidiaries. The D&O insurance policy was entered into with Menora Mivtachim Insurance Ltd. and expires on March 31, 2016. The D&O insurance policy provides for no deductible and covers defense costs until the €35 million limit of annual coverage is reached. The D&O insurance policy covers financial losses arising from a breach of duty by the Company's Board members in the course of their duties. Once we are no longer a majority-owned subsidiary of the Selling Shareholder, however, the D&O insurance policy will no longer provide coverage for our directors, officers and employees. We intend to have a new D&O insurance policy following the Offering.

Governmental, Legal, Arbitration or Similar Proceedings

During the ordinary course of our business activities, we are regularly involved in legal proceedings, both as a claimant and as a defendant. These proceedings are routine matters of tenancy and other laws, and do not have a significant impact on the Group's business.

The Group companies are not and were not party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings) during the previous 12 months, which may have, or have had, significant effects on the Company or the Group's financial position or profitability.

As of the date of the Prospectus there are no legal and regulatory proceedings and claims pending that we currently believe could have a material adverse effect on our business, net assets, financial condition, cash flows, and results of operations.

Material Agreements

The following section provides a summary of material agreements to which any member of the Group is a party. Further, agreements which are of specific importance in the context of the Offering are described under "*Certain Relationships and Related-Party Transactions*".

Agreement for Acquisition Services

W&W Contract

On May 20, 2015, we entered into an agreement with W&W in which W&W agreed for a term of 48 months to assist and support us in undertaking real estate transactions, including the acquisition and sale of real estate assets or share deals of companies, in Germany (the "**Transactions**"). In connection with any Transaction, W&W has agreed to provide certain services, including, but not limited to, the defining of an adequate investment strategy, the valuation of targets (technical due diligence, market valuation and economic due diligence), the assisting of ADO in the creation of a cash-flow analysis and detailed business plan, the development of financial models, the procurement of senior debt financing, the assisting in the negotiating process with a seller and the representing of ADO during the entirety of each acquisition process.

Pursuant to the agreement, we and W&W agreed that the cooperation is exclusive, meaning that W&W must perform the agreed services for all of our transactions and that W&W must not act on behalf of third party investors without our consent. Mr. Friedemann Weck is specified as the primary consultant from W&W. In return for W&W's services, ADO has agreed to pay W&W a monthly fee, cost coverage and a success fee calculated by multiplying the asset value of assets acquired in the respective Transaction with a provision factor varying according to the volume of the Transactions for the relative twelve-month period starting. Additionally, the agreement contains a total compensation cap as to the maximum amount that can be owed to W&W over a twelve-month period and any surplus amounts are paid carried forward in equal installments for the following two twelve-month periods, as long as the agreement remains in place. Any amounts carried fowared also count towards the compensation cap for the respective period.

In the event that W&W is unable to procure the services of Mr. Friedemann Weck or W&W terminates the agreement before term, we may be entitled to a termination payment from W&W and/or may be empowered to purchase all relevant assets and intellectual property of W&W necessary to provide the services as envisaged in the agreement. If we were to terminate the agreement before term, we may be obliged to pay a termination fee, with the fee decreasing upon each subsequent twelve-month period, beginning from the date of the agreement. At the termination of the agreement, W&W may be entitled to a bonus payment.

Financing Agreements

Financing Agreement with Deutsche Pfandbriefbank AG and Investitionsbank Berlin

On March 6, 2015, eight special purpose vehicles of the Group, each incorporated under German law as limited liability companies, as borrowers, entered into a term loan agreement with Deutsche Pfandbriefbank AG and Investitionsbank Berlin as lenders in an maximum aggregate amount of €280,000,000 (the "**PBB1 Agreement**") with a seven-year maturity for the purpose of partially financing an acquisition of real estate.

The PBB1 Agreement is secured by land charges, security assignments (over the rights and claims of the borrowers under rental and lease agreements, insurances, sale and purchase contracts, object management agreements and shareholder loans) and pledges of shares and bank accounts of the borrowers. Interest payments are due on a quarterly basis with a one-year interest period and the final maturity date will be March 31, 2022. The fixed interest rate is at 1.7% per annum. Repayments must be made on a quarterly basis in an amount of 2% of the original credit amount (plus interest saved) starting on June 30, 2015. There is no additional repayment required prior to the final maturity date, assuming the borrowers continue to perform their obligations under this agreement and no mandatory repayment event occurs.

The PBB1 Agreement includes several market standard representations, undertakings and events of default. The borrowers are not entitled to make further redemption payments. The borrowers must not dispose of any lending objects. In case of a sale of real estate, a mandatory unscheduled repayment must be made in an aggregate amount of that partial loan sum associated with a lending value of the respective real estate and an additional extra charge. As financial covenants, the borrowers must maintain a debt service coverage ratio of at least 120%, the LTV-Ratio must not exceed 80% for the first three years and 75% thereafter and the loan to mortgage value ratio shall not exceed 95% for the first three years and 90% thereafter.

Financing Agreement of 39 Special Purpose Vehicles with Berlin-Hannoversche Hypothekenbank AG

On December 27/28, 2011, 39 special purpose vehicles within the Group incorporated under German law as limited liability companies entered into a term loan agreement as borrowers with Berlin-Hannoversche Hypothekenbank AG as lender in an aggregate amount of €105,000,000 (the "**BerlinHyp1 Agreement**") with a seven-year maturity for the purpose of refinancing existing financial indebtedness under financings provided by Investkredit Bank AG and revalidation of equity of the borrowers. An amount of €105,000,000 was drawn on March 26, 2012.

The BerlinHyp1 Agreement is secured by land charges, security assignments (over the rights and claims of the borrowers under rental and lease agreements and a corresponding interest hedging agreement referenced below) and pledges of bank accounts of the borrowers. Interest payments are due on a quarterly basis with a one-year interest period and the final maturity date will be December 31, 2018. The interest rate is the aggregate of a 3-month EURIBOR, a refinancing surcharge and a margin of 1.20% per annum. Repayments must be made on a quarterly basis in increasing amounts ranging from €390,800 to €515,600, starting on March 31, 2012. There is no additional repayment required prior to the final maturity date, assuming the borrowers continue to perform their obligations under the agreement and no mandatory repayment event occurs. In relation to the BerlinHyp1 Agreement, the borrowers and Landesbank Berlin AG entered into an interest hedging agreement on March 22, 2012. The fixed interest rate payable by the borrowers on a quarterly basis in each year amounts to 1.87% per annum. The variable interest rate payable by Landesbank Berlin AG on a quarterly basis with a one-year interest period equals to a 3-month EURIBOR. The interest hedging agreement will expire on December 31, 2018.

The BerlinHyp1 Agreement includes several market standard representations, undertakings and events of default. The borrowers are not entitled to make further redemption payments. The borrowers must not dispose of any parts of mortgaged properties. In case of a sale of real estate, a mandatory unscheduled repayment must be made in an aggregate amount of that partial loan sum associated with a lending value of the respective real estate and an additional extra charge in an amount of 20% of this partial loan sum. As financial covenants, the borrowers must maintain a debt service coverage ratio of at least 110%, the LTV-Ratio must not exceed 75% (68% with effect from January 01, 2016) and the ratio of junior ranking security interest to the current market value shall not exceed 0%.

Financing Agreement of Yona Investment GmbH & Co. KG and Yanshuf Investment GmbH & Co. KG with Deutsche Genossenschafts- Hypothekenbank AG

On November 27, 2014, Yona Investment GmbH & Co. KG and Yanshuf Investment GmbH & Co. KG, limited partnerships with a limited liability company as general partner being part of the Group, as borrowers entered into a term loan agreement with Deutsche Genossenschafts- Hypothekenbank AG as lender in an aggregate amount of €64,500,000 (the "**DGHyp3 Agreement**") with a seven-year maturity for the purpose of partially financing the purchase of shares in a real estate special purpose vehicle.

The DGHyp3 Agreement is secured by land charges relating to the properties being financed, an enforceable abstract promise of debt by the borrowers, security assignments (over the rights and claims of the borrowers under rental and lease agreements, insurances and the purchase of shares in the real estate special purpose vehicle) and pledges of certain bank accounts of the borrowers. Interest payments are due on a monthly basis with one-year interest period and the final maturity date will be November 30, 2021. The interest rate is 1.78% and is fixed for a period of seven years. Interest and repayments are due on a monthly basis in an amount of €203,175 starting on January 31, 2015. There is no additional repayment required prior to the final maturity date, assuming the borrowers continue to perform their obligations under this agreement and no mandatory repayment event occurs. Repayment amounts increase but the total monthly payment sum remains stable due to a decrease of interest.

The DGHyp3 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrowers must maintain a debt service coverage ratio of at least 105% (110% with effect from December 31, 2016) and the LTV-Ratio must not exceed 75%. Furthermore, a change of control of each of the borrowers requires immediate and prompt notification of the borrowers. If the aforementioned event occurs, the borrowers shall be obligated to reach a consensual agreement with the lender regarding a continuation and contractual adjustment of the DGHyp3 Agreement. The lender is entitled to terminate the agreement if the parties have failed to reach a settlement, unless the lender considers that there are no negative effects on the lender's financing risk.

Financing Agreement of Marbien B.V., Alexandra Properties B.V., Jessica Properties B.V. and Meghan Properties B.V. with Berlin-Hannoversche Hypothekenbank AG

On September 27, 2013, Marbien B.V., Alexandra Properties B.V., Jessica Properties B.V. and Meghan Properties B.V., companies within the Group, as borrowers entered into a term loan agreement with Berlin-Hannoversche Hypothekenbank AG as lender in an aggregate amount of €57,253,500 (the "**BerlinHyp5 Agreement**") with a five-year maturity for the purpose of refinancing existing financial indebtedness under financings provided by Landesbank Berlin AG and Berlin-Hannoversche Hypothekenbank AG, termination of an interest rate swap-agreement and revalidation of equity of the borrowers used for purchase, maintenance and modernization of the respective properties.

The BerlinHyp5 Agreement is secured by land charges relating to the properties being financed, security assignments (over the rights and claims of the borrowers under rental and lease agreements) and pledges of certain bank accounts of the borrowers. Interest payments are due on a monthly basis with a one-year interest period and the final maturity date will be September 30, 2018. The interest rate is the lender's standard interest rate applicable to the borrower's credit worthiness for the respective interest period. Repayments must be made on a monthly rate initially in an amount of 1.75% of the credit amount starting October 30, 2013. There is no additional repayment required prior to the final maturity date, assuming the borrowers continue to perform their obligations under this agreement and no mandatory repayment event occurs. Repayment amounts increase but the total monthly payment sum remains stable due to a decrease of interest.

The BerlinHyp5 Agreement includes several market standard representations, undertakings and events of default. The borrowers are not entitled to make further redemption payments. The borrowers must not dispose of any parts of mortgaged properties. In case of a sale of real estate, a mandatory unscheduled repayment must be made in an aggregate amount of that partial loan sum associated with a lending value of the respective real estate and an additional extra charge in an amount of 20% of this partial loan sum. As financial covenants, the borrowers must maintain a debt service coverage ratio of at least 125%, the LTV-Ratio must not exceed 66% (63% with effect from October 01, 2015).

Furthermore, a change of control of the borrowers requires the lender's consent which is envisaged to be granted by the lender prior to the Offering. In addition, the conclusion of a control and profit and loss agreement also requires the lender's consent. The lender is obligated to give its formal consent in relation to the aforementioned trigger events if these cause no negative effects on the credit default risk of any borrower, the transferability of a loan and the lender's refinancing opportunities. Moreover, any creation of security interests in any borrower's asset in favor of any third party requires the lender's consent unless the lender receives *pari passu* ranking security interest in the respective assets.

Financing Agreement of JoySun 1 B.V. and JoySun 2 B.V. with Deutsche Genossenschafts- Hypothekenbank AG

On November 27, 2014, JoySun 1 B.V., Rietlandpark 125, 1019DT Amsterdam, The Netherlands and JoySun 2 B.V., Rietlandpark 125, 1019DT Amsterdam, The Netherlands, both stock companies, as borrowers entered into a term loan agreement with Deutsche Genossenschafts-Hypothekenbank AG as lender in an aggregate amount of €22,000,000 (the "**DGHyp4 Agreement**") with a four-year maturity for the purpose of partially financing the purchase of shares in a real estate special purpose vehicle.

The DGHyp4 Agreement is secured by land charges relating to the properties being financed, an enforceable abstract promise of debt by the borrowers, security assignments (over the rights and claims of the borrowers under the notarial purchase agreement, the rental and lease agreements, ultimate purchaser contracts, insurance agreements and other real estate related agreements) and pledges of certain bank accounts of the borrowers. Interest payments are due on a quarterly basis with one-year interest period and the final maturity date will be November 30, 2018. The interest rate is the 3-month EURIBOR plus 1.26% per annum. The proceeds from the sale of certain real estate listed in die DGHyp4 Agreement will be used for the repayment of the €22,000,000 loan. There is no additional repayment required prior to the final maturity date, assuming the borrowers continue to perform their obligations under this agreement and no mandatory repayment event occurs.

The DGHyp4 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrowers must maintain a debt service coverage ratio of at least 105% at December 31, 2015 (110% with effect from December 31, 2016) and must sell certain real estate for an expected purchase price which is stated in the DGHyp4 Agreement. Furthermore, a change of control of each of the borrowers requires immediate and prompt notification of the borrowers. If the aforementioned event occurs, the borrowers shall be obligated to reach a consensual agreement with the lender regarding a continuation and contractual adjustment of the DGHyp4 Agreement. The lender is entitled to terminate the agreement if the parties have failed to reach a settlement, unless the lender considers that there are no negative effects on the lender's financing risk.

Financing Agreement of Matok Grundstücks GmbH with Deutsche Kreditbank AG

On February 13, 2014, Matok Grundstücks GmbH entered into a term loan agreement as borrower with Deutsche Kreditbank AG as lender in an aggregate amount of €10,500,000 (the "**DKB1 Agreement**"), as amended on February 02/12, 2015, with a thirty-year maturity for the purpose of partially financing the purchase of shares in a real estate special purpose vehicle and financing the maintenance and modernization of real estate. The DKB1 Agreement is secured by land charges relating to the property being financed, security assignments over the rights and claims of the borrower under rental and lease agreements and pledges of certain bank accounts of the borrower. The interest rate amounts to 2.80% per annum with a one-year interest period and is fixed until February 28, 2021. In relation to the DKB1 Agreement, Swallowbird Trading & Investments Limited, ADO Finance B.V. and Deutsche Kreditbank AG have entered into a subordination agreement on February 17/25, 2014 with regard to a previous shareholder loan agreement provided to the borrower. The DKB1 Agreement includes several market standard representations, undertakings and events of default. Changes in the company's shareholder structure require immediate notification by the borrower.

Financing Agreement of Barbur Grundstücks GmbH with Deutsche Genossenschafts-Hypothekenbank AG

On February 19, 2015, Barbur Grundstücks GmbH, a limited liability company within the Group, as borrower entered into a term loan agreement with Deutsche Genossenschafts-Hypothekenbank AG as lender in an aggregate amount of €8,200,000 (the "**DGHyp2 Agreement**") with a seven-year maturity for the purpose of refinancing existing financial indebtedness under financings provided by Deutsche Genossenschafts-Hypothekenbank AG, which had a real estate acquisition purpose. The DGHyp2 Agreement is secured by land charges relating to the properties being re-financed, an enforceable abstract promise of debt by the borrower, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate amounts to 1.72% per annum and is fixed for a period of seven years. In relation to the DGHyp2 Agreement, the Selling Shareholder and Deutsche Genossenschafts- Hypothekenbank AG have entered into a subordination agreement on March 27, 2014 with regard to a previous loan agreement provided to the borrower. The DGHyp2 Agreement includes several market standard representations, undertakings and events of default. As a financial covenant, the borrower must maintain a debt service coverage ratio of at least 120% and the LTV-Ratio must not exceed 75%.

Financing Agreement of Krembo Grundstücks GmbH with Investitionsbank Berlin

On October 14, 2013, Krembo Grundstücks GmbH, a limited liability company within the Group, as borrower entered into a loan agreement with Investitionsbank Berlin as lender in an aggregate amount of €4,200,000 (the "**IBB2 Agreement**") for the purpose of partially financing the acquisition of real estate properties. The IBB2 Agreement is secured by land charges, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate amounts to 2.73% per annum and is fixed until November 30, 2020. In relation to the IBB2 Agreement, ADO Finance B.V. and Investitionsbank Berlin entered into a subordination agreement on October 14, 2013 with regard to previous loan agreements provided to the borrower by ADO Finance B.V. The IBB2 Agreement includes several market standard representations, undertakings and events of default.

Financing Agreement of Arafel Grundstücks GmbH with Berlin-Hannoversche Hypothekenbank AG

On April 15, 2013, Arafel Grundstücks GmbH, a limited liability company within the Group, as borrower entered into a term loan agreement with Berlin-Hannoversche Hypothekenbank AG as lender in an aggregate amount of €4,100,000 (the "**BerlinHyp2 Agreement**") with a five-year maturity for the purpose of financing an acquisition of real estate. The BerlinHyp2 Agreement is secured by land charges relating to the properties being financed, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate amounts to 2.50% per annum and is fixed until March 31, 2018. In relation to the BerlinHyp2 Agreement, Berlin-Hannoversche Hypothekenbank AG entered into separate subordination agreements with ADO Finance B.V. and the Selling Shareholder with regard to several previous loans provided to the borrower. The BerlinHyp2 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrower must maintain a debt service coverage ratio of at least 130%, the LTV-Ratio must not exceed 73% and the ratio of junior ranking security interest to the current market value shall not exceed 0%.

Financing Agreement of Melet Grundstücks GmbH with Berliner Volksbank eG

On April 25, 2013, Melet Grundstücks GmbH, a limited liability company within the Group, entered into a term loan agreement as borrower with Berliner Volksbank eG as lender in an aggregate amount of €9,000,000 (the "**BVB1 Agreement**") with a seven-year maturity for the purpose of financing an acquisition of real estate. The BVB1 Agreement is secured by land charges to the properties being financed, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate is 2.485% per annum with a one-year interest period and is fixed until April 30, 2020. The BVB1 Agreement includes several market standard representations, undertakings and events of default. Financial covenants have not been agreed.

Financing Agreement of Zamir Grundstücks GmbH with Berliner Volksbank eG

On May 9, 2014, Zamir Grundstücks GmbH, a limited liability company within the Group, entered into a term loan agreement as borrower with Berliner Volksbank eG as lender in an aggregate amount of €4,000,000 (the "**BVB2 Agreement**") with a six-year maturity for the purpose of financing an acquisition of real estate. The BVB2 Agreement is secured by land charges to the properties being financed, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate is 2.76% per annum with a one-year interest period and is fixed until December 30, 2020. The BVB2 Agreement includes several market standard representations, undertakings and events of default.

Financing Agreement of Sharav Grundstücks GmbH with UniCredit Bank AG

On May 27, 2013, Sharav Grundstücks GmbH, a limited liability company within the Group, entered into a term loan agreement as borrower with UniCredit Bank AG as lender in an aggregate amount of €4,750,000 (the "**UniCredit1 Agreement**") with a twenty-five-year maturity for the purpose of financing an acquisition of real estate. The UniCredit1 Agreement is secured by land charges relating to the properties being financed and security assignments over the rights and claims of the borrower under rental and lease agreements. The interest rate is the aggregate of a 3-month EURIBOR and a margin of 1.50% per annum with a one-year interest period and is fixed until June 30, 2023. In relation to the UniCredit1 Agreement, the borrower and UniCredit Bank AG entered into an interest hedging agreement on May 27, 2013. The UniCredit1 Agreement includes several market standard representations, undertakings and events of default. The borrower is not entitled to make further redemption payments. As financial covenant, the borrower must maintain a debt service coverage ratio of at least 100%.

Financing Agreement of Seret Grundstücks GmbH with UniCredit Bank AG

On February 14/15, 2013, Seret Grundstücks GmbH, a limited liability company within the Group, entered into a term loan agreement as borrower with UniCredit Bank AG as lender in an aggregate amount of €6,348,870 (the "**UniCredit2 Agreement**") with a twenty-five-year maturity for the purpose of financing an acquisition of real estate. The UniCredit2 Agreement is secured by land charges relating to the properties being financed and security assignments over the rights and claims of the borrower under rental and lease agreements. The interest rate is the aggregate of a 3-month EURIBOR and a margin of 1.50% per annum and is fixed until March 31, 2020. In relation to the UniCredit2 Agreement, the borrower and UniCredit Bank AG entered into an interest hedging agreement on February 26, 2013. The UniCredit2 Agreement includes several market standard representations, undertakings and events of default. As financial covenant, the borrower must maintain a debt service coverage ratio of at least 100%.

Financing Agreement of Nuni Grundstücks GmbH with Berlin-Hannoversche Hypothekenbank AG

On May 30, 2012, Nuni Grundstücks GmbH, a limited liability company within the Group, as borrower entered into a term loan agreement with Berlin-Hannoversche Hypothekenbank AG as lender in an aggregate amount of €12,300,000 (the "**BerlinHyp6 Agreement**") with a seven-year maturity for the purpose of financing an acquisition of real estate. The BerlinHyp6 Agreement is secured by land charges relating to the properties being financed, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate amounts to 3.06% per annum and is fixed until May 30, 2019. The BerlinHyp6 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrower must maintain a debt service coverage ratio of at least 120%, the LTV-Ratio must not exceed 74% until June 2016 and 68% from that date.

Financing Agreement of Tara Grundstücks GmbH, Maya Grundstücks GmbH, Pola Grundstücks GmbH and Wernerwerkdamm 25 Berlin Grundstücks GmbH with Berlin-Hannoversche Hypothekenbank AG

On May 18, 2011, Tara Grundstücks GmbH, Maya Grundstücks GmbH, Pola Grundstücks GmbH and Wernerwerkdamm 25 Berlin Grundstücks GmbH, all limited liability companies within the Group, as borrowers entered into a term loan agreement with Landesbank Berlin AG (which has been subsequently replaced by Berlin-Hannoversche Hypothekenbank AG) as lender in an aggregate amount of €14,500,000 (the "**BerlinHyp7 Agreement**") until March 30, 2016 for the purpose of refinancing an acquisition of real estate. The BerlinHyp7 Agreement is secured by land charges relating to the properties being financed, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The interest rate was agreed on a variable basis consisting of Euribor plus a refinancing charge plus 1.25% and is fixed (by entering into a corresponding hedging agreement) to 4.50% per annum. The BerlinHyp7 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrower must maintain a debt service coverage ratio of at least 110%, the LTV-Ratio must not exceed 77%.

Financing Agreements of Drontheimer Str. 4 Grundstücks GmbH with Berlin-Hannoversche Hypothekenbank AG

In March 2007, Drontheimer Str. 4 Grundstücks GmbH, a limited liability company within the Group, as borrower entered into four term loan agreements with Landesbank Berlin AG (which has been subsequently replaced by Berlin-Hannoversche Hypothekenbank AG) as lender which have been subsequently supplemented and modified for several times with a current aggregate amount of €20,447,050 (the "**BerlinHyp8 Agreement**") with a maturity on March 31, 2017 for the purpose of refinancing an acquisition of real estate. The BerlinHyp8 Agreement is secured by land charges relating to the properties being financed, security assignments (over the rights and claims of the borrower under rental and lease agreements) and pledges of certain bank accounts of the borrower. The average interest rate was agreed on a variable basis consisting of Euribor plus a refinancing charge plus certain margins and is fixed (by entering into a corresponding hedging agreement) to 4.72% per annum until March 31, 2017. The BerlinHyp8 Agreement includes several market standard representations, undertakings and events of default. As financial covenants, the borrower must maintain a debt service coverage ratio of at least 105%, the LTV-Ratio must not exceed 75%.

Purchase Agreements

Members of the Group acted as purchasers under four material agreements, two of which are share purchase agreements and two of which are asset purchase agreements:

Carlos Asset Purchase Agreement

On December 19, 2014, the Group companies (acting as purchasers) entered into an asset purchase agreement for a portfolio consisting of 21 properties with the Selling Shareholder and Shikun & Binui acting as guarantors. Approximately 5,749 residential units, 67 commercial units and 1,285 garages and parking spaces are located on the properties. Some of the aforementioned residential units currently receive or have received public subsidies which, in part, have not yet been fully repaid. For more information, see also "*Business—Our Portfolio*".

The purchase price was fully paid at the end of March 2015, with closing of the acquisition on April 1, 2015, when the acting notary received confirmation that certain conditions have been fulfilled and consent had been given by Investitionsbank Berlin as creditor under certain loan agreements which form part of the subsidies received by some properties forming part of the acquisition portfolio. We have assumed some subsidized loans granted to the seller by Investititionsbank Berlin and all obligations and rights resulting therefrom.

If and to the extent there are any obligations of the seller *vis-à-vis* the State of Berlin, pursuant to the acquisition agreement, we assume and are obligated to ensure our legal successors also assume all such obligations resulting from a privatization agreement concluded by the seller and dated June 5, 2004 and an amendment thereto dated April 1, 2010.

Share Purchase Agreement Regarding Dutch Property Companies

On August 26, 2013, Group companies entered into an agreement for the assignment of loans granted to and the sale and purchase of shares in four Dutch property companies. By way of this agreement, the Company acquired 94.5% of the shares in Jessica Properties B.V., 94.4% of the shares in Alexandra Properties B.V., 94.9% of the shares in Marbien B.V. and 94.4% of the shares in Meghan Properties B.V. These companies are the registered owners of 48 assets located in Berlin, of which 24 assets are owned by Jessica Properties B.V., five assets by Alexandra Properties B.V., eleven by Marbien B.V. and eight by Meghan Properties B.V.

Waypoint Share Purchase Agreement

Pursuant to a share purchase agreement dated September 23, 2014, four of the Group's companies, two of which are organized under German law and two of which are organized under Dutch law, purchased all shares in 28 German property companies. Between them, the sellers own all the shares in the abovementioned German limited liability companies. Additionally, certain shareholder loans granted by the seller to certain companies were sold and transferred to certain Group companies as purchasers. The transaction was closed on January 1, 2015.

The acquired companies are the registered owners of a portfolio of real property, partly in the form of condominiums, located in Berlin which comprises a total amount of 1,293 residential and 48 commercial units.

Asset Purchase Agreement

Pursuant to an asset purchase agreement dated December 18, 2013, three Group companies acquired ownership of 14 assets and co-ownership in 1 asset (including appurtenances to the extent owned by the seller) which are all located in Berlin. According to the acquisition agreement, the properties comprise 52 commercial and 774 residential units.

REGULATORY ENVIRONMENT

Our real estate portfolio consists only of real estate located in Berlin. Accordingly our business will be affected by, among others, the regulations affecting the business of owning and managing residential properties in Germany and also specifically in Berlin. This section summarizes certain aspects of German property law, property legislation in Berlin and practices in force as at the date of this Prospectus. It does not purport to be a complete analysis — in particular, it does not take into account contractual requirements and restrictions in connection with the acquisition of certain real estate portfolios by us (in this regard, see "*Business—Material Agreements—Financing Agreements*") — and should not, therefore, be treated as a substitute for comprehensive professional, legal and tax advice on any issue which may be relevant in the context of this Prospectus.

Limitations of German Tenancy Law

German tenancy law distinguishes between residential and commercial space. The majority of our property portfolio is governed by residential tenancy law, which in large part favors tenants through extensive social safeguards. In particular, it imposes restrictions on the Group with regard to the increase of rent, allocation of ancillary costs including costs for repair and maintenance, the termination of letting contracts and the eviction of tenants which are in breach of contract. Further, the sale of residential space might be restricted.

Statutory Limits on Rent Increases

As set out in more detail below, the landlord is substantially restricted in terminating residential leases and so may be bound by the leases for a long period of time. Against this background, German law allows the landlord to increase the rent of existing lease agreements under certain circumstances and to a legally defined extent. These are set out in this section, whereas current political considerations to limit the landlord's right to freely determine the rent for new leases ("*Mietpreisbremse*") are set out below under "*—Current Developments in German Tenancy Law*".

Generally, landlords and existing or new tenants can freely enter into bilateral agreements to establish and increase the amount of rent due. The underlying freedom to contract in accordance with the wishes of the parties is only limited as follows:

- Section 5 of the German Economic Offenses Act (*Wirtschaftsstrafgesetz*) prohibits the willful or reckless letting of space for dwelling at rents or with ancillary costs that are unconscionably high. Such is the case if the rent or costs substantially exceed the comparative rent levels (*ortsübliche Vergleichsmiete*) due to an abuse of the limited availability of comparable space (generally, a rent exceeding the comparative rent level by 20% is deemed to infringe this provision).

- Additionally, according to decisions by the German Federal Court of Justice (*Bundesgerichtshof*), rents exceeding the comparative rent levels (*ortsübliche Vergleichsmiete*) by about 50% may constitute usury under Section 291 German Criminal Code (*Strafgesetzbuch*).

With letting contracts that are not subject to public rent control and for which restrictions on rent increases have not been contractually agreed the landlord may assert a right of contractual increase of the rent, subject to statutory and contractual requirements, up to locally prevailing comparative rent levels (*ortsübliche Vergleichsmiete*) if the rent has remained unchanged for the 15 months preceding the intended increase. As a rule, however, the rent cannot increase by more than 20% in three years (capping limit) according to the current legal framework. However, pursuant to an amendment of the tenancy law (Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) of March 11, 2013), the governments of the German Federal States are empowered to adopt regulations to lower the capping limit to 15%, which has occurred in the Federal State Berlin. The determination of the comparative rent levels (*ortsübliche Vergleichsmiete*) is to some extent linked to respective local rent indexes (*Mietspiegel*).

In connection with freely financed residential units and letting agreements which are not subject to contractual rent restrictions, the landlord may also increase the annual rent by 11% of the costs incurred in modernizing of the respective rental space, subject to statutory and contractual requirements. However, our ability to increase rents following a modernization may also be restricted in cases the works carried out would be considered maintenance in line with the standards established for government subsidized apartment buildings (*geförderte Wohnungsbaumaßnahmen*), or in case of luxury refurbishments, i.e. modernizations that exceed a level an average owner would undertake as an investment in his property.

Following the rent increases, tenants may have an extraordinary termination right.

Please also see information regarding limitations on our ability to increase rents under "*Regulatory and Legal Risks—German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to increase the rents of residential units we own*" in the Risk Factors section above.

Owner's Repair and Maintenance Obligations and Modernizations Measures

Not only under German law, the landlord must, unless the parties agree otherwise, maintain the property (this obligation extends to the structure, the façade, the roof of the building, but also the interior of the residential units). In general, the landlord is restricted in transferring this maintenance obligation to the tenant in the standard lease agreements used by it.

Subject to compliance with statutory limitations, the landlord may assign the obligations to carry out decorative repairs (*Schönheitsreparaturen*) and the costs of minor repairs (*Kleinreparaturen*) for a residential unit's interior to the tenant, however, the latter of which only under the condition that the costs are limited for each single case as well as with regard to the total sum of the minor repairs per year. If the landlord assigns such obligations within standardized contracts, the terms must comply with the strict requirements for standardized business terms. For example, the Federal Supreme Court has ruled that standard clauses in letting contracts are invalid if they obligate the tenant to carry out decorative repairs (*Schönheitsreparaturen*) within a fixed schedule or to fully renovate the apartment at the end of the letting term (*Endrenovierung*). The invalidity of such clauses results in the landlord being responsible for the repair and maintenance and being required to bear all related costs. If the tenant carries out such repair and maintenance works without actually being obliged to do so, the landlord might have to compensate the corresponding costs. This may increase the landlord's maintenance costs for such properties.

In general, tenants have to accept maintenance measures (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*), in particular energetic modernization measures that have been announced by the landlord in writing three months prior to the beginning of the planned measures, unless such measures would constitute an unreasonable hardship for the tenant, family members or members of the household of the tenant. Following the announcement of modernization measures, tenants are entitled to a special termination right (*außerordentliche Kündigung*). Regarding the possibility to allocate parts of the costs incurred to the tenant by way of a rent increase, please see "*—Statutory Limits on Rent Increases*".

Statutory Protection of the Tenant Against Termination and Eviction

Generally, unless the landlord has good cause (*wichtiger Grund*) justifying an extraordinary termination, the landlord may only terminate a letting contract for residential space with notice (*ordentlich*) and only if he has a legitimate interest (*berechtigtes Interesse*) in ending the tenancy. By law, a legitimate interest in ending the tenancy may only arise if (i) the tenant commits a culpable and substantial contractual breach; (ii) the owner has a claim of personal use in the property (*Eigenbedarf*) for himself, his family members, or members of his household; or (iii) the owner would otherwise be prevented from reasonable economic utilization and would therefore suffer considerable detriment.

"Reasonable economic utilization" as grounds for termination is intended to ensure the free economic disposability of property. Such grounds exist if the owner were to suffer considerable detriment from continuing the tenancy (for example, receiving a significantly lower purchase price; expenses significantly exceed income). However, the possibility of either realizing a higher rent by offering the residential space to another tenant or a landlord's intention of selling the residential space in connection with the conversion of housing into individually owned residential units, for example, would not qualify.

In fact, the German Civil Code (*Bürgerliches Gesetzbuch*) prohibits personal use and reasonable economic utilization as grounds for termination by the purchaser for three years after transfer of title if the residential space was already rented to a tenant before the conversion to individual ownership. In regions where housing supplies are deemed to be insufficient, the governments of the German Federal States may extend this period against termination to up to ten years by statutory order.

A residential tenant may object to a termination by the landlord (not in case of a termination for good cause) and demand continuation of the lease, if the termination would mean a hardship to the tenant, his family members or members of his household that is not justifiable even considering the landlord's legitimate interest (*Sozialklausel*). Pursuant to case law, such objection may be justified, for example, in case the tenant is old, pregnant, has a serious illness, or where there is no comparable accommodation available.

Even if the landlord successfully terminates the letting contract on the basis of a legitimate interest, the tenant is protected under German tenancy law against immediate eviction. In consequence, a court may allow for an appropriate deadline (with a maximum delay of one year) for the tenant to vacate the apartment was after the effective termination of the letting contract by the landlord. However, as alternative to the classic eviction procedure, the "*Berliner Räumung*", offering the landlord the cost-effective opportunity to limit the eviction procedure to the procurement of possession, was implemented with the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*). Furthermore, eviction procedures shall no longer be tediously delayed because of a right of possession of a third person that is not covered by the executory title (*Vollstreckungstitel*). A further title against such third person is now obtainable by way of an injunction (*einstweiliger Rechtsschutz*).

Statutory Restrictions in Selling Residential Space

If rented residential space that has been converted into individual ownership, or is intended for such conversion, is to be sold to third parties (i.e., not to family members or members of the household of the landlord), the German Civil Code (*Bürgerliches Gesetzbuch*) provides for a statutory pre-emptive purchase right in favor of the tenant, i.e., the tenant has the right to purchase the space on the same terms as the buyer. However, no pre-emptive right exists if the unit was already individually owned at the beginning of the term of the letting contract.

Statutory Restrictions on the Conversion of Rental Apartments into Condominiums

On March 3, 2015, the Government of Berlin passed a regulation (*Umwandlungsverordnung*) which entered into force on March 14, 2015. The Regulation established currently 21 areas of Berlin, located in the districts of Pankow (10 areas), Friedrichshain-Kreuzberg (7 areas), Tempelhof-Schöneberg (3 areas) and Mitte (1 area), as milieu protection (*Milieuschutz*) areas, rented apartments that may no longer be turned into condominiums and sold. This shall ensure that people from all social milieus can afford to rent apartments in all parts of the city. The owner of a rented apartment has to receive an exception permission by the relevant district to sell the apartment. Such exception permission may be granted, for example, in case that the apartment shall be sold to the current tenant. The conversion is, however, only applicable to the sale of an apartment, and not to the sale of the whole property, in which case the relevant leases would be transferred to the new owner.

It is allegedly planned by several districts (e.g. Neukölln and Tempelhof-Schöneberg) to define further milieu protection (*Milieuschutz*) areas. This could, however, take several months to accomplish since in depth investigations regarding the relevant areas' worthiness of protection need to be carried out in advance.

Requirement for Energy Certificates and Energy Conservation Measures

Generally, as part of the construction of a building and, under certain circumstances, in as part of changes, enlargements and expansions of a building, an energy certificate must be issued. The energy certificate (*Energieausweis*) is a document that assesses the building's energy efficiency. It shows the energy state of a building and suggests modernization measures for reduction of energy consumption. The energy certificate is generally valid for ten years. Since May 2014, an energy certificate must also be presented to any potential new tenant or potential buyer. Failure to comply can be penalized as an administrative offense.

The Energy Savings Regulation (*Energieeinsparverordnung*) of July 24, 2007, establishes a legal framework regarding the energy requirements of buildings heated or cooled by using energy. It furthermore sets up requirements regarding energy-saving insulation as well as energy-saving technology. Its overall purpose is to reduce the energy demand (*Verbrauch*) of buildings. In November 2013, the German Federal Government enacted the second regulation amending the Energy Savings Regulation, which came into effect in May 2014. Pursuant to this second regulation, as of January 1, 2016, new buildings have to be built in a more energy efficient way. Compared to the former legal situation, the energy efficiency must increase by 25% with respect to the annual primary energy consumption and by an average of 20% with respect to the thermal insulation of the building shell. As of 2021, European Union law requires that all private buildings must be built satisfying certain low-energy building standards. Already existing buildings (*Bestandsgebäude*) are subject to energy efficiency requirements in the event of certain substantial renovations.

Requirement for Legionella Testing and Potential Remediation Measures

The Drinking Water Ordinance (*Trinkwasserverordnung*), revised in December 2012, provides that owners of specified centralized heated water supply facilities for use in multi-family houses are required to analyze stored heated water regarding the concentration of legionella at least every three years. The analysis is carried out by accredited laboratories specified and listed by the respective federal state. Any abnormal test results have to be reported to the local health authority. In case of the unfavorable increase of certain parameters, the owner of the centralized heated water supply facility is obliged to determine the cause, file a report to the competent health authority, and conduct appropriate counter-measures, which may range from chemical filtering or thermal disinfection to a modernization of the entire water supply facility.

We believe that we will be able to allocate the costs for routine analyses of drinking water as provided for under the Drinking Water Ordinance to tenants as part of the operating costs.

Requirement to Install and to Maintain Smoke Detectors

Recently, most federal states (*Bundesländer*) in Germany have made mandatory the installation and maintenance of smoke detectors in residential units. In almost all federal states where a relevant obligation exists, not only new buildings, but also existing buildings have to be equipped accordingly, usually within a transition period. In Berlin, fulfillment of these obligations is (in accordance with contemplated state legislation) expected to be mandatory from 2020 for existing premises while newly built premises will likely require those devices from 2016.

Costs incurred for the initial purchase and installation of smoke detectors in residential buildings may be passed on to the tenant as modernization costs by increasing the annual rent by up to 11% of the costs incurred for the relevant rental unit. Costs for the rent and maintenance of smoke detectors may contractually be allocated to the tenant as part of the operating costs.

Current Developments in German Tenancy Law

MietNovG entered into force on June 1, 2015. The provision of the MietNovG that authorizes the German federal states to determine which areas have a tight housing market entered into force on April, 27 2015.

One of the main topics of the statute is a cap on rents for new leases, the "*Mietpreisbremse*". Pursuant to the MietNovG, in case of subsequent letting of residential spaces, the rent under the new lease agreement is limited to a maximum amount of 10% above the customary local rent, unless the rent under the previous lease agreement was already above that level. The aforementioned limit may be raised in case modernization measures have been carried out by the landlord within three years prior to the beginning of the new lease. The Federal Minister of Justice has, however, announced a further draft bill on limiting the landlord's right to increase rent due to modernization measures (e.g. the increased rent shall only be permissible until the landlord has recovered the modernization costs).

In case of an indexation of the rent, the rent caps shall apply only to the initial rent, whereas in case of a stepped rent (*Staffelmiete*), the limitations shall apply to every step. Deviations from the above which are to the tenant's disadvantage shall enable the tenant to claim back any overpaid rent, however only from the time the excessive rent increase has been addressed by the tenant to the landlord in writing.

The above-mentioned rent caps shall only be applicable to leases in areas of tense housing markets (*angespannter Wohnungsmarkt*). Although the MietNovG provides for some indications of what is to be considered a tense housing market, the German State governments (*Landesregierungen*) have to define those areas by means of a legal decree. The Government of Berlin has, however, announced to implement such regulations as early as possible and with effect for the whole City of Berlin.

Further, the rent caps shall not apply to (i) the initial letting (*Erstvermietung*) of residential housings, (ii) letting following extensive modernization measures, and (iii) residential units let and used for the first time after 1 October 2014.

The landlord's right to successively increase the rent under an existing lease within the statutory limitations (generally up to 20% in three years, but only up to 15% in Berlin) remains unaffected by the MietNovG.

Amendments to broker law by the MietNovG that entered into force on June 1, 2015, include that any broker's commission (*Maklerlohn*) shall be owed by the party actually commissioning the broker. If the landlord commissions a broker for the letting of its premises, this amendment, the "*Bestellerprinzip*", would therefore terminate current common practice to regularly allocate the respective costs to the tenant. Any agreement concluded for the purpose of circumventing the "*Bestellerprinzip*" shall be void, and a broker can be fined for charging a commission from a tenant who did not commission the broker by means of an agreement concluded in textual form (*Textform*).

On May 11, 2015, the local court of Berlin-Charlottenburg delivered a judgment, which is not final, on the validity of the 2013 rent index (*Mietspiegel*) for Berlin. According to the court, the index has not been created in accordance with a generally accepted scientific standard since it included a non-scientific exclusion of extreme values. Therefore, the 2013 rent index for Berlin can neither be used as a reference for determining the customary rent (*ortsübliche Vergleichsmiete*) nor can the index serve as a general rent index (*einfacher Mietspiegel*).

Restrictions Applicable to Subsidized Housing

General Overview

The German federal government, federal states (*Bundesländer*) and municipalities promote and subsidize social housing, i.e., housing available to families and individuals which do not have appropriate access to housing on the general market and hence need public support. Public subsidies on social housing can be granted in different forms, such as loans for costs of construction of housing (*Baudarlehen*), grants or loans for costs of the running expenses (*Aufwendungszuschüsse* and *Aufwendungsdarlehen*) or as loans to cover payments of current interest rates and loan repayment (annuity-aid-loan (*Annuitätshilfedarlehen*)).

Effects of Public Subsidies

Subsidized social housing generally triggers restrictions on the maximum amount of rent and may limit the group of possible tenants to persons in special social situations (e.g., large families, persons with disabilities) or those holding a housing eligibility certificate (*Wohnberechtigungsschein*) whose issuance mainly depends on the tenant's income. The applicable period of these restrictions (*Bindungszeitraum*) as well as the technical modalities depend on the specific kind of subsidy granted. Further restrictions, for example those relating to the sale and transfer of subsidized property, may apply in individual cases. In particular, these restrictions may result from administrative acts (*Verwaltungsakt*) or public law contracts (*öffentlich-rechtliche Verträge*), and, as the case may be, other agreements, such as loan agreements. In case of breach of obligations applicable to the individual subsidized property, the granting of the subsidy may be terminated and the relevant subsidy claimed back.

Upon the expiry of the restriction period (*Bindungszeitraum*), the properties subsidized are regulated in the same way as unsubsidized properties.

Applicable Laws and Regulations

As of April 1, 2015, approximately 22% of our properties were subject to rent restrictions as a result of subsidies (the "**Subsidized Properties**"). In addition, some of these properties are restricted in terms of possible tenants.

The Subsidized Properties have been subsidized at different times based on various programs and legal bases. The programs include subsidies for new buildings as well as for the modernization and renovation of existing buildings. Accordingly, and depending on the time of the granting of the public subsidies, the statutory bases for the subsidies granted for the Subsidized Properties vary.

Statutory bases are mainly found in the First Housing Act (*Erstes Wohnungsbaugesetz*), which applied from 1950 to 1956, and the Second Housing Act (*II. Wohnungsbaugesetz*) of 1956, as well as the Controlled Tenancies Act (*Wohnungsbindungsgesetz*), the 1970 Rent Ordinance for New Construction (*Neubaumietenverordnung*) and the Second Calculation Ordinance (*II. Berechnungsverordnung*). These provisions are further specified at the state level. On January 1, 2002, the Housing Assistance Act (*Wohnraumförderungsgesetz*) replaced the Second Housing Act. However, decisions and measures based on the Second Housing Act remained valid, and the Second Housing Act generally continues to apply to subsidies granted before January 1, 2002 (or, in specific cases, before January 1, 2003).

With the enactment of the Housing Assistance Act (*Wohnraumförderungsgesetz*) in 2002, housing subsidies can be granted by way of loans or grants, guarantees or the provision of building ground at preferential conditions. The Housing Assistance Act (*Wohnraumförderungsgesetz*) requires such subsidies to be granted on the basis of a subsidy notification (*Förderzusage*), which can take the form of an administrative act (*Verwaltungsakt*) or a public law contract (*öffentlich-rechtlicher Vertrag*). In the subsidy notification, the authority granting the subsidies must specify the conditions under which the subsidy is granted, in particular the purpose, use and amount of the subsidy, as well as restrictions on eligible tenants and rent restrictions (*Belegungs- und Mietbindungen*) or rights of the authority to assign specific tenants (*Belegungsrechte*). The applicable period for these restrictions (*Bindungszeitraum*) will generally also be specified in the subsidy notification. As a consequence, specific restrictions with regards to individual cases generally follow from the subsidy notification.

The legislative competence to subsidize social housing was transferred from the Federal Republic of Germany to the German federal states (*Länder*) as of September 1, 2006. Based on that change of legislative competence, some federal states have since issued new social housing laws. However, federal legislation (in particular the Housing Assistance Act (*Wohnraumförderungsgesetz*) and the Controlled Tenancies Act (*Wohnungsbindungsgesetz*)) remains applicable to the extent that it is not replaced by legislation of the particular federal state. Berlin has enacted the Law on Social Housing (*Wohnraumgesetz Berlin*) in 2011, which complements federal legislation, but does not substitute it.

Depending on the type of subsidy, and the legal basis on which it was granted, the restrictions on the the maximum amount of rent and limitations on the group of possible tenants, as well as the applicable restriction periods, vary. For instance, as the result of subsidies granted before the entering into force of the Housing Assistance Act (*Wohnraumförderungsgesetz*) in 2002, the subsidy recipient may only be able to charge a cost-covering rent (*Kostenmiete*) during the restriction period as a matter of statutory law. The cost-covering rent is the rent necessary to cover all expenses for the property, including a return on equity capital and is adjusted over time.

For the units held by us that are affected by subsidies, we are limited to charging a cost-covering rent. The restrictions are scheduled to expire on 1,137 units by 2017, 396 units by 2018 and 711 units by 2022. By 2024, other than for 2% percent of our residential units purchased as part of the Carlos Portfolio for which the restrictions are unknown, all restrictions on our residential units will have expired.

After public funding has ended, general statutory provisions such as the above-mentioned capping limit which generally limits a rent increase (Section 558 paragraph 3 German Civil Code (Bürgerliches Gesetzbuch)) apply.

Forms of Public Subsidies; Subsidy Notification and Loan Agreement

Public subsidies on social housing can be granted in different forms such as loans for costs of construction of housing (*Baudarlehen*), grants for costs of the running expenses (*Aufwendungszuschüsse*) or as loans to cover payments of current interest rates and loan repayment (annuity-aid-loan (*Annuitätshilfedarlehen*)).

Generally, if a property is subsidized with a loan, the competent public authority first issues a subsidy notification. On the basis of this notification, the addressee concludes a loan agreement with either a public authority or a bank. Usually, the subsidy notification refers (either explicitly or indirectly by referring to the subsidized building) to the subsidized loan and vice versa.

The consequence of this legal connection is a strong link between the subsidy notification and the subsidized loan. Generally, the subsidized loan agreements stipulate that any right to terminate or revoke the subsidy notification automatically triggers the right to revoke the loan agreement. In other cases, depending on the provisions in the loan agreement, noncompliance with the provisions of the subsidy notification and a subsequent revocation of the subsidy notification will, for example, lead to a right of the lender to claim back or amend the loan agreement or to terminate the contract. On the other hand, non-compliance with the terms of the loan agreement may also affect the subsidy notification, which might provide that a breach of the loan agreement entitles the authority granting the subsidy to withdraw the subsidy notification.

Additionally, the subsidy notification or the subsidized loan agreement may also set out conditions for commercial loans which the borrower contracts to finance the subsidized property in addition to the subsidized loan. The breach of such conditions might entitle the public authority to withdraw the subsidy notification or the lender to terminate the subsidized loan agreement.

Sale and Transfer of Subsidized Properties

If a subsidized property is sold and transferred, the restrictions arising from legislation and/or the subsidy notification generally also apply to replacements in title of the property. If the restrictions follow directly from legal provisions, they apply to the respective owner of the property. If they follow from the subsidy notification, the notification, while still addressed to the original recipient of the subsidy, may also apply to the new owner of the subsidized property under general principles of German administrative law. The authority may also transfer or re-issue the subsidy notification to the new owner. However, the subsidy notification or the subsidized loan agreement may include deviating provisions regarding the effects of a sale and transfer of the property on the public subsidy.

However, the sale and transfer of the property does not automatically transfer the loan agreement based on the subsidy notification to the replacement in title. Since the loan agreements are governed by civil law only, a transfer of the loan agreement can only be achieved with the agreement of the respective lender. Moreover, should an apartment be converted into a condominium and sold for personal use (*Eigennutzung*), any public subsidies will be claimed back.

Further Restrictions of the Use of Properties Under Private and Public Law

Restrictions Arising Out of Easements in the Land Register

An easement (*Dienstbarkeit*) encumbers a particular property to the benefit of the respective owner of another property (*Grunddienstbarkeit*) or to the benefit of a third party, establishing a personal right unrelated to the ownership of a certain property (*beschränkte persönliche Dienstbarkeit*). It requires the owner of the charged property "*in rem*" to refrain from taking action (e.g., not to build on specific parts of the property) or to accept actions taken by the respective owner of the benefitted property or the benefitted third party (e.g., a right of way or a right to run cables or pipes for third parties). The content of the respective obligation can be enforced by the owner of the benefitted property or the benefitted third party. Since registered easements are attached to the property itself, they can be enforced against the current and subsequent owner of the charged property as well as against legal successors. For some of the properties in the portfolio, easements are registered in the land register.

Public Easements

A public easement (*Baulast*) requires the owner of the charged property to take action (for example, to create a certain number of parking spaces), refrain from taking action (for example, not to build on specific parts of the property) or to accept actions by third parties (for example, laying pipes or cables by third parties). The content of the obligation can be enforced by means of an administrative order. Such public easements have been established for a number of the properties in the portfolio.

Various properties of the portfolio are also subject to unification public easements (*Vereinigungsbaulasten*). These public easements create a single "construction property" (*öffentlich-rechtliches Baugrundstück*) out of the affected properties which continue to be independent properties under civil law. Many provisions of public building law, such as the requirements of minimum distances between buildings, apply to the construction property as if the plot boundaries did not exist.

In Berlin, public easements take effect with their registration in the public easement register. Since public easements attach to the property itself, they can be enforced against the owner of the charged property and against third parties. The public easement is also effective against legal successors (that is, buyers of the charged properties) and can only be suspended by a waiver of the competent authority. The restrictions resulting from the public easement may affect the value of the charged property.

Further restrictions regarding the properties in the Group's portfolio may arise from urban development agreements (*städtebauliche Verträge*) or public law agreements (*öffentlich-rechtliche Verträge*) concluded with public authorities, e.g. for the development of certain urban spaces by us.

General Legal Requirements Under German Planning and Zoning Law

Generally, most projects and measures affecting major buildings as well as their use require a building permit (*Baugenehmigung*). This does not only apply for the erection and substantial modifications of a building, but also for a substantial change of use (*Nutzungsänderung*), even if such change of use does not come along with construction works, as well as for a demolition and removal of buildings.

By way of granting the building permit the competent authority states that the proposed project does comply with the applicable law, both, with regard to federal planning law (*Bauplanungsrecht*), including provisions of applicable local development plans, and the building law (*Bauordnungsrecht*) regulated in the respective State Building Acts (*Landesbauordnungen*). While the planning law rules the purpose for which a property may be used, describing in particular the kind of use and the type and size of buildings permissible, building law determines how buildings may be designed and constructed in order to safeguard safety and the prohibition of dangers.

If not challenged, building permits, generally, become final/unappealable (*bestandskräftig*) and then safeguard the permitted building for the future, independent of any changes of the relevant planning and zoning law.

Restrictions for Properties Affected by Monument Protection and/or Special Urban Planning Legislation

With regard to restrictions on use and disposal, some of the Group's real estate is situated in urban redevelopment areas (*Sanierungsgebiete*) and preservation areas (*Erhaltungsgebiete*). Additionally, some of the real estate is listed as protected historical monuments. The applicable statutory regime in these cases is that of special preservation statutes based on the Federal Building Code (*Baugesetzbuch*) and the Berlin legislation for the preservation of protected monuments.

With respect to real estate situated in an urban redevelopment area (*Sanierungsgebiet*), we are required to obtain the permission of the relevant public authority especially for demolition or alteration of buildings, entering into lease agreements with a fixed term of more than one year, the sale of the property and the granting of encumbrances. In addition, at the end of the redevelopment measure the relevant municipality will levy a compensation charge (*Ausgleichsbetrag*) that is aimed to balance the increased land value in consequence of the redevelopment. The owner of the real estate is responsible for the implementation of the necessary measures defined by the public authorities. Only if the owner is unable to realize the measures quickly and expediently, the authorities may take action instead.

A relatively small number of the Group's real estate is situated in preservation areas (*Erhaltungsgebiete*), which requires it to obtain the permission of the relevant public authority for demolition, alteration of buildings or change of use. Also, ordinances valid for up to five years may determine that permission is required for the establishment of individual ownership for personal use (condominium and part-ownership) in respect of residential units. Milieu protection (*Milieuschutz*) areas as well as preservation areas (*Erhaltungsgebiete*) are both regulations based on the Federal Building Code (*Baugesetzbuch*). Preservation areas primarily serve the preservation of the urban characteristic of the area and can be stipulated by local development plans and other local statutes. Milieu protection areas (*Milieuschutz*) serve the preservation of the areas as well, focusing on the composition of the resident population in a specific area. In order to preserve the existing composition of the resident population, the Federal Building Code (*Baugesetzbuch*) enables the federal states to enact ordinances that prohibit the transformation of rented apartments into freehold apartments. As mentioned before, a respective regulation was passed by the Government of Berlin on March 3, 2015 (*Umwandlungsverordnung*).

We believe that approximately 5% of the buildings in the Group's total portfolio is listed as protected monuments, which requires that the properties be maintained for historical, artistic, scientific or urban development interests. The owner is under a specific obligation to maintain and repair the real estate listed as historical monuments. Any change to the building itself or its use requires specific permission. The seller must notify any proposed transfer of a listed historical monument to the relevant authority, and the state usually has a statutory pre-emption right.

Liability for Environmental Contamination

Liability for environmental contamination and hazardous soil contamination may arise under public law and civil law provisions. Liability under public law cannot be excluded by contract. Civil law warranty liability, by contrast, can be limited or excluded by contract. See the risk factor "*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*".

Environmental Liability Under Public Law

Soil Contamination

Pursuant to the Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the parties responsible for environmental contamination include, among others, the party that caused the contamination, its legal successor, the owner of the contaminated property and each previous owner of the contaminated property (if such former owner transferred the property after the entering into force of the Federal Soil Protection Act on March 1, 1999 and knew or should have known about the contamination), as well as the person with actual control over the property. With regard to these potentially liable parties, there is no general ranking as to which of the parties is primarily liable. It is within the discretion of the relevant local authority to decide which party shall be held liable. The party most likely to be held liable is the current owner of the contaminated site, because it is legally entitled to carry out the required remedial measures. Furthermore, the liability of the entities and persons who can be held liable by the authorities for remediation does not require a showing of negligence or intent on the part of the liable parties.

The Federal Soil Protection Act authorizes the local authority to require risk inspections, investigations, remedial measures, and other necessary measures for the protection against hazardous soil changes or residual environmental contamination.

The Federal Soil Protection Act contains a statutory indemnity obligation on the part of the responsible parties that, irrespective of an official order, allocates liability among the parties in accordance with their respective contribution to the cause of the contamination. The indemnity obligation can be transferred by express contractual agreement.

Approximately 18.7% of our properties (not including the assets acquired in the Carlos Portfolio and 18 additional properties, for which the Berlin authorities have not provided information) are registered in the register of contaminated sites (*Altlastenkataster*), mostly as areas of suspected contamination (*Altlasten-Verdachtsfläche*). Where a cause for suspected contamination is provided in the register, it is predominantly due to prior industrial use of the property.

Groundwater Contamination

According to the Federal Water Resources Act (*Wasserhaushaltsgesetz*) and related provisions of the federal and the state environmental protection and water laws the parties responsible for any contamination of water can be held liable for the required remedial measures by the authorities.

If the contamination of water has detrimental effects on the property of third parties, the polluter may be held liable for the resulting damage. Such liability exists independently of any potential action taken by the public authorities.

Asbestos

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibers into the air as it ages or is broken, and non-friable asbestos, from which asbestos fibers are not usually released and which therefore poses a limited risk to human health. Except in the event of structural alterations (demolition, renovation, maintenance), there is generally no obligation to remove non-friable asbestos under the asbestos guidelines.

Friable asbestos can typically be found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out criteria used in assessing the urgency of remedying any contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years.

In the case of an asbestos contamination, a tenant may also assert a right of rent reduction or even terminate the lease for good cause in certain circumstances. German courts have held that a landlord may be presumed to be in breach of its statutory obligations if the existence of a health threat cannot be excluded. Accordingly, the courts have granted the right to rent reduction even in cases where the asbestos guidelines do not require immediate remediation. Tenants may also claim compensatory damages if the defect was present at the time the contract was concluded and they may claim compensation for personal suffering (*Schmerzensgeld*). Finally, tenants also have the right, subject to certain conditions, to remedy the defect on their own and require that their reasonable expenses be reimbursed.

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

Due to negative effects on human health, the use of PCP is prohibited. However, PCP may still exist in buildings, such as in wood preservatives, synthetic materials, insulations, or joints as it was used as a fungicide against mold. DDT and Lindane are synthetic pesticides which were also used in wood preservatives, and which are suspected to have serious negative effects on human health. Their use is not permitted. The use of PCB is generally not permitted. However, it has been widely used as a softener in synthetic materials as well as a fire-retardant component in the past and may also negatively affect human health.

The existence of PCP, Lindane, DDT and PCB in buildings may, under certain circumstances, entitle the tenant to reduce the rent or to claim damages. Moreover, the remediation of rooms or buildings may be required where PCP, Lindane, DDT and PCB concentrations exceed certain thresholds.

In particular with regard to PCB, the owner of a building may be required to remedy PCB sources through the elimination or sealing of construction elements that contain PCB. Remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanograms per 1 cubic meter of air.

With regard to PCP, further investigations are required if with regard to rooms permanently used for residential purposes if the PCP concentration in dust and wood exceeds defined thresholds. If further investigations then show that the PCP concentration exceeds 0,1 microgram per 1 cubic meter of air, further medical tests are required with regard to the residents. Depending on defined thresholds for a maximum PCP concentration a remediation may then be necessary.

Environmental Liability Under Civil Law

Civil liability for environmental contamination can arise under contractual warranty obligations and under statutory obligations. Warranty claims can generally be waived or limited by contractual provisions. The statutory claims can oblige the party causing contamination of the soil or water to pay damages or to remedy the contamination and its consequences. We could be subject to such liability for damages or remediation if a property owned by it had detrimental effects on the property of third parties. This civil liability exists independent of any official action taken in accordance with the provisions of the Federal Soil Protection Act.

INFORMATION ON THE SELLING SHAREHOLDER

Shareholder Structure (Before and After the Offering)

The sole shareholder of ADO is ADO Group Limited, registered with the Israeli Security Authority under 520039066, and has its registered office at 1A Hayarden Street, Airport City, Ben Gurion Airport, Tel Aviv, Israel.

The following table sets forth the shareholding of ADO Group Limited, the Selling Shareholder, immediately prior to the Offering, and its expected shareholding, together with the expected shareholding of the public float, upon completion of the Offering calculated at the mid-point of the Price Range:

	Actual (Direct) ownership of ADO (in %)		
Shareholder	**Immediately prior to the Offering**	**Upon completion of the Offering (assuming issuance of 8,888,889 New Shares, 10,500,000 Existing Shares and no Over-Allotment Shares)**	**Upon completion of the Offering (assuming issuance of 8,888,889 New Shares, 10,500,000 Existing Shares and 1,938,889 Over-Allotment Shares)**
Selling Shareholder	100	43	37
Public float	0	57	63

The Company is directly controlled by the Selling Shareholder due to the Selling Shareholder's ownership of all voting rights in the Company and, resulting therefrom, its power to govern the financial and operating policies of the Company. The Selling Shareholder is a public Israeli company held by three companies whose respective interest in the Selling Shareholder is shown in the table below. The largest of these shareholders is Shikun & Binui with a 39.2% interest. In addition, Arison Investments Limited ("**Arison Investments**") holds directly or indirectly a 47.3% interest in Shikun & Binui. The primary beneficiary of Arison Investments is Shari Arison.

The following table sets forth the principal indirect shareholders of the Company immediately prior to the Offering, and their expected shareholdings upon completion of the Offering calculated at the mid-point of the Price Range:

	Indirect Ownership of ADO (in %)(1)		
Indirect Shareholder	**Immediately prior to the Offering**	**Upon completion of the Offering (assuming issuance of 8,888,889 New Shares, 10,500,000 Existing Shares and no Over-Allotment Shares)**	**Upon completion of the Offering (assuming issuance of 8,888,889 New Shares, 10,500,000 Existing Shares and 1,938,889 Over-Allotment Shares)**
Shikun & Binui Limited(2)	39	17	14
Stenham Berlin Residential Fund Limited(3)	17	7	6
Harel Insurance Investments and Financial Services Ltd.	14	6	5
Public Float(4)	30	70	74
Total	**100**	100	100

(1) Refers to the indirect economic interest in the Company. The percentages expressed shall not be construed as an indication that voting rights attached to these shares can be controlled by the respective entities.

(2) Ms. Shari Arison is the prime beneficiary of two trusts, Eternity Four A and Eternity Holdings One, which together hold a 100% interest in Arison Sustainability Limited. Arison Sustainability Limited holds a 100% interest in Arison Investments which directly and indirectly holds a 47.3% interest in Shikun & Binui. Arison Investments owns a diversified portfolio of real estate, finance, salt production, water and philanthropic companies.

(3) By way of a put option deed, upon the occurrence of a listing of ADO, Stenham has the right to convert its stake in the Selling Shareholder (as long as such total stake is at least 10% of the issued share capital of the Selling Shareholder) into ordinary dematerialized shares owned by the Selling Shareholder (which are currently existing in registered form but which will be converted into dematerialized form on or before June 26, 2015), with no need for a capital increase, within thirty days after listing. Stenham has elected and declared that it will exercise its put option for no more than 40% of its stake in the Selling Shareholder.

(4) None of the other existing investors and holders of the Selling Shareholder's public float traded on the Tel Aviv stock exchange hold more than 10% of the outstanding share capital of the Selling Shareholder.

For information on selling restrictions applicable to the Selling Shareholder relating to the sale of shares in the Company see "*Underwriting—Selling Restrictions*".

Shikun & Binui Limited

Shikun & Binui is Israel's largest infrastructure and real estate group and is listed on the Tel Aviv stock exchange with trading symbol "SKBN.TA" and has been operating since 1924. The major business activities of Shikun & Binui focus on large scale, complex construction projects and residential real estate, with over 100 sites in operation globally. Shikun & Binui is active in twenty countries, including having a strong presence in Africa and Central America. Shikun & Binui has an annual turnover of approximately €1.4 billion and market capitalization of approximately €0.7 billion as of December 31, 2014. Shikun & Binui became the largest shareholder in the Selling Shareholder after a private placement in 2011. In addition, Shikun & Binui provided a funding guarantee for the Carlos Portfolio acquisition and participates at least pro-rata in the equity funding of the Carlos Portfolio acquisition.

Stenham Berlin Residential Fund Limited

Stenham is a real estate investment fund managed by Stenprop Limited ("**Stenprop**"). Stenprop is a property company and asset manager listed on the Bermuda and South African Stock Exchanges and owns assets in excess of €700 million and assets managed by third parties in excess of €800 million. Stenham's assets are situated primarily in the United Kingdom, Germany and Switzerland. In 2013, Stenham sold its residential portfolio in Berlin to the Company in exchange for shares in the Selling Shareholder and for cash. By way of a put option deed, upon the occurrence of a listing of ADO, Stenham has the right to convert its stake in the Selling Shareholder (as long as such total stake is at least 10% of the issued share capital of the Selling Shareholder) into ordinary dematerialized shares owned by the Selling Shareholder (which are currently existing in registered form but which will be converted into dematerialized form on or before June 26, 2015), with no need for a capital increase, within thirty days after listing. Stenham has elected and declared that it will exercise its put option for no more than 40% of its stake in the Selling Shareholder.

Harel Insurance Investment and Financial Services Ltd.

Harel is one of Israel's largest insurance companies. Harel is listed on the Tel Aviv stock exchange with trading symbol "HARL.TA". Harel has an annual turnover of approximately €3.0 billion and market capitalization of approximately €0.8 billion as of December 31, 2014. Harel became a shareholder in the Selling Shareholder after a private placement in 2012. In addition, Harel has co-invested (40%) with the Company (60%) in the recent Waypoint Portfolio acquisition.

GENERAL INFORMATION ON THE COMPANY AND THE GROUP

History and Development of the Company – Important Events

The Company was incorporated as a private limited liability company in Cyprus on November 13, 2007 with the Cyprus Department of Registrar of Companies and Official Receiver. Until June 8, 2015, its legal name was "Swallowbird Trading & Investments Limited" with its registered office at 48 Inomenon Ethnon, Guricon House, Ground floor, Flat/office D, 6042, Larnaca, Cyprus, registered number HE212131.

The Company 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." The Company was registered with the Luxembourg Register of Commerce and Companies (*registre de commerce et des sociétés de Luxembourg*) under number B197554 on June 11, 2015 following the migration from Cyprus. Deletion of the Company's registration in Cyprus was begun on June 8, 2015.

Corporate Purpose, Registered Office, Fiscal Year and Duration of the Company

As a Luxembourg public limited liability company (*société anonyme*), the Company is governed by the laws of the Grand Duchy of Luxembourg and in particular the Luxembourg Commercial Companies Law of August 10, 1915, as amended (*loi du 10 août 1915 sur les sociétés commerciales telle que modifiée*) (the "**1915 Companies Act**").

Pursuant to article 4 of the Articles of Association, the corporate purpose of the Company shall be the long-term creation of value by investment in and development of real estate properties and immovable property as well as the purchase, rental and disposal of such properties. It may also carry out real estate management for its own purposes and any other activity whatsoever in the real estate sector.

The Company may realize that corporate purpose either directly or through the creation of companies, the acquisition, holding or acquisition of interests in any companies or partnerships, membership in any associations, consortia and joint ventures.

The Company may also acquire by purchase, subscription or in any other manner as well as transfer by sale, exchange or in any other manner shares, bonds, debt securities, warrants and other securities and instruments of any kind.

The Company may borrow in any form including by way of public offer of securities. It may issue, shares, notes, bonds and debentures and any kind of debt and/or equity securities. The Company may lend funds including the proceeds of any borrowings and/or issues of debt securities to affiliated and group companies. It may also give guarantees and grant securities in favour of third parties to secure its obligations or the obligations of its affiliated and group companies. The Company may further pledge, transfer, encumber or otherwise create security over all or over some of its assets.

The Company may engage independent attorneys, accountants, consultants, advisors, appraisers, and such other persons as the Company may deem necessary or advisable.

The Company may generally employ any techniques and instruments relating to its investments for the purpose of their efficient management, including techniques and instruments designed to protect the Company against credit, currency exchange, interest rate risks and other risks.

The Company may carry out any commercial and/or financial transactions with respect to the direct or indirect investments in movable and immovable property, including real estate property and including but not limited to acquiring, owning, hiring, letting, leasing, renting, dividing, draining, reclaiming, developing, improving, cultivating, building on, selling or otherwise alienating, mortgaging, pledging or otherwise encumbering movable or immovable property, and it may otherwise deal in the assets or businesses underlying the Company's direct or indirect investments and engage in all such activities and transactions as the Company may deem necessary, advisable or incidental to the carrying out of any of the foregoing objects and purposes in article 4 of its Articles of Association.

The above description is to be understood in the broadest senses and the above enumeration is not limiting.

The Company's registered office is at 20 rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg (tel. +352 26 49 34 12).

The fiscal year of the Company shall begin on January 1st of each year and shall terminate on December 31st of the same year.

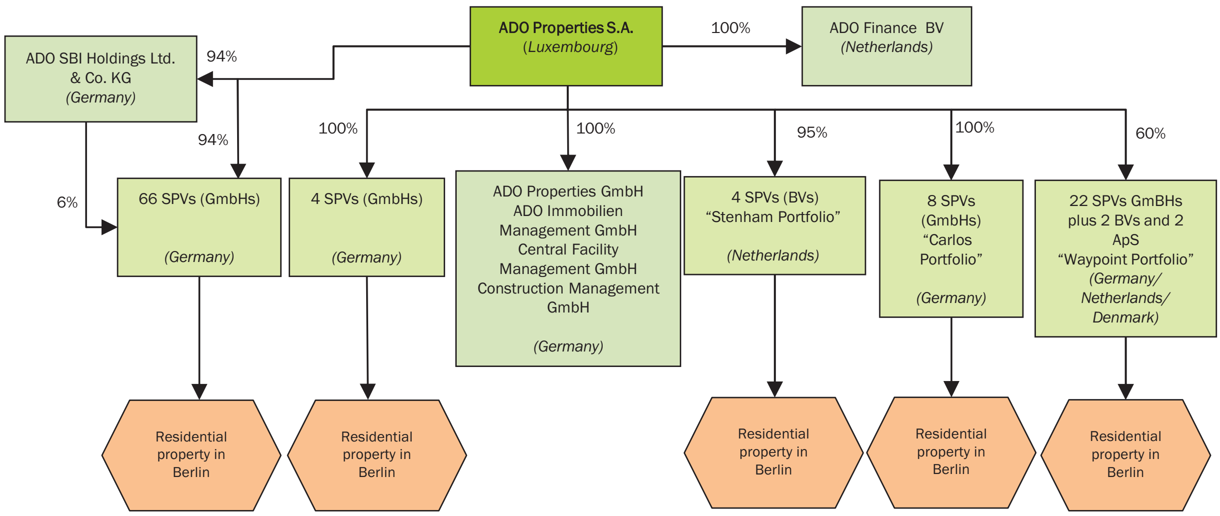
The Company is established for an unlimited period of time.

Group Structure

The Company is the holding company of the Group. The Company's business is primarily conducted by the relevant operating subsidiaries. The Group's consolidated financial statements include all material subsidiaries whose financial and business policy can be controlled, either directly or indirectly, by the Company and the equity interests of the material subsidiaries whose financial and business policy can be influenced by the Group to a significant extent. The group of consolidated companies include 132 subsidiaries as of the date of this Prospectus.

Following the Offering, in the course of a potential reorganization of the Group, the Company envisages to concentrate certain Group managerial and administrative functions, such as controlling, legal, tax, treasury, public relations, information technology and human resources, at the level of the Company. In doing so, the Company would enter into service agreements with all or some of the Group companies. To further strengthen its control over the Group companies, following the Offering the Company may enter into domination agreements (*Beherrschungsverträge*) with all or some of the Group companies. If and to the extent that domination agreements are entered into, the Company would be able to instruct the relevant Group companies on business matters while the Company would be required, in accordance with Section 302 of the German Stock Corporation Act (*Aktiengesetz*) ("**AktG**") to compensate the Group companies that become party to the domination agreements for any of the Group companies' respective annual accounting losses (*Jahresfehlbeträge*) which would be calculated in accordance with the German accounting rules. Further, in accordance with any domination agreements, if the Company does not own 100% of the shares in a Group company, any minority shareholder of such Group company would have the right to receive an annual compensation.

The following diagram sets forth a summary (in simplified form) of the Company's significant subsidiaries as of the date of this Prospectus taking into account the relevant successive interests (*durchgerechneter Beteiligungsanteil*). The shareholdings presented also include shareholdings of affiliated companies pursuant to Sections 15 et seq. German Stock Corporation Act (*Aktiengesetz*). The Group's limited partnerships (*Kommanditgesellschaften*) are held through third-party structures. The shareholdings presented below are rounded to whole numbers.



Significant Subsidiaries

The Company is the holding company of the Group. The following table shows the Company's subsidiaries held directly or indirectly as of March 31, 2015, except as otherwise indicated, with a book value representing at least:

(i) 5% of our consolidated shareholders' equity as of March 31, 2015;

(ii) 5% of our consolidated net income for the period January 1, 2012 – December 31, 2014; or

(iii) which are significant for our business.

The figures are taken from the Company's internal accounting records. The Company's equity holdings correspond to its voting rights in each of the Company's significant subsidiaries. The shareholdings below are rounded to two decimal points.

Company name	Country of incorporation	Share of equity and voting rights in %		
		2012	2013	2014
ADO Properties GmbH	Germany	100.00	100.00	100.00
ADO Immobilien Management GmbH	Germany	100.00	100.00	100.00
Central Facility Management GmbH	Germany	100.00	100.00	100.00
CCM Construction Management GmbH	Germany	100.00	100.00	100.00
Ofek 1 Grundstücks GmbH	Germany	—	—	100.00
Ofek 2 Grundstücks GmbH	Germany	—	—	100.00
Ofek 3 Grundstücks GmbH	Germany	—	—	100.00
Ofek 4 Grundstücks GmbH	Germany	—	—	100.00
Ofek 5 Grundstücks GmbH	Germany	—	—	100.00
Galim 1 Grundstücks GmbH	Germany	—	—	100.00
Galim 2 Grundstücks GmbH	Germany	—	—	100.00
Galim 3 Grundstücks GmbH	Germany	—	—	100.00
Jessica Properties B.V.	Netherlands	—	94.50	94.50
Trusk Grundstücks GmbH	Germany	99.64	99.64	99.64
Sipur Grundstücks GmbH	Germany	—	100.00	100.00
Matok Grundstücks GmbH	Germany	—	100.00	100.00
Drontheimer Str. 4 Grundstücks GmbH	Germany	99.64	99.64	99.64
Tara Grundstücks GmbH	Germany	99.64	99.64	99.64
ADO Finance B.V.	Netherlands	100.00	100.00	100.00

The only material tangible, fixed assets that the Company owns (including leased properties) are residential properties, all of which are pledged against mortgage bank loans.

Approved Statutory Auditor

GAC Auditors Ltd, Certified Public Accountant and Registered Auditor ("**GAC**"), with registered office at 48 Inomenon Ethnon Street, Guricon House, 1st floor, 6042, Larnaka Cyprus, was the statutory auditor of ADO for the Fiscal Years 2014, 2013 and 2012 before ADO changed its legal form and name and migrated from Cyprus to Luxembourg. The statutory accounts prepared by GAC were prepared in accordance with IFRS. GAC is a member of the Association of Chartered Certified Accountants of Cyprus (ACCA) and the Institute of Certified Public Accountants of Cyprus (ICPAC).

As from June 8, 2015 and after its migration to Luxembourg, the Company's statutory auditor (*réviseur d'entreprises agréé*) is KPMG Luxembourg, Société cooperative ("**KPMG Luxembourg**"). In the future, KPMG Luxembourg will also audit the Company's consolidated financial statements prepared in accordance with IFRS. KPMG Luxembourg is registered with the CSSF as a *cabinet de révision agréé* and with the Luxembourg Register of Commerce and Companies under number B149133. KPMG Luxembourg is a member of the *Institut des Réviseurs d'Enterprises* in Luxembourg. The registered office of KPMG Luxembourg is 39, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

Luxembourg Paying Agent and LuxCSD Principal Agent

The Luxembourg paying agent and LuxCSD Principal Agent for the shares of the Company is BNP Paribas Securities Services. The mailing and registered address of the paying agent is 33 rue de Gasperich, L-5826 Hesperange, Grand Duchy of Luxembourg.

DESCRIPTION OF SHARE CAPITAL OF ADO PROPERTIES S.A. AND APPLICABLE REGULATIONS

Current Share Capital; Shares

As of the date of the Prospectus, the Company's share capital amounts to €31,000. It is divided into 25,000,000 shares in registered form, without a nominal value. These shares in registered form will be converted into shares in dematerialized form on or before June 26, 2015. The share capital has been fully paid up. The New Shares will be issued pursuant to Luxembourg law.

All dematerialized shares will be registered with a single settlement organization in Luxembourg, LuxCSD.

The Shares shall be issued in dematerialized form only and shall be subject to the Luxembourg law of April 6, 2013 on dematerialized securities.

Development of the Share Capital Since the Company's Foundation

The share capital of the Company has developed as follows:

On November 13, 2007, 2,000 shares of EUR 1 with a nominal value of €2,000 were issued to Dadlaw Nominees Limited and Dadlaw Secretarial Limited, which were purchased by ADO Holdings Limited on December 3, 2007. On June 17, 2008, ADO Holdings Limited transferred its shares to the Selling Shareholder. On October 20, 2009, the Selling Shareholder transferred its holdings in the Company and reacquired its holdings in the Company on November 24, 2009. By resolution of the shareholders' meeting of the Company held on June 8, 2015, at which the Company adopted the form of private limited liability company (*société à responabilité limitée*), the Company's share capital was increased against a contribution in cash of €29,000, from €2,000 to €31,000 represented by 31,000 ordinary shares (*parts sociales*), with a nominal value of €1.00 each. It was then decided to cancel the nominal value of the 31,000 ordinary shares representing the share capital of the Company and to convert them into 25,000,000 shares with no nominal value.

By resolution of the shareholders' meeting of the Company held on June 16, 2015, at which the Company was transformed into a public limited liability company (*société anonyme*), the 25,000,000 ordinary shares (*parts sociales*) were re-classified as shares in registered form with a view to their compulsory conversion into shares in dematerialized form as per the procedure set out in Article 7 of the articles of association adopted in that resolution. This conversion is expected to take effect and be documented in front of a Luxembourg notary, with the subsequent change to the Articles of Association on or before June 26, 2015.

On the date on which the Company will issue the New Shares, the loans from the Selling Shareholder and the capital notes issued to the Selling Shareholder, will be converted into equity as a non-refundable capital (surplus) contribution without issuance of new shares.

Authorized Capital

As of the date of this Prospectus, the Company's unissued authorized capital amounts to €750,000,000.

Issue of New Shares

The extraordinary general meeting of shareholders or the Board (within the limits as described below) may from time to time issue shares. Shares in dematerialized form shall be issued in accordance with Chapter II, Section 1 of the Luxembourg Law of April 6, 2013 on dematerialized securities.

Pursuant to the Articles of Association, authorization is also given to the Board (or delegates duly appointed by the Board) to issue shares from time to time within the limits of the unissued authorized capital at such times and on such terms and conditions, including the issue price, as the Board or its delegates may in its or their discretion resolve. In particular, without limitation, the Board is authorized to issue shares in favor of Board members, executives, employees, consultants of the Company and the Group, directly or under the terms of option, incentive or similar plans approved by the Board. The Board is also authorized to suppress, limit or waive any preemptive subscription rights of shareholders to the extent it deems advisable for any issues of Shares within the authorized capital. The Company's issued and/or authorized capital may be increased, reduced or extended one or several times by a resolution of the general meeting of the shareholders adopted in compliance with the quorum and majority rules set by the Articles of Association or, as the case may be, by law for any amendment of the Articles of Association.

The shareholders have statutory preferential subscription rights in case of an issuance of new shares in return for contributions in cash. Pursuant to article 5 of the Articles of Assocation, preferential subscription rights are granted proportional to the fraction of the capital represented by the shares held by each shareholder. The Board is authorized to suppress, waive or limit the shareholders' preferential subscription rights in any decision regarding a capital increase to the extent the Board deems such suppression, waiver or limitation advisable for any issuance or issuances of shares within the scope of the Company's authorized unissued capital. An exclusion of preferential subscription rights is also possible in the case of capital increases against contribution in kind for special purposes, including the acquisition of companies and of real estate portfolios. Such share may be issued above, at or below market value (down to nil) as well as by way of incorporation of available reserves and premium. In addition, the general meeting of shareholders may take a decision to limit or cancel the preferential subscription rights of shareholders in accordance with the relevant provisions of law.

If the Company decides to issue new shares in the future and does not exclude the pre-emptive rights of existing shareholders, the Company will publish the decision by placing an announcement in *Mémorial C. Recueil des Sociétés et Associations*, and in two newspapers published in Luxembourg, which are expected to be the Luxemburger Wort and the Tageblatt, and on the website of ADO. The announcement will specify the period in which the pre-emptive rights may be exercised. Such period may not be shorter than 30 days from the date of publication in *Mémorial C. Recueil des Sociétés et Associations.* Luxembourg law does not provide for any procedure for determining the pre-emptive right exercise date and such date is always defined in the relevant resolution on the issue of shares. The announcement will also specify the details regarding procedure for exercise of the pre-emptive rights. The pre-emptive right is exercised by placing an order with the Company and paying for the newly issued shares. Under Luxembourg law pre-emptive rights are transferable and tradable property rights. The 1915 Companies Act provides that the unexercised subscription rights shall, after the end of the subscription period, be sold publicly by the Company on the Luxembourg Stock Exchange. The proceeds of the sale, after deduction of the expenses thereof, shall be held at the disposal of the shareholders who have not exercised their preferential subscription rights for a period of five years. Any balance not claimed by the relevant shareholder shall revert to the Company.

The Articles of Association prohibit the Company from issuing fractional shares. The Board is authorized at its discretion to provide for the payment of cash in lieu of any fraction of a share.

Share Premium

In addition to the issued capital, the Company may have a premium account into which any premium paid on any share is transferred. The amount standing to the credit of the premium account may be used by the Board (i) to provide for payment of any Shares, which the Company may repurchase from its shareholders, (ii) to offset any net realized losses, (iii) to make distributions to the shareholder in the form of a dividend or (iv) to allocate funds to the legal reserve.

Non-Share Capital Contribution

The Company may, without limitation, accept equity or other contributions from existing shareholders without issuing any shares or other securities in consideration for the contribution and may credit the contributions to one or more accounts. Decisions as to the use of such accounts are to be taken by the Board subject to compliance with these Articles of Association and applicable law. For the avoidance of doubt, any such decision does not need to allocate to the contributor any amount contributed to such accounts.

Purchase of Own Shares

The Company does not currently hold any of its own shares, nor does a third party on behalf of the Company.

According to Article 49-2 of the 1915 Companies Act and without prejudice to the Market Abuse Law and the principle of equal treatment of shareholders, the Company and its subsidiaries as referred to in Article 49bis of the 1915 Companies Act may, directly or through a person acting in its own name but on the Company's behalf, acquire its own shares subject to the following conditions:

- An authorization to acquire the Shares shall be given by the general meeting of the shareholders which shall determine the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorization is given and which may not exceed five years and, in case of acquisition for value, the maximum and the minimum consideration (this condition must not be respected in case where the acquisition of its own shares by the Company is necessary in order to prevent serious or imminent harm to the Company, or if the acquisition of its own shares by the Company is made for the sole purpose of distributing these shares to the staff of the Company);

- The acquisitions, including shares previously acquired by the Company and held by it as well as shares acquired by a person acting in its own name but on behalf of the Company, must not have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law or the Articles of Association; and

- Only fully paid shares may be included in the transaction.

The Board shall ensure that, at the time of each authorized acquisition, the conditions referred to in the second and third bullet are always complied with.

In principle, the Company has no obligation to sell or cancel the shares so acquired and held by the Company in treasury. According to the 1915 Companies Act, the Company may, under certain circumstances listed in Article 49-3 of the 1915 Companies Act, acquire its own shares without respecting the conditions provided for in Article 49-2 of the 1915 Companies Act and listed above, but may never have the effect of reducing the net assets below the aggregate of the subscribed capital and the reserves which may not be distributed under law. Except where such shares are repurchased pursuant to a decision to reduce the share capital of the Company or where such shares are redeemable shares, such shares shall either be sold or cancelled after three years as from the date of their acquisition unless the nominal value or in the absence of nominal value, the accounting par value of the shares acquired, including shares which the company may have acquired through a person acting in its own name, but on behalf of the company, does not exceed 10% of the subscribed capital.

Share-Based Remuneration and Stock Plans

In 2015, the Company entered into Service Agreements (as defined in "*Description of the Governing Bodies of ADO Properties S.A.*") with the Senior Management which contain a long-term incentive payment which will be settled in shares. For more information, see "*Description of Governing Bodies of ADO Properties S.A.—Senior Management of the Company's Subsidiaries*").

Ownership and Transfer of Shares

The dematerialized shares will only be represented, and the ownership of such shares will only be established by a record in the name of the shareholder in a securities account. LuxCSD may issue or request the Company to issue certificates relating to dematerialized shares for the purpose of international circulation of securities.

The dematerialized shares issued by the Company shall be recorded at all times in the single securities issuance account of LuxCSD, which shall indicate the identification elements of these dematerialized shares, the quantity issued and any subsequent changes.

To allow the account keepers or, where applicable, the foreign account keepers to exercise their associational rights and their rights of action against the Company or third parties, they shall issue certificates to their account holders in exchange for written certification by the latter that they hold the securities concerned for own account or act pursuant to a right granted by the holder of the securities rights. Reference shall be made of it on the certificate.

The shares will be freely transferable in accordance with the legal requirements for dematerialized shares. The Board may, however, impose transfer restrictions for Shares that are registered, listed, quoted, dealt in or have been placed in certain jurisdictions in compliance with the requirements applicable therein.

The transfer of a dematerialized share occurs by book entry.

For the purposes of identifying the shareholders, the Company may, at its expense, request from LuxCSD the name, nationality, date of birth or date of incorporation and the address of the holders of the shares in its books which immediately confers or may confer in the future voting rights at the Company's general meetings of the shareholders, together with the number of shares held by each of them and, where 'applicable, the limits the shares may be subject to. LuxCSD shall provide the Company with the identification data in its books on the holders of the securities accounts in its books and the number of shares held by each of them.

The same information on the shareholders for own account shall be gathered by the Company through the account holders, whether from Luxembourg or abroad, who have a securities account with LuxCSD.

The Company may request the persons indicated on the lists given to it to confirm that they hold the shares for own account.

When a person who holds an account with LuxCSD or an account keeper or a foreign account keeper does not communicate the information requested by the Company in accordance with article 17 of the Luxembourg law of April 6, 2013, within two months as from the request or, if he communicated incomplete or erroneous information relating to his quality or the quantity of the shares held by him, the Company may suspend until settlement the voting rights up to the amount of the shares for which the information requested was not received.

The Company will recognize only one holder per share. If a share were to be held by more than one person, the persons claiming ownership of the share must name a single proxy to represent the share *vis-à-vis* the Company. The Company has the right to suspend the exercise of all rights attached to such share until one person has been appointed in this way. The same rule applies in case of a conflict between a pledgor and a pledgee.

Variation of Rights; Amendments of the Articles of Association

All or any of the rights attached to the shares may from time to time (whether or not the Company is being wound up) be varied by decision of the extraordinary general meeting of the shareholders in the manner required for the amendment of the Articles of Association. Any provisions of the Articles of Association may be amended by resolution of the shareholders at an extraordinary general meeting of the shareholders.

Changes in Share Capital

The Company may by resolution adopted at a general meeting of the shareholders in the manner required for amendment of the Articles of Association, increase, reduce, consolidate or sub-divide its shares or any of them. In addition, the Board is authorized to issue shares up to the total amount of the authorized unissued share capital (see "—*Issue of New Shares*" above).

The Company may proceed to the repurchase of its own shares within the limits laid down by law (see "—*Purchase of Own Shares*" above).

Dividends

There are no fixed dates on which a shareholder is entitled to receive a dividend. The Company may declare and pay dividends in accordance with Luxembourg company law. Dividends may be declared by the general meeting of the shareholders upon approval of the annual accounts for the immediately preceding financial year.

The Articles of Association also provide that the Board has the power to decide on and distribute interim dividends (including by way of staggered payments) by way of a cash dividend or by way of a dividend in kind, in accordance with the provisions applicable to commercial companies as set forth, in particular, in article 72-2 of the Luxembourg Company Law.

Dividends may be declared or paid in cash as well as in kind including by way of issuance of shares.

The amount of a dividend declared by the general meeting of the shareholders upon approval of the annual accounts may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves which are available for that purpose, minus any losses carried forward and sums to be placed in reserve in accordance with the law or the Articles of Association. Interim dividends may be declared and paid by the Board out of available net profits, premium or other available reserves subject to complying with conditions required by law subject to such dividend not exceeding the amount available for distribution which shall not exceed total profits made since the end of the last financial year for which the annual accounts have been approved, plus any profits carried forward and sums drawn from reserves available for this purpose, less losses carried forward and any sums to be placed to reserve pursuant to the requirements of the law or the Articles of Association of the Company.

No dividend or other moneys payable on or in respect of an ordinary share shall bear interest required to be paid by the Company. If the Company declares to pay dividends to its shareholders, each shareholder is entitled to receive a dividend in proportion to the amount of capital held by it in the Company. Any dividend unclaimed after a period of five years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company according to Article 2277 of the Luxembourg Civil Code. There are no specific dividend restrictions or procedures for non-resident shareholders.

The Company shall make payments, by way of dividends or otherwise, in cash, shares or other assets only into the hands of LuxCSD and that payment shall release the Company from any and all obligations in respect of such payment.

Voting Rights, General Shareholders' Meeting

Each Share entitles the holder thereof to attend all general meetings of the shareholders, either in person or by proxy, to address the general meeting of the shareholders and to exercise voting rights. Each Share entitles the holder to one vote at a general meeting of the shareholders. There is no minimum shareholding required to be able to attend or vote at a general meeting of the shareholders.

As long as the Shares are admitted to trading on a regulated market within a European Union Member State, general meetings of the shareholders will be convened in accordance with the provisions of the Luxembourg law of May 24, 2011 on the exercise of certain rights of shareholders in general meetings of the shareholders of listed companies and implementing Directive 2007/36/EC of the European Parliament and of the Council of July 11, 2007 on the exercise of certain rights of shareholders in listed companies (the "**Luxembourg Shareholder Rights Law**") and the Articles of Association.

To vote at meetings, shareholders entitled to vote must duly evidence their shareholdings as of the record date determined in accordance with the Luxembourg Shareholder Rights Law. A shareholder may act at any general meeting of the shareholders by appointing another person (who need not be a shareholder) as his/her/its proxy in accordance with the provisions of the Luxembourg Shareholder Rights Law.

In accordance with 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 the Grand Duchy of Luxembourg (*Mémorial C. Recueil des Sociétés et Associations*), and a Luxembourg newspaper and in media which may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area, and which is accessible rapidly and on a non-discriminatory basis. If a general meeting of the shareholders is adjourned for lack of quorum, provided that the convening requirements of the Luxembourg Shareholder Rights Law have been complied with and no new item has been added to the agenda, the 30 day period is reduced to a 17 day period.

These convening notices must, *inter alia*, contain the precise date and location of the general meeting of the shareholders and the proposed agenda. It must also set out the conditions for attendance and representation at the meeting.

Luxembourg law distinguishes between ordinary resolutions and extraordinary resolutions. Extraordinary resolutions relate to proposed amendments to the articles of incorporation and certain other limited matters. All other resolutions are generally ordinary resolutions.

Extraordinary resolutions are generally required for any of the following matters, among others: (a) an increase or decrease of the authorized or issued capital, (b) a limitation or exclusion of pre-emptive rights, (c) approval of a statutory merger or de-merger (scission) or certain other restructurings, (d) dissolution of the Company and (e) an amendment to the Articles of Association.

For any extraordinary resolutions to be considered at a general meeting of the shareholders, the quorum must generally be at least one-half of our issued share capital to which voting rights are attached under our Articles of Association or Luxembourg law, unless otherwise provided by our Articles of Association or mandatorily required by law. If such quorum is not present, a second general meeting of the shareholders may be convened at a later date with no quorum according to the appropriate notification procedures. Extraordinary resolutions must generally be adopted at a general meeting of the shareholders (except as otherwise provided by mandatory law or our Articles of Association) by a two-thirds majority of the votes validly cast on such resolution. Abstentions are not considered "votes." Except in case of a merger, a demerger or proceedings assimilated thereto by Articles 284 and 308 of the 1915 Companies Act, an amendment of the corporate object and purpose of the Company or its legal form requires in addition the approval by a general meeting of holders of bonds issued by the Company at the majority and quorum provided for by law.

Changes of nationality of the Company and any any increases of the commitments of shareholders are subject to the unanimous approval of all shareholders as well as bondholders.

No quorum is required for any ordinary resolutions to be considered at a general meeting of the shareholders. Ordinary resolutions are adopted by a simple majority of votes validly cast on such resolution by shareholders present or represented, subject in certain circumstances to a different majority as required under our Articles of Association or Luxembourg law. Abstentions are not considered "votes."

The Company's annual general meeting of the shareholders shall be held on the third Thursday of March of each year of each year at 2:00 p.m. (Central European Summer Time) in Luxembourg at the registered office of the Company, or at such other place as may be specified in the convening notice of the meeting. If such day is a legal holiday in Luxembourg the annual general meeting of the shareholders shall be held on the next following Luxembourg business day.

Other general meetings of the shareholders may be called as often as the interest of the Company demands and be held at such place and time as may be specified in the respective convening notice of the meeting.

If the entire issued share capital of the Company is represented at a general meeting of the shareholders, no convening notice is required for the meeting to be held and the proceedings at such general meeting of the shareholders will be deemed valid.

The Board is obliged to call a general shareholders' meeting 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 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 by the request in writing of the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the general meeting of the shareholders and shall include the electronic or mailing address at which the Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company not later than on the twenty-second day prior to the date of the general meeting of the shareholders.

Information Rights

In accordance with the Luxembourg Shareholder Rights Law, the Company shall make available to its shareholders on its website for a continuous period beginning on the day of publication of the convening notice of the general meeting (which must be at least 30 days prior to the meeting) and including the day of the general meeting of the shareholders, *inter alia*, such documents which need to be submitted to the general meeting of the shareholders and the convening notice. Shareholders may upon request obtain a copy of the full, unabridged text of the documents to be submitted to the general meeting of the shareholders by electronic means or at the registered office of the Company.

In accordance with the Luxembourg Shareholder Rights Law, shareholders have the right to ask questions at the general meetings of the shareholders related to items on the agenda. The right to ask questions and the obligation of the Company to answer are subject to the measures to be taken by the Company to ensure the identification of shareholders, the good order of the general meeting of the shareholders and its preparation as well as the protection of confidentiality and business interests of the Company.

Distribution Of Assets on Winding-Up

In the event of liquidation, dissolution or winding-up of the Company, the net assets remaining after payment of all debts, charges and expenses shall be distributed to the shareholders in proportion to their respective shareholdings.

In the event of the dissolution of the Company for whatever reason, the liquidation will be performed by liquidators appointed by the general meeting of the shareholders or, if no liquidators are so appointed, by all Board members who will be endowed with the powers provided by Article 144 et seq of the 1915 Companies Act. Once all debts, charges and liquidation expenses have been met, any balance resulting shall be paid to the shareholders.

Shareholding Disclosure and Reporting Duties

Holders of shares (and depository receipts representing shares) may be subject to notification obligations pursuant to the Luxembourg law of January 11, 2008 on transparency requirements regarding information about issuers whose securities are admitted to trading on a regulated market, as amended (the "**Transparency Law**").

The following description summarizes those obligations. Holders of shares are advised to consult with their legal advisers to determine whether any notification obligations apply to them.

The Transparency Law requires that if a shareholder directly or indirectly acquires or disposes of shares including depository receipts representing shares, it shall notify the issuer of the shares of the proportion of voting rights of the issuer held by that shareholder where such proportion as a result of that acquisition or disposal reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3%. Shareholders of the Company shall also notify the Company where that proportion reaches, exceeds or falls below the thresholds provided above as a result of events changing the breakdown of voting rights (e.g. an increase or decrease of the issued capital of the Company). The shareholder shall simultaneously notify the Company and the CSSF of the change in its proportion of voting rights.

Disclosure to the public will be made by the Company publishing the information.

The percentage of voting rights held by a person or entity is to be calculated in accordance with the provisions of the Transparency Law:

Voting rights in the Company shall be calculated on the basis of all the issued shares, to which voting rights are attached even if the exercise thereof is suspended (as is the case with the shares retained as treasury shares).

As long as such shareholder has not made the relevant notifications, the exercise of voting rights relating to the shares exceeding the fraction that should have been notified is suspended.

In accordance with Article 14 of the Transparency Law, the Company will publish the total number of voting rights in the Company and its total share capital at the end of the calendar month during which a change in the share capital occurs.

The Company is also subject to certain provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*), which governs disclosure to shareholders and reporting duties. These provisions state, among other things, that the Company must make a publication in the nationally circulated official national journal accredited by the national stock exchanges (*Börsenpflichtblatt*) that it was notified by a shareholder in accordance with the Transparency Law that such shareholder's shareholding in the Company reached, exceeded or fell below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% of the total voting rights existing when the situation giving rise to a notification occurred.

Pursuant to Luxembourg law of July 21, 2012 on mandatory squeeze-out and sell-out, any shareholder, acting alone or in concert, who (i) directly or indirectly becomes the owner of shares or securities with voting rights amounting to a portion of the entire share capital of at least 95% carrying voting rights and 95% of the voting rights, (ii) falls below one of the thresholds under (i) above or (iii) acquires additional shares or securities with voting rights while having already crossed the thresholds under (i) above, must notify the Company and the CSSF as soon as possible of the exact percentage of its holding, a description of the transaction that triggered the notification requirement, the effective date of such transaction, the identity of the shareholders (having performed such transaction) and a description of the ways the shares or securities with voting rights are being held. Following such notifications, the Company has to make all information contained in such notification public.

Directors Dealings

Executives of the Company with "managerial responsibilities" within the meaning of the Luxembourg law on Market Abuse or the German Securities Trading Act (*Wertpapierhandelsgesetz*) have to notify the issuer and the CSSF respectively the BaFin as soon as they have knowledge of (or in any case within five working days of) transactions (so-called directors' dealings) conducted on their own account relating to the shares of the Company or to financial instruments linked to such shares. This disclosure obligation also applies to persons who are "closely related to such executives" within the meaning of the Luxembourg law on Market Abuse or the German Securities Trading Act (*Wertpapierhandelsgesetz*).

Take-Over – Mandatory Bid Threshold, Squeeze Out and Sell-Out Rights

The Shares will be listed on the Frankfurt Stock Exchange which constitutes a regulated market for the purpose of Directive 2004/25/EC of the European Parliaments and of the Council of April 21, 2004 on takeover bids (the "**Takeover Directive**"). The authority competent to supervise any takeover bid on the Company will be the competent authority in Germany, the German Federal Financial Supervisory Agency (*Bundesanstalt für Finanzdienstleistungsaufsicht*). The Takeover Directive and German and Luxembourg law implementing the Takeover Directive provide for the requirement that where a person, acting alone or in concert, acquires shares in a company which, when added to any existing holdings in shares give such person (or persons) voting rights sufficient for such person or persons to control such company, such person is obliged to make an offer for the remaining shares in the company. Pursuant to the Takeover Directive, the threshold for obtaining control is a matter for Luxembourg law under which the control threshold is 33 ⅓% of the voting rights attached to all issued shares in the company. Pursuant to Luxembourg takeover law when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the company and after such offer the offeror holds 95% of the securities carrying voting rights and 95% of the voting rights, it can require the holders of the remaining securities to sell those securities (of the same class) to the offeror. Furthermore, Luxembourg takeover law provides that, when an offer (mandatory or voluntary) is made to all of the holders of voting securities of the Company and after such offer the offeror holds 90% of the securities carrying voting rights and 90% of the voting rights, each of the remaining security holders can require that the offeror purchases its securities (of the same class).

Further, in accordance with the Luxembourg law of July 21, 2012 on mandatory squeeze-out and sell-out, shareholders (acting alone or in concert) whose cumulative stockholding amounts to a portion of the entire share capital of at least 95% carrying voting rights and 95% of the voting rights may request the mandatory transfer of all remaining shares against payment in cash subject to and in accordance with the provisions provided by such law. Under such law, if shareholders acting alone or in concert acquire a cumulative stockholding representing a portion of the entire share capital of at least 95% carrying voting rights and 95% of the voting rights or, if shareholders acting alone or in concert already hold such portion of the entire share capital and make an additional acquisition of securities, the holders of the remaining shares may require, under the conditions provided by such law, that such shareholders acquire their shares.

DESCRIPTION OF THE GOVERNING BODIES OF ADO PROPERTIES S.A.

Overview

The governing bodies of the Company are the Board and the general meeting of the shareholders. The powers of these governing bodies are defined in the 1915 Companies Act and the Articles of Association of the Company.

Board of Directors

The management of the Company is vested in the Board. The Articles of Association provide that the Board must comprise at least one member if there is only one shareholder and if there is more than one shareholder, the Board shall comprise at least three members.

The Board convenes whenever required by the Company's affairs. The meetings are called by the chairman of the Board or, in his absence, the executive vice chairman of the Board or one of the deputy chairmen of the Board. Furthermore, the Board is convened if so requested by any Board member. The chairman of the Board presides at meetings of the Board, and in his absence the executive vice chairman of the Board or one of the deputy chairmen of the Board shall take his place.

The meetings of the Board shall be held in Luxembourg at the location and the time indicated in the convening notice unless the meetings need to be held abroad for exceptional reasons. Except in an instance of urgency or for regularly scheduled meetings, the meetings of the Board shall be announced in writing at least five days in advance. A convening notice may be dispensed with if all members of the Board consent. The meetings of the Board and its committees may be held by using means of telecommunication (e.g. video or telephone conference) which are continuously on-line, enabling the identification of the members taking part in the meeting and enabling all persons taking part to communicate.

A majority of the Board members present or represented at a Board meeting constitutes a quorum, and resolutions are adopted by the simple majority vote of the Board members present or represented. The Board may also take decisions by means of circular resolutions in writing signed by all directors. Each Board member can mandate another Board member in writing to represent him. Each Board member can represent one or more other Board members.

The general meeting of the shareholders elects directors who may, but do not have to, be shareholders and decides their respective terms which may not exceed six years. Directors may be re-elected. The general meeting of the shareholders may dismiss one or more directors at any time, with or without cause by a resolution passed by simple majority vote, irrespective of the number of shares present at such general shareholders' meeting. If the Board has a vacancy, the remaining directors have the right to appoint a replacement until the next general meeting of the shareholders.

The business address of the Board members is that of the Company's registered office: 20 rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg.

Duties of a Board Member Under Luxembourg Law

The Board members are liable towards the Company, in accordance with general Luxembourg law, for the execution of the mandate given to them and for any misconduct in the management of the Company's business. They are jointly and severally liable towards the Company as well as to any third party for damages resulting from any violation of the law or the Articles of Association, but they may be discharged from such liability in the case of a violation in which they did not participate, provided no misconduct is attributable to them and they have reported any violation to the next general meeting of the shareholders after having been made aware of it.

Power and Duties of the Board

The Board is vested with the broadest powers to take any action necessary or useful to fulfill the Company's corporate objective with the exception of the actions reserved by law or by the Articles of Association of the Company to the general meeting of the shareholders.

According to the Articles of Association, 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. Within the limits provided for by law, the Board may delegate to one or more persons the daily management of the Company and the authority to represent the Company (a "**Daily Manager**"). The Board may revoke any such delegation of any one or more Daily Managers at any time. As of the date of this Prospectus, no Daily Manager has been appointed.

The Board is empowered by the Articles of Association to elect from among its ranks a chairman of the Board, an executive vice chairman of the Board (the "**Executive Vice Chairman**") and one or more deputy chairmen.

The internal rules of proceedings of the Board have been described in the Company's rules of procedure (the "**Internal Rules**") adopted by the sole director on June 9, 2015. The Board may change such Internal Rules from time to time.

Representation Towards Third Parties

The Company shall be bound by (i) the joint signatures of two Board members of which one signatory needs to be the CFO (or by the signature of any two Board members if there is no CFO in position or by the signature of a single member of the Board if there is only one Board member), and (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.

It is intended that the Board will delegate the daily management of the Company to the CFO for matters related to all financial and fiscal aspects of the Company's operations, including accounting, reporting, treasury, investor relations, risk management and compliance and information technology.

The Board operates in accordance with the Internal Rules which are binding upon all organs of the Company.

As of the date of this Prospectus, Yaron Zaltsman, the CFO, will be the only member of the Board. Mr. Zaltsman will remain in office until the New Shares are issued. With effect upon the issuance of the New Shares, the Board will have the following seven members:

Name	Position	Age	End of Appointment
Ofer Kotler	Chairman of the Board	59	The date of the annual general meeting of the Company held in 2019
Shlomo Zohar	Executive Vice Chairman	64	The date of the annual general meeting of the Company held in 2019
Moshe Lahmani	Director	52	The date of the annual general meeting of the Company held in 2019
Rabin Savion	Chief Executive Officer	48	The date of the annual general meeting of the Company held in 2019
Amit Segev	Director	60	The date of the annual general meeting of the Company held in 2019
Dr. Michael Bütter(1)	Independent Director	45	The date of the annual general meeting of the Company held in 2019
Jörg Schwagenscheidt(1)	Independent Director	51	The date of the annual general meeting of the Company held in 2019

(1) Independent director

Short biographies of such Board members are set forth below:

Ofer Kotler (Chairman of the Board): Ofer Kotler was born in 1956 in Israel. In 1984, he graduated with honors (*cum laude*) from the faculty of civil and environmental engineering at the Technion, Israel Institute of Technology in Haifa. From 1982 to 1999, Mr. Ofer worked with various real estate and infrastructure firms, including Rolider Ltd., amongst others, as a manager, head engineer and vice president. In 1999, he joined Derech Eretz C.J.V., the constructor and general operator of the Cross-Israel Highway, to serve as the vice president of business development, and in 2004, he was appointed and served as CEO of Derech Eretz C.J.V. From 2005 to 2008, Mr. Kotler served as the CEO of Danya Cebus, an Israeli infrastructure company and subsidiary of Africa Israel Investments. In 2008 he joined Shikun & Binui as CEO and serves currently in that capacity.

Shlomo Zohar (Executive Vice Chairman): Shlomo Zohar was born in 1951 in Israel. He studied economics and accounting at the Bar-Ilan University (Israel) and graduated with a master's degree in business administration (MBA) from McGill University in 1980. Mr. Zohar has been certified as a certified public accountant (CPA in Israel). He served as a lecturer in auditing at the Bar-Ilan University (Israel), Tel-Aviv University (Israel) and the College of Management (Israel) from 1980 until 2000. From 1980 to 2005, Mr. Zohar worked as a managing partner at Zohar, Zohar & Co and during the same time period he served as member of the Auditing Standards Committee and Internal Auditing Committee of the Institute of Certified Public Accountants in Israel. From 2006 to 2009, he served as chairman of Israel Discount Bank Ltd. (IDB) in their Israel branch and as director and vice chairman in their New York branch, chairman of Israel Credit Cards Ltd., chairman of Mercantile Discount Bank Ltd. (Israel), chairman of Discount Bancorp, Inc. and chairman of Israel Discount Capital Markets & Investment Ltd. In 2010, he joined the Selling Shareholder as CEO.

Moshe Lahmani: Moshe Lahmani was born in 1963 in Morocco. He studied economics and accounting and received his bachelor's degree (cum laude) in 1990 from Haifa University (Israel) and in 1991 he was certified as a certified public accountant (CPA). From 1990 to 1999, Mr. Lahmani worked at KPMG as a senior manager. From 1999 to 2001, he served as the CFO of the hi-tech company 3DV Systems. In 2001, Mr. Lahmani joined Amdocs, where he initially served as its financial director until 2003 when he was appointed vice president of global operations. In 2007, he joined Arison Investment as its CFO and currently serves as its deputy CEO.

Rabin Savion (Chief Executive Officer): Rabin Savion was born in 1967. He studied hospitality management at the Florida International University and received his bachelor of science degree in 1992. From 1992 to 2001, Mr. Savion worked with various real estate and hotel consulting firms including PKF Consulting (US), amongst others, as a consultant. From 2001 to 2002, he worked as the international business director at MAN Properties, in affiliation with CBRE. In 2002, he joined Oxford Capital Investment / Pine Equity as the vice president for international business development and marketing. In 2005, he joined Postfuhramt Oranienburgerstrasse GmbH as a managing director. In 2006 he co-founded the Company and currently serves as the CEO.

Amit Segev: Amit Segev was born in 1955 in Israel. He attended the Hebrew University, Jerusalem (Israel) and in 1981 was awarded a bachelor of arts in economics. In 1984, Mr. Segev received a master's degree of business administration (MBA) from the Hebrew University, Jerusalem (Israel). From 1987 to 1991, Mr. Segev served as deputy budget director for the Ministry of Finance for the State of Israel. In 1991, he joined Shikun & Binui and served in various positions until he established and managed the concessions division in 1997. In 2008, Mr. Segev was promoted to deputy CEO of Shikun & Binui and currently serves as both the deputy CEO and a member of the board of Shikun & Binui's major subsidiaries.

Dr. Michael Bütter: Dr. Michael Bütter was born in 1970 in Germany. He studied reading law and economics at the University of Hamburg from 1991 and 1996. Dr. Bütter passed both his first legal state exam (1996) and his second legal state exam (2000) in Hamburg. In 1999, Dr. Bütter received post graduate degrees in law and economics from Oxford University (M.St.) and the University of Hamburg (Dr. iur), respectively. From 2001 to 2003, he worked as an associate at CMS Hasche Sigle in Hamburg as part of the real estate, corporate and commercial law practice. In 2003, Dr. Bütter joined Weil, Gotshal & Manges in Frankfurt where he served as a senior associate and team leader, focusing on corporate M&A, private equity, non-performing loans and real estate transactions. In 2005, he joined Lovells LLP and became a partner and headed the private equity and real estate practice group in Hamburg. From 2008 to 2013, Dr. Bütter worked at Deutsche Annington Immobilien SE as member of the executive committee, group general counsel and chief compliance officer. He also served as managing director of real estate companies of the former German Railway Associations (*Bundeseisenbahnvermögen, EWGen*). In 2013, he was admitted as a member of the royal institute of chartered surveyors (MRICS). In 2013, he joined The Ferrostaal Group in Essen, Germany as member of the executive board and currently serves in The Ferrostaal Group (Holding) in Hamburg/Essen as Chief Investment Officer and Chief Legal Officer.

Jörg Schwagenscheidt: Jörg Schwagenscheidt was born in 1964. He completed a real estate apprenticeship with Dieter Schwagenscheidt GmbH in Wuppertal, Germany from 1984 to 1987. From 1992 until 1993, Mr. Schwagenscheidt studied economics of housing (*Fachwirt*) at IHK August-Flender-Akademie in Ratingen-Hoesel, Germany and during the year 1994 studied the economics of real estate at the European Business School in Oestrich-Winkel, Germany. From 1991 to 1996, he worked at Dr. Lübke GmbH in Stuttgart where in 1995 he was appointed as the head of the regional branch of North-Rhine Westphalia for procuration. In 1996 Mr. Schwagenscheidt joined DB Immobilien GmbH in Heidelberg, Germany as a managing director. In 1999, he joined Viterra AG/Deutsche Annington in Essen, Germany where until 2002 he served as the head of centralized privatization department in procuration and was later appointed as the head of branch Essen for procuration. In 2006, Mr. Schwagenscheidt joined GSW Immobilien AG where he served as managing director and chief operating officer until 2010, executive board member and chief operating officer from 2010 to 2013 and co-chief executive officer from 2013 to 2014.

Directorships Held by Board Members

Except as set forth below, no Board member has held any directorship of any company (other than companies in the Group and companies which are subsidiaries of companies of which the respective Board member is or was a member of its board of directors or other governing body) or partnerships within the past five years:

Ofer Kotler (Chairman of the Board): Alongside his office as Chairman of the Board, Ofer Kotler serves as a director of the Selling Shareholder and serves as a director in subsidiaries of Shikun & Binui.

Shlomo Zohar (Executive Vice Chairman): Alongside his offices as a Board member and Executive Vice Chairman, Shlomo Zohar serves as a director in Delek US, Hamlet (Israel – Canada) Ltd. and Naaman Group Ltd.

Moshe Lahmani: Alongside his office as a Board member, Moshe Lahmani currently serves as chairman of the board of Shikun & Binui and serves as board member of subsidiaries of Shikun & Binui. Additionally he serves as deputy CEO of Arison Investments Ltd., on the board of the Selling Shareholder, on the board of Salt of the Earth Ltd. (Israel) and on the board of Av Ar Capital Investments 1997 Ltd. Within the last five years, Mr. Lahmani also served as a member of the board of Bank Hapoalim and Miya S.a.r.L and as the CFO of Arison Investments Ltd.

Rabin Savion (Chief Executive Officer): Alongside his office as Board member and CEO, within the last five years Rabin Savion was managing director at Postfuhramt Oranienburgerstrasse GmbH. Postfuhramt Oranienburgerstrasse GmbH underwent an administrative insolvency procedure from 2010 until 2014.

Amit Segev: Alongside his office as Board member, Amit Segev serves as the deputy CEO of Shikun & Binui, serves on the board of several Shikun & Binui major subisidiaries, serves as a member of the board of the Selling Shareholder and serves as chairman of Elcon Recycling Ltd.

Dr. Michael Bütter: Alongside his office as Board member, Michael Bütter serves as chief investment officer, chief legal officer and as member of the executive board of the Ferrostaal Group and also serves as member of the supervisory board of TLG Immobilien AG. Within the last five years, he served as a member of the supervisory board of the Joint Board of German Railway Associations (*Gemeinsamer Ausschuss des Bundeseisenbahnvermögen, EWGen*) and as a member of the supervisory board (*Verwaltungsrat*) of VdW Rheinland Westphalia (*Verband der Wohnungs- und Immobilienwirtschaft Rheinland Westfalen e.V.*).

Jörg Schwagenscheidt: Alongside his office as Board member, within the last five years Jörg Schwagenscheidt served as a managing partner of Dreilinden Vermögensverwaltungs-GmbH & Co. KG, managing partner of Dreilinden Geschäftsführungs-GmbH, managing partner of IWA Berlin Holding GmbH, member of the supervisory board of GSW Immobilien GmbH and non-executive board member of Domus B.V.

Compensation and Shareholdings of Board Members

Compensation of the Board members is generally determined by the general meeting of the shareholders. At the general meeting of the shareholders of June 16, 2015, it was resolved to grant compensation to the Board members and committee members of the Company on an annual basis starting on the First Day of Trading, subject to any applicable law, according to which each Board member — other than the Executive Vice Chairman, any Board member which serves as an officer in the Company or in any affiliated entity or in an entity which holds, directly or indirectly, significant equity interests in the Company — receives €30,000 and an additional €1,500 per attendance at a meeting of the Board or any committee. On June 16, 2015, the Company's general shareholders' meeting resolved that the remuneration granted by the Company to the Board members and management members will not be disclosed individually in the annual financial statements and the consolidated financial statements of the Company for the fiscal year commencing on January 1, 2015 and for the following four fiscal years.

For the fiscal year ending December 31, 2015, aggregate remuneration of the current Board members, not including Shlomo Zohar and Rabin Savion (the "**Executive Directors**") is expected to amount to approximately €150,000, depending on the number of meetings and the number of meetings attended. In addition, the Executive Directors, who are expected to become Board members upon the issuance of the New Shares, are party to Service Agreements (as defined herein) with the Company and receive compensation for their services as members of Senior Management of the Company, subject to any applicable law. The remuneration the Senior Management receives pursuant to their respective Service Agreements shall be deemed full and final compensation for all services they provide to the Company and its subsidiaries, including any board, committee or other positions in which they may serve at such subsidiary or the Company. Other than the Executive Directors, as of the date of this Prospectus no other Board member will be entitled to termination benefits upon the termination of their contracts with the Group.

All Board members are reimbursed for their reasonable out-of-pocket expenses incurred in connection with attending Board and committee meetings.

The respective compensation for Board members shall be paid pro rata for the days served as Board members during each respective year and for committee members *pro rata temporis* on the basis of meetings actually attended. In addition, the Selling Shareholder has provided D&O insurance coverage for our officers, directors, employees and the equivalent individuals of our significant subsidiaries. The D&O insurance policy was entered into with Menora Mivtachim Insurance Ltd. and expires on March 31, 2016. The D&O insurance policy provides for no deductible and covers defense costs until the €35 million limit of annual coverage is reached. The D&O insurance policy covers financial losses arising from a breach of duty by the Company's Board members in the course of their duties. Once we are no longer a majority-owned subsidiary of the Selling Shareholder, however, the D&O insurance policy will no longer provide coverage for our directors, officers and employees. We intend to have a new D&O insurance policy following the Offering.

As of the date of this Prospectus, the Company has not (i) granted Board members any advances or loans, or (ii) other than with respect to Board members who are a member of Senior Management, provided any Board members in the Fiscal Year 2014, Fiscal Year 2013 or Fiscal Year 2012 with any pension, retirement or similar benefits. No member of the Board received payments or services or any similar commitments from a third party in respect of his work as a member of the Board.

As of the date of this Prospectus, no member of the Board directly holds any shares in the Company or options on shares in the Company. Some members of the Board participate in long-term incentive plans and own shares and have stock options in the Selling Shareholder.

Indemnification

As of the date of this Prospectus, the Company has no indemnification agreement in place with its directors and other officers, but the Company is considering implementing an indemnification arrangement in the future.

Committees

The Board may create from time to time one or several committees composed of Board members and/or external persons and to which it may delegate powers and roles as appropriate. Currently, the Company expects to establish four committees: the Audit Committee, Nomination and Compensation Committee, the Investment Committee and the Financial Committee. For the avoidance of doubt, these committees have not yet been formally established nor have the terms of reference under which they will operate been decided. The committees are expected to be established at which point their terms of reference under which they operate will be decided.

Audit Committee

The purpose of the Audit Committee will be to assist the Board in fulfilling its oversight responsibilities relating to the integrity of the financial statements, including periodically reporting to the Board on its activities and the adequacy of internal control systems over financial reporting; and to make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of the external auditors and perform such other duties imposed by applicable laws and regulations of the regulated market or markets on which the shares may be listed, as well as any other duties entrusted to the committee. The members of the Audit Committee are expected to be Dr. Michael Bütter (Chairman), Jörg Schwagenscheidt, Shlomo Zohar and Amit Segev.

Nomination and Compensation Committee

The purpose of the Nomination and Compensation Committee will be to review the compensation policy, make proposals as to the remuneration of Executive Directors and Senior Management, and advise on any benefit or incentive schemes. It shall further assist the Board with respect to matters relating to the nomination of candidates for the Board and the committees. The Nomination and Compensation Committee shall decide on the qualifications of potential candidates and recommend candidates to the Board for election as directors by the general meeting of the shareholders, as required. The members of the Nomination and Compensation Committee are expected to be Ofer Kotler (Chairman), Shlomo Zohar and Jörg Schwagenscheidt.

Investment and Financing Committee

The purpose of the Investment and Financing Committee will be to resolve on the Company's investments, including the analyzing and reviewing of investments and the purchase or sale of land, or rights equivalent to title rights in real estate and the general guidelines and policies for implementing the financial strategy, including the management of foreign exchange, interest rate, liquidity and other financial risks and the management of credit risk. The Investment and Financing Committee also considers the encumbrance of any assets and shall assist with the raising of external financing by any member of the Group and with the granting of securities, guarantees and indemnities. The members of the Investment and Financing Committee are expected to be Shlomo Zohar (Chairman), Ofer Kotler, Amit Segev, Jörg Schwagenscheidt, and Dr. Michael Bütter.

Senior Management of the Company's Subsidiaries

The Company's objective is the long-term creation of value by investment in and development of real estate properties as well as real estate management for its own purposes. Our real estate is held by our operational subsidiaries which are led by the Senior Management, who are currently Shlomo Zohar, Rabin Savion, Yaron Zaltsman and Eyal Horn. Members of the Senior Management of the Company's subsidiaries are integral to the management of the Company's subsidiaries and are responsible for the day-to-day management of the business of such subsidiaries. With the exception of Shlomo Zohar and Rabin Savion, Board members are not members of the Senior Management of the Company's subsidiaries. The Senior Management comprises four members. Each member is responsible for certain activities and departments of the business, with joint management responsibility for the business as a whole.

With effect on the First Day of Trading, the Senior Management comprises the following four persons:

Shlomo Zohar (Executive Vice Chairman): for a full biography, see "—*Board of Directors*".

Rabin Savion (Chief Executive Officer): for a full biography, see "—*Board of Directors*".

Yaron Zaltsman (Chief Financial Officer): Yaron Zaltsman was born in 1974 in Israel. He studied economics and accounting at the Hebrew University of Jerusalem (Israel) from 1996 to 1999. Mr. Zaltsman graduated with a master's degree in business administration (MBA) from Tel Aviv University (Israel) in 2003 and in 2001 he was certified as a certified public accountant (CPA). From 1999 to 2000, he worked as a consultant at Arthur Andersen LLP. In 2001, Mr. Zaltsman joined Deloitte Touché – Financial Advisory services as a senior manager. In 2007 he joined the Selling Shareholder and currently serves as CFO for the Selling Shareholder.

Eyal Horn (Chief Operating Officer): Eyal Horn was born in 1975 in Israel. He received an associate of science degree in Swiss hotel management from Schiller International University (Engelberg /Switzerland) in 1995. Mr. Horn studied international business administration at Schiller International University (Florida/Germany) and graduated with a bachelor of business administration in international business in 1999. From 2002 to 2003, Mr. Horn worked as the conference sales executive at Marcus Evans Group. From 2004 to 2006, he worked in operations and sales at Italo. In 2007, he joined the Company and currently serves as the Chief Operations Officer.

The Service Agreements with the Senior Management have been entered into for a fixed term, ending on the expiry of the day preceding the fourth anniversary of the commencement of trading of the Company's shares on the Frankfurt Stock Exchange (the "**First Day of Trading**").

Directorships Held by Members of the Senior Management

Except as set forth for Shlomo Zohar and Rabin Savion (see "*—Board of Directors*"), no member of the Senior Management has held any directorship of any company (other than companies in our Group and companies which are subsidiaries of companies of which the member of the Senior Management is or was a Senior Management member) or partnerships within the past five years.

Compensation and Shareholdings of the Senior Management of the Company's Subsidiaries

Rabin Savion, who will become a Board member upon the issuance of the New Shares, together with Shlomo Zohar, Yaron Zaltsman and Eyal Horn, are the members of Senior Management of the Company's subsidiaries. Rabin Savion and Eyal Horn are employed by the Company until June 30, 2015 under their existing service agreements. These service agreements will be terminated and replaced by new Senior Management service agreements as from the First Day of Trading, conditional upon the commencement of trading of the Company's shares on the First Day of Trading. The remuneration of Senior Management includes remuneration for the performance of responsibilities at subsidiaries of the Company, subject to any applicable law, including any board, committee or other positions in which they may serve at such subsidiary or the Company.

The new Senior Management service agreements (the "**Service Agreements**") have a fixed term ending on the expiry of the day preceding the fourth anniversary of the First Day of Trading. They may generally be terminated by either party, subject to six months' prior notice. The Service Agreements provide for a fixed salary, a short-term incentive ("**STI**") and a long-term incentive ("**LTI**"). If a Senior Management member's Service Agreement is validly terminated by the Company during the first two years of service, an additional payment shall be paid, except in the instance of a material breach of duties on the part of the Senior Management member. The additional payment may not exceed the amount of the payments that would become due and payable for the remaining term between expiry of the notice period and expiry of the first two years of the relevant Service Agreement (the "**Premature Termination Payment**"), including the base salary and the target volumes of the STI and LTI due for the respective period (see "*—Short-Term Incentive Program*" and "*—Long-Term Incentive Program*"). After the first two years of the Service Agreement period, the Senior Management member, if the Management member's Service Agreement is validly terminated by the Company for reasons other than material breach of duties, is entitled to remuneration during the notice (six months) period, including the base salary and the pro-rated STI (proportionally to the period he served during the relevant fiscal year) and LTI due for the respective period as well as any LTIs granted to him over time proportionally to the period he served but, save for one Senior Management member who is entitled to a severance equalling 6 months of his base salary, not any additional severance. A Senior Management member may terminate his Service Agreement at any time, subject to six months' prior notice. In such case, the Senior Management member is generally entitled to the base salary and the pro-rated STI (proportionally to the period he served during the relevant fiscal year) and for 80% of the LTIs granted to him over time proportionally to the period he served. In the event that one or more investors (apart from the Selling Shareholder and its affiliates) acting in concert acquire more than 50% of the Company's shares or if the Company becomes an affiliated company due to an affiliation in accordance with Section 319 et seq. of the German Stock Corporation Act (*Aktiengesetz*) ("**Change of Control**"), and the Change of Control materially affects the services or position of a member of the Management, the Senior Management members are entitled to an extraordinary termination right with a three month notice period, that must be exercised within three months following the Change of Control. In such case, the Senior Management member shall be entitled to a severance payment equaling the amount of the remuneration for six months (the "**Change-of-Control Payment**"). This payment shall include the base salary, the STI-Bonus calculated on the basis of the actual target achievement as of termination and the LTI Bonus calculated on the basis of the actual target achievement as of termination which would have been owed for the respective period. If the Senior Management member exercises this Change-of-Control termination right prior to the second anniversary of the First Day of Trading, he shall be entitled to the higher of the Premature Termination Payment and the Change-of-Control Payment.

The members of the Senior Management are bound by non-compete restrictions in their Service Agreements for a period of 6 months following termination of their Service Agreement.

The aggregate total compensation of the two members of the Senior Management who had service agreements with the Company's subsidiaries in the Fiscal Year 2014 amounted to €0.6 million, of which €0.3 million was variable compensation (Fiscal Year 2013 €0.5 million, of which €0.2 million was variable compensation). The total amount includes compensation for the performance of responsibilities at subsidiaries. Under the new Service Agreements, the aggregate total annual target compensation to be paid to the four members of Senior Management, including deferred portions paid over time, assuming that they will achieve 100% of the targets, is approximately €2.0 million per fiscal year (of which approximately €1.2 million is variable), being prorated for years in which the term of service as a Senior Management member is limited to part of the business year, for example, in 2015. The new Service Agreements make it possible for the Senior Management members to outperform the STI and LTI targets, and in such an event the Senior Management members receive an increase of up to 25% for the STI and 25% for the LTI. Such an increase could lead to a variable compensation exceeding the aggregate total maximum targeted variable compensation by an aggregate total of up to approximately €0.3 million, thus allowing for an aggregate total maximum compensation of approximately €2.3 million. The share-price development under the LTI Program may offer the Senior Management members further opportunities to increase their compensation.

In addition, Senior Management members are entitled to ancillary benefits. The Senior Management members do not receive pension benefits.

As of the date of this Prospectus, no member of Senior Management directly holds any shares in the Company or options on shares in the Company.

Short-Term Incentive Program (STI)

The Service Agreements include an STI. STI is an annual payment dependent on the achievement of certain individual targets (the "**STI-Targets**") and the relevant weighting of each STI-Target in relation to the other applicable STI-Targets. Unless determined and communicated otherwise to the Senior Management members, the STI-Targets shall be composed of (i) Group AFFO per share (weighting of 30%), (ii) Group NOI per share (weighting of 20%), (iii) net cold rent (weighting of 20%), (iv) additional measurable targets to be determined at or near the beginning of each fiscal year by the Board (weighting of 20%) and (v) the discretionary decision of the Board (weighting of 10%) which, save for targets that do not relate to budgeted figures, shall be measured against the respective budget as determined by the Board for the relevant fiscal year. The achievement rate of each individual STI-Target shall be capped at 130%. Based on the achievement of the individual STI-Targets and their weighting the compound STI-Target Achievement shall be determined by the Board. The compound STI-Target Achievement shall be capped at 125%. Each Senior Management member is measured by the Board within the first three months of the following fiscal year and at less than 70% of target performance across all targets, no STI payments are granted. Assuming 100% of all targets are achieved, the STI makes up to 23% of the aggregate total compensation.

Long-Term Incentive Program (LTI)

The Service Agreements also include an LTI, payable for the first time after four years, measured against the two LTI targets at the end of each four-year period. The two LTI targets, each weighted 50%, are (i) the development of the NAV per share as targeted by the Board and (ii) the development of the Company's share price in relation to the EPRA GERMANY index, both measured over the LTI-period. Senior Management members have a maximum LTI volume each can receive per year. After each four-year period, the Board is empowered to measure and determine the LTI payment based on the performance of each LTI target. Each target can be outperformed by 200% but LTI payments are capped at a compound target achievement of 125% at less than 50% of target performance across both targets, no LTI payments are granted. When the LTI is settled, the amount of the shares to be paid to the Director shall be equal to the achieved volume of the LTI divided by the "Company Share Value". For the purpose of this calculation, the Company Share Value corresponds with the average closing price (*Schlusskurs*) of the Shares in the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the sub-segment thereof with additional post-admission obligations (Prime Standard) (or a comparable successor) over the last 90 Trading Days prior to the beginning of the relevant LTI-Period. "Trading Day" means a day other than a Saturday or Sunday or public holiday on which the Frankfurt Stock Exchange is open for trading. Regarding the LTI-Period commencing in the year of the IPO, the Company Share Value shall be the average closing price (*Schlusskurs*) of the Shares in the Company on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the sub-segment thereof with additional post-admission obligations (Prime Standard) (or a comparable successor) over the first 30 Trading Days post the first actual listing of the shares. The LTI without recognition of any development in the fair market value of shares, if granted, assuming 100% of all targets are achieved, makes up to 36% of the aggregate total compensation.

Certain Information on the Board Members, Audit Committee, Nomination and Compensation Committee, Investment Committee and Senior Management of the Company's Subsidiaries

While Rabin Savion was serving as a managing director of Postfuhramt Oranienburgerstrasse GmbH, it underwent an administrative insolvency procedure from 2010 until 2014. Other than this insolvency proceeding, no member of the Board or Senior Management has, within the past five years, been convicted of any fraudulent offenses, publicly incriminated and/or sanctioned by statutory or regulatory authorities (including professional associations) or, acting in the capacity of a member of the administrative, management or supervisory entity or as a founder of an issuer, been associated with any bankruptcies and/ or insolvencies, receiverships or liquidations. No member of the Board or Senior Management has, within the past five years, been deemed by a court to be unfit for membership in an administrative, management or supervisory entity of a company or to be unfit to exercise management duties or to manage the business of an issuer.

None of the Board members or Senior Management are related to one another by blood or marriage.

The Company has not granted any Board members any loans, nor has it assumed any guarantees or sureties on their behalf. The Board members have not been and are not now involved in any business outside the scope of the Company's corporate purpose as defined in its Articles of Association or in any other transactions of the Company considered unusual with respect to their form or substance.

Conflicts Of Interest

In most cases, no Board member shall, solely as a result of being a Board member, be prevented from contracting with the Company, either with regard to his tenure of any office or business or as vendor, purchaser or in any other manner whatsoever, nor shall any contract or other transaction between the Company and any other corporation or entity or in which any Board member is in any way interested be affected or invalidated by the fact that any one or more of the Board members or officers of the Company is or are interested in such contract or transaction or is or are a Board member, officer or employee of such other corporation or entity. Any Board member or officer of the Company, officer or employee of any corporation or entity with which the Company shall contract or otherwise engage in business shall not solely by reason of such affiliation with such other corporation or entity be prevented from considering and voting or acting upon any matters with respect to such contract or other business.

No Board member who is so interested shall be liable to account to the Company or the shareholders for any remuneration, profit or other benefit realized by him by reason of the Board member holding that office or of the fiduciary relationship thereby established.

In the event that any Board member of the Company shall have any conflicting interest ("*intérêt opposé à celui de la société*") within the meaning of Article 60bis-18 of the 1915 Companies Act in any transaction involving the Company, such Board member shall make known to the Board such conflicting interest and shall not consider or vote on such transaction, and such transaction and such member's interest therein shall be recorded and reported to the next succeeding general meeting of the shareholders. These provisions do not apply if the decisions to be taken by the Board concern routine business operations that are to be concluded under arm's length conditions.

Two Board members are independent. Ofer Kotler has a potential conflict of interest insofar as he serves as CEO of Shikun & Binui and also serves on the board of directors of the Selling Shareholder. Additionally, Ofer Kotler holds 15,678 shares in the Selling Shareholder, which will remain the largest shareholder after the Offering. Moshe Lahmani has a potential conflict of interest insofar as he serves as chairman of the board of Shikun & Binui and also serves on the board of directors of the Selling Shareholder. Amit Segev has a potential conflict of interest insofar as he serves as deputy CEO and as a board member of subsidiaries of Shikun & Binui and also serves on the board of directors of the Selling Shareholder. Shlomo Zohar, has a potential conflict of interest insofar as he serves as CEO of the Selling Shareholder and holds 293,848 shares and 420,000 options in the Selling Shareholder. Additionally, Yaron Zaltsman holds 111,048 shares and 183,573 options in the Selling Shareholder, Eyal Horn holds 5,676 shares and 122,844 options in the Selling Shareholder and Rabin Savion holds 3,699 shares and 184,035 options in the Selling Shareholder. None of the other Board members have any conflicts of interest between their duties to the Company and their private interests or other duties.

General Meeting of the Shareholders

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 in, 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.

Convening of General Meetings of the Shareholders (Other than the Annual General Meeting) and Location

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

If the entire issued share capital of the Company is represented at a general meeting of the shareholders, no convening notice is required for the meeting to be held and the proceedings at such general meeting of the shareholders will be deemed valid.

The record date for general meetings of the shareholders is the 14th day at midnight (24:00 hours) (Luxembourg time) before the date of the general meeting of the shareholders (the "**Record Date**"). The holders of dematerialized shares are entitled to attend the general meetings and exercise their rights only if they hold the dematerialized shares at the latest at the Record Date. Shareholders must notify the Company of their intention to participate in the general meeting of the shareholders in writing by post or electronic means no later than the day, which may not be earlier than the Record Date, indicated in the convening notice.

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 by the request in writing of the relevant shareholders submitted to the Company by postal services or electronic means. The request must be accompanied by a justification or a draft resolution to be adopted in the general meeting of the shareholders and shall include the electronic or mailing address at which the Company can acknowledge receipt of the request. Any such request from shareholders must be received by the Company not later than on the 22nd day prior to the date of the general meeting of the shareholders.

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

Chairman, Quorum and Majority

General meetings of the shareholders are chaired by the Chairman of the Board or by the Executive Vice-Chairman. In the absence of the Chairman of the Board and the Executive Vice-Chairman, the general meeting of the shareholders is presided over by the most senior member of the Board present. At any general meeting of the shareholders, other than an extraordinary general meeting of the shareholders convened for the purpose of amending the Company's Articles of Association or voting on resolutions whose adoption is subject to the quorum and majority requirements for amendment of the Articles of Association, no quorum is required and resolutions shall be adopted, irrespective of the number of shares represented, by a simple majority of votes cast.

At any extraordinary general meeting of the shareholders for the purpose of amending the Company's Articles of Association or voting on resolutions whose adoption is subject to the quorum and majority requirements for amendment of the Articles of Association, the quorum must be at least on half of all the shares issued and outstanding. If quorum is reached, a second general meeting of the shareholders may be convened at which there is no quorum requirement. In order for the proposed resolutions to be adopted at a general meeting of the shareholders, and save as otherwise provided by law, a two-thirds majority of the votes of the shareholders present or represented and voting is required at any such general meeting of the shareholders.

In the event that all the shareholders are present or represented at a general meeting of the shareholders and declare that they have been informed of the agenda of the general meeting of the shareholders, the general meeting of the shareholders may be held without prior notice of meeting.

Annual General Meeting of the Shareholders

The annual general meeting of the shareholders shall be held in accordance with Luxembourg law at the Company's registered office or at any other place in the Grand Duchy of Luxembourg indicated in the convening notice on the third Thursday in March of each year at 2pm CEST (the "**Annual General Meeting**"). If that day is a legal holiday in Luxembourg, the Annual General Meeting shall be held on the next following business day.

Following the approval of the annual accounts and consolidated accounts, the general meeting of the shareholders shall decide by special vote on the discharge of the liability of the Board members.

Corporate Governance

As a Luxembourg company listed solely on the Frankfurt Stock Exchange, the Company is not subject to any specific mandatory corporate governance rules. Nevertheless, the Company makes efforts to comply, to the extent possible, with the German corporate governance rules as set forth in the German Corporate Governance Code of June 24, 2014.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the subsidiaries included in the consolidated financial statements, the Group maintains relationships with related parties. Parties are related if one party has the ability to affect the financial and operating policies of the other party (definition in accordance with IAS 24). Under the revised accounting standard IAS 24 for related party disclosures, related parties include key management personnel, that is, persons having authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the relevant entity, including any executive or non-executive director, and close members of the key management personnel's families.

Related parties with which the Group maintains business relationships comprise the Selling Shareholder and Stenham.

Selling Shareholder and Harel

The Selling Shareholder of the Company, holding 100% of all issued and paid share capital of the Company as of the reporting date, is incorporated in Israel. The ultimate controlling party of Selling Shareholder is Shikun & Binui.

The transactions between us and the Selling Shareholder are set forth in the following table:

	For the three month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Statement of financial position					
Current liabilities					
Selling Shareholder	152	459	—	78	223
Non-Current liabilities					
Loans due to related parties—Selling Shareholder (1)(2)	27,443	18,144	24,202	23,538	12,557
Capital note due to related parties—Selling Shareholder(2)(3)	260,102	102,639	162,117	91,091	40,387
Amounts due to related parties—Harel(4)	18,585	—	18,314	—	—

(1) Prior to the closing of the Offering, all the amounts owed to the Selling Shareholder will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering.

(2) The difference between the fair value of the capital note and the loan carrying amount was recorded in equity as a capital contribution from shareholders, net of tax.

(3) The capital notes were issued by, ADO Finance B.V., a subsidiary of the Company, to the Selling Shareholder. Prior to the closing of the Offering, all the amounts owed to the Selling Shareholder will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering.

(4) Harel is a shareholder of the Selling Shareholder.

During the Fiscal Year 2014, the Selling Shareholder and Harel granted loans to the Group in total amount of €45.6 million (each according to its relative share in the transaction). The loans were recorded in the statement of financial position against advances in respect of trading properties and advances in respect of investment properties. The loans from the Selling Shareholder and Harel bear an annual interest rate of 6% and are presented under amounts due to related parties. The loans from the Selling Shareholder and the capital notes, which were issued by the Company's subsidiary, ADO Finance B.V., to the Selling Shareholder, will be converted into Shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering.

In January 2015, the Group, together with Harel (14% shareholder of the Selling Shareholder) completed the acquisition of several German entities which hold 43 residential buildings located in Berlin for a total amount of €130 million. The German entities were acquired through two of the Company's subsidiaries in which the Company holds a 60% interest and Harel holds a 40% interest. The portfolio includes 1,303 residential units and 48 commercial units in central Berlin with a total lettable area of approximately 88,000 sqm. Four buildings were converted into condominiums and the Group plans to convert additional two buildings into condominiums and sell the units. The condominium conversion is expected to be completed during 2015.

The advances paid by the Company's subsidiaries in the amount of €32 million until December 31, 2014 to acquire the German entities holding the condominium buildings are presented as advances in respect of trading properties. The advances paid in the amount of €98 million until December 31, 2014 to acquire the German entities holding the other residential buildings are presented as advances in respect of investment properties.

In order to finance the purchase of the portfolio, the Group received during the reporting period two non-recourse loans from a local bank in Germany in the total amount of €86.5 million. One bank loan for financing the purchase of the condominium buildings in the amount of €22 million was received for 4 years and bears an interest rate of 3 months Euribor + 1.26%. The cash that will be generated from the sale of the condominium units will be used for the repayment of the €22 million loan. The normal operating cycle for sales of housing units is estimated to be 3 years, therefore the Group presented this loan as current liability. A bank loan for financing the investment properties in the amount of €64.5 million was given for 7 years and bears a fix interest rate of 1.76%.

The Company and its jointly controlled entities have had the following trading transactions with the Selling Shareholder and Harel:

	For the three month period ended March 31,		For the year ended December 31,		
	2015	2014	2014	2013	2012
	(unaudited) (in € thousand)		(audited) (in € thousand)		
Statement profit and loss and other comprehensive income Costs and expenses					
Services from the Selling Shareholder	59	15	234	138	90
Interest loans from the Selling Shareholder	371	259	1,128	1,137	552
Interest on the capital note to the Selling Shareholder	1,853	1,132	5,353	2,444	1,673
Interest on loans from Harel	271	—	85	—	—

The Selling Shareholder is charging the Company and one of its subsidiaries €20,000 per month for consulting, accounting, bookkeeping and company secretary services. This arrangement will be terminated prior to the closing of the Offering. As of the date of this Prospectus, 52.4% of the Shares—in the amount equal to 150% of its bond issuance in the amount of approximately €165 million and for which the Selling Shareholder has the right of early repayment—are pledged to the Selling Shareholder's bond holders as part of the guarantees the Selling Shareholder gave to its bond holders. The bond holders have given their consent to release from the pledge the Shares held by the Selling Shareholder that will be sold in the Offering.

Others

Stenham Berlin Residential Fund Limited

On October 29, 2013 (the "**Completion Date**"), the Company and the Selling Shareholder completed a transaction with the funds of Stenham and with CR Property Holdings N.V., a private corporation held by Stenham, pursuant to which the Company purchased from Stenham approximately 94.5% of the shares in each of the four Dutch private companies held by Stenham. The four Dutch companies own rights to 48 income-producing properties in Berlin, Germany, including approximately 1,013 residential units and 124 commercial units located on the ground floors of these assets. The fair value of the properties at the Completion Date was estimated to be €98,000 thousand. In addition, the Selling Shareholder purchased from Stenham 100% of the shareholder loans provided by Stenham to the property companies with a balance at the completion date of approximately €43 million.

For the acquisition of property and these loans mentioned above, the Selling Shareholder and the Company paid a total consideration of approximately €8,000 thousand in cash and the remainder through an issuance of 427,366 million ordinary shares of the Selling Shareholder. Upon completion, Stenham held approximately 17% of the issued and paid-up capital of the Selling Shareholder.

The agreements between the parties included the completion of a refinance agreement with a local bank in Germany in the amount of €62,200 thousand. Due to the intention of the Company to sell several acquired assets in 2014 and in order to avoid penalty costs the parties conditioned the loan, agreeing that approximately €5,000 thousand from the loan has a term of one year and bears an interest rate of the 3 months Euribor plus 2% and that the rest of the loan, in the amount of approximately €57,200 thousand has a term of 5 years with a fix interest rate of 3.16%. The loans are all non-recourse. The financial covenants include a Debt Service Cash Ratio (DSCR) which must be at least 125% and a LTV-Ratio which must not exceed 66% until September 30, 2015 and 63% after October 1, 2015. As at March 31, 2015, the entity is fully compliant with these covenants.

Pursuant to the agreement, the Company received an option to acquire the remaining holdings (5.5%) in the Dutch companies. The option value was calculated as insignificant as at the date of acquisition.

The purchase of Stenham was treated as a purchase of a group of assets and liabilities and not as a business combination based on IFRS 3. Thus the purchase price was allocated to the assets and liabilities based on their fair values at the purchase date without recognition of any goodwill as follows:

	October 29, 2013
	In € thousand (unaudited)
Cash and cash equivalents	1,432
Restricted bank deposit	2,716
Trade and other receivables	515
Assets held for sale[(1)(2)]	7,395
Investment property[(1)]	92,185
Trade and other liabilities	(1,734)
Interest bearing loans from banks	(61,539)
Shareholder loans	(39,807)
Total consideration	1,163
Paid consideration	1,163
Cash acquired	(1,432)
Net cash flow from the acquisition	(269)

(1) The total fair value of the investment property including assets held for sale as the transaction date was determined based on valuation reports totaling €98,417 thousand reflecting a rent yield of 6%. A loss of approximately €1,163 thousand was recognized with respect to these assets subsequent to the acquisition.

(2) As part of the Stenham deal, the Selling Shareholder acquired seven residential buildings which the Company intends to sell. Since these buildings were acquired exclusively with a view to their subsequent disposal they were classified as held for sale since they meet the "held-for-sale" criteria in accordance with IFRS 5.

Under the revised accounting standard IAS 24 for related party disclosures, related parties also include key management personnel, that is, persons having authority and responsibility for planning, directing and controlling, directly or indirectly, the activities of the relevant entity, including any executive or non-executive director, and close members of the key management personnel's families. With respect to the Company, these parties include:

- the Board, and
- the managing directors of Swallowbird Trading & Investments Limited (i.e. the Company, prior to changes in its legal form and name) (for more information on the Company's corporate history see "*General Information on the Company and the Group*").

No remuneration was paid to such related parties in the Fiscal Year 2014, the Fiscal Year 2013 or the Fiscal Year 2012.

In compliance with all applicable laws, the Company's business dealings with the Selling Shareholder are conducted on a strict arms' length basis.

Apart from the relationships stated above, we did not have any other significant business relationships with related parties. All transactions with related parties are executed at arm's length on the basis of international methods of price comparison in accordance with IAS 24.

General

On June 17, 2015, the Company, the Selling Shareholder and the Underwriters entered into the Underwriting Agreement relating to the offer and sale of the Offer Shares in connection with the Offering.

The Offering consists of up to 23,100,000 Offer Shares (including the Greenshoe Option) without a nominal value which entitle their holders to participate in all dividends declared by the Company after their issuance, comprising up to 10,000,000 New Shares from the capital increase, up to 11,000,000 Existing Shares and up to an additional 2,1000,000 Over-Allotment Shares made available to UBS as stabilization manager on behalf of the Underwriters by way of a share loan to cover potential Over-Allotments. Using these maximum figures, 43.3% of the Offer Shares are New Shares and 56.7% of the Offer Shares are Existing Shares.

The Offering consists of an offer to the public of the Offer Shares in Germany and private placements of the Offer Shares in certain jurisdictions outside Germany. The offer period will begin on June 18, 2015 and will end on June 29, 2015. In the United States, the Offer Shares will be offered for sale by the Underwriters to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Outside the United States, the Offer Shares will be offered and sold to professional and institutional investors in reliance on Regulation S under the Securities Act. Any offer and sale of the Offer Shares in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Securities Exchange Act of 1934.

The offer price for each Offer Share is expected to be determined jointly by the Selling Shareholder, the Company and the Joint Global Coordinators on or about June 29, 2015 on the basis of an order book prepared during the bookbuilding process.

Under the terms of the Underwriting Agreement and subject to certain conditions, in particular the execution of the pricing agreement and the delivery of certain officer certificates, legal opinions and comfort letters, each Underwriter will be obliged to place the number of Offer Shares set forth below opposite the Underwriter's name:

Underwriters	Number of Offer Shares to be acquired(1)	Percentage of Underwritten Offer Shares
Kempen & Co N.V., Beethovenstraat 300, 1077 WZ Amsterdam The Netherlands	9,240,000	40%
UBS Limited, 1 Finsbury Avenue, London, EC2M 2PP United Kingdom	9,240,000	40%
Barclays Bank PLC 5 The North Colonnade, Canary Wharf, London E14 4BB United Kingdom	2,310,000	10%
COMMERZBANK Aktiengesellschaft, Kaiserstraße 16 (Kaiserplatz), 60311 Frankfurt am Main Germany	2,310,000	10%
Total	**23,100,000**	**100%**

(1) Assuming exercise of Greenshoe Option and issuance of all New Shares in full.

In case of any change in the name or address of any Underwriter, information on such change shall be found on the website of the relevant Underwriter.

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Offer Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Offer Shares or related investments and may offer or sell such Offer Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to Offer Shares being offered or placed should be read as including any offer or placement of Offer Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps with investors) in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Offer Shares.

Underwriting Agreement

In the Underwriting Agreement, dated June 17, 2015, the Underwriters agreed to underwrite or purchase the Offer Shares, on a best efforts basis as at the date of this Prospectus, with a view to offer them to investors in the Offering. The Underwriters agreed to remit to the Company the offer price of the New Shares (less agreed commissions and expenses), at the time the shares are delivered, which is expected to be two bank working days after admission to trading. The Underwriters further agreed to purchase 11,000,000 Existing Shares (as well as up to 2,100,000 additional shares with regard to a possible Over-Allotment) from the Selling Shareholder and to sell such shares as part of the Offering. The Underwriters agreed to remit the purchase price of the Existing Shares (less agreed commissions) to the Selling Shareholder at the time the shares are delivered.

The obligations of the Underwriters are subject to various conditions, including, among other things, (i) the absence of a material event, e.g. a adverse change in or affecting the business, prospects, management, consolidated financial position, shareholders' equity, or results of operations of the Group, or a not only temporary suspension or material limitation in trading in securities generally on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*), the London Stock Exchange or the New York Stock Exchange, (ii) receipt of customary certificates, legal opinions, auditor letters, and (iii) the introduction of the Shares to trading on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Underwriters have provided and may in the future provide services to the Company and the Selling Shareholder in the ordinary course of business and may extend credit to and have regular business dealings with the Company and the Selling Shareholder in their capacity as financial institutions. (For a more detailed description of the interests of the Underwriters in the Offering, see "*The Offering—Interests of Parties Participating in the Offering*").

Commission

The Underwriters will offer the Offer Shares at the offer price. The Company (for the shares offered from the capital increase) and the Selling Shareholder (for the shares offered from its own holdings other than with a potential Over-Allotment) will pay the Underwriters a base commission of 1.75% of their respective gross proceeds from the Offering. In addition to this base commission, the Company and the Selling Shareholder will pay the Underwriters an additional discretionary fee of up to 1.25% of their respective gross proceeds from the Offering excluding a potential Over-Allotment, payable entirely at the sole discretion of the Company and the Selling Shareholder. The decision to pay any performance fee and its amount are within the sole discretion of the Company and the Selling Shareholder, and such distribution is to be made within 35 days after the last day of trading of the Shares on the Frankfurt Stock Exchange. The Company and the Selling Shareholder will also agree to reimburse the Underwriters for certain expenses incurred by them in connection with the offer. In addition, the Selling Shareholder will pay the Underwriters a selling concession of 1.75% of the offer price for each Over-Allotment Share that is purchased at the price for the Offer Shares. This selling concession will become payable upon payment of the offer price of the respective Over-Allotment Shares to the Selling Shareholder.

Greenshoe Option and Securities Loan

To cover a potential Over-Allotment, the Selling Shareholder will make available up to 2,100,000 additional shares to the Underwriters free of charge through a share loan. In addition, the Selling Shareholder will grant the Underwriters the Greenshoe Option of acquiring up to 2,100,000 shares at the offer price less agreed commissions. This Greenshoe Option will terminate 30 calendar days after the closing date.

Termination/Indemnification

The Underwriting Agreement will provide that the Underwriters may, under certain circumstances, terminate the Underwriting Agreement, and thereby revoke or suspend the Offering (including after dealing has begun), including after the Shares have been allotted and listed, up to delivery and settlement. Grounds for termination include, in particular, if:

- there has been any adverse change, or any development involving a prospective adverse change, in or affecting the business, prospects, management, consolidated financial position, shareholders' equity or results of operations of the Group;
- the Company or the Group has incurred any liability or obligation, direct or contingent, or entered into any material transaction not in the ordinary course of business, other than in each case as set forth or contemplated in the Prospectus, the effect of which, in any such case, is in the reasonable judgment of the Underwriters so material and adverse as to make it impractical or inadvisable to proceed with the offer or the delivery of the Offer Shares on the terms and in the manner contemplated in the Prospectus;
- a suspension or material limitation in trading on the Frankfurt, London, or New York stock exchange (other than for technical reasons) develops;
- a general moratorium is imposed on banking activities in Frankfurt am Main, London, or New York by the responsible authorities;
- a material, not only temporary, disruption takes place in commercial banking or securities settlement or clearance services in Germany, the United Kingdom, or the United States;

- a change or development occurs involving a prospective change in Luxembourg or German taxation affecting the Company, the Shares or the transfer thereof or the imposition of exchange controls by Luxembourg or Germany, the United Kingdom or the United States; or

- an outbreak or escalation of hostilities or war, or the occurrence of acts of terrorism or any other calamity or crisis has a material adverse impact on the financial markets in Germany, the United Kingdom, or the United States.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery. Claims with respect to subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

The Company and the Selling Shareholder will agree in the Underwriting Agreement to indemnify the Underwriters against certain liabilities that may arise in connection with the Offering, including liabilities under applicable securities laws.

Selling Restrictions

The distribution of this Prospectus and the sale of the Offer Shares may be restricted by law in certain jurisdictions. No action has been or will be taken by the Company, the Selling Shareholder or the Underwriters to permit an offer to the public of the Offer Shares anywhere other than Germany or the possession or distribution of this document in any other jurisdiction, where action for that purpose may be required.

The Offer Shares are not and will not be registered pursuant to the provisions of the Securities Act or with the securities regulators of the individual states of the United States. The Offer Shares may not be offered, sold, or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from the registration and reporting requirements of the U.S. securities laws and in compliance with all other applicable U.S. legal regulations. In the Underwriting Agreement, the Underwriters will represent and warrant that they have not offered or sold and will refrain from offering or selling the Offer Shares in or into the United States except to persons they reasonably believe to be qualified institutional buyers within the meaning of Rule 144A under the Securities Act, and outside the United States except in accordance with Rule 903 of Regulation S under the Securities Act and in compliance with other U.S. legal regulations, and that neither they nor any third party acting on their behalf, have undertaken or will undertake, (i) "direct selling efforts" as defined in Regulation S under the Securities Act or (ii) "general advertising" or "general solicitation", each as defined in Regulation D under the Securities Act in relation to the Offer Shares.

The Company does not intend to register either the Offering or any portion of the Offering in the United States or to conduct an offer to the public of shares in the United States. This Prospectus has been approved solely by the CSSF.

Accordingly, neither this document nor any advertisement or any other offer material may be distributed or published in any jurisdiction other than Germany except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required to inform themselves about and observe any such restrictions, including those set out in the preceding paragraphs. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Sales in the United Kingdom are also subject to restrictions. Each of the Underwriters will represent and warrant to the Company and the Selling Shareholder that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the sale of any Offer Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from, or otherwise involving the United Kingdom.

The Underwriters will further represent and warrant in the Underwriting Agreement that they have not and will not publicly offer the Offer Shares in any of the member states of the European Economic Area that have implemented Directive 2003/71/EC as amended (the "**Prospectus Directive**") from the date of the implementation of the Prospectus Directive, unless (i) a Prospectus for the Offer Shares has been previously published that has been approved by the competent authority in such member state or has been approved in another member state of the European Economic Area that has implemented the Prospectus Directive, and the competent authority in the member state in which the offer takes place has been informed thereof in compliance with the Prospectus Directive; (ii) the offer is exclusively intended for so-called qualified investors within the meaning of the Prospectus Directive; or (iii) the offer takes place under other circumstances in which the publication of a Prospectus by the Company is not required under Article 3 of the Prospectus Directive, to the extent that this exemption has been implemented in the respective member state.

TAXATION IN GERMANY

The following sections describe a number of key German taxation principles that may be relevant to purchasing, holding or transferring the Offer Shares. The information provided does not constitute a comprehensive or definitive explanation of all possible aspects of taxation in this area. This summary is based on applicable German tax law as of the date hereof, including the double taxation treaties that Germany has concluded with other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Persons interested in purchasing Offer Shares should seek advice from their own tax counsel regarding the tax implications of purchasing, holding, disposing, donating and bequeathing Offer Shares, and the regulations on reclaiming previously withheld withholding tax (*Kapitalertragsteuer*). Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

Shareholders of the Company are subject to taxation in connection with the holding of Offer Shares (see "—*Taxation of Dividends*" below), the disposal of Offer Shares (see "—*Taxation of Capital Gains*" below) and the gratuitous transfer of Offer Shares (see "—*Inheritance and Gift Tax*" below).

Taxation of Dividends

In the case of dividends paid by a non-German corporation, German withholding tax is generally withheld regardless of whether and to what extent the dividend is exempt from tax at the level of a German tax resident shareholder if the shares are kept in custody with a German Disbursing Agent (as defined herein). However, no German withholding tax should be imposed on such dividends that are paid to German tax resident corporations, non-German shareholders or, subject to certain prerequisites, if the dividends are business income of a domestic business. The withholding tax amounts to 25% on the amount of the distribution. A solidarity surcharge of 5.5% is also levied on the withholding tax amount, resulting in a total withholding of 26.375% (plus church tax, if any). If shares — as it is the case with the Offer Shares — are held in collective safe custody (*Sammelverwahrung*) with a central securities depository (*Wertpapiersammelbank*) pursuant to § 5 German Act on Securities Accounts (*Depotgesetz*) and are entrusted to such central securities depository for collective safe custody in Germany, which is tax resident in Germany, the withholding tax is withheld and discharged for the account of the German tax resident shareholders by the domestic branch of the domestic or foreign credit or financial services institution (*inländisches Kredit- oder Finanzdienstleistungsinstitut*), by the domestic securities trading company (*inländisches Wertpapierhandelsunternehmen*) or the domestic securities trading bank (*inländische Wertpapierhandelsbank*) which keeps and administers the shares and disburses or credits the dividends (hereinafter referred to jointly or separately as "**German Disbursing Agent**"). The Company assumes no responsibility for the withholding of German taxes at the source.

If and to the extent funds from the tax contribution account (*steuerliches Einlagekonto*) are declared to be used for the distribution, the dividend payment is generally not taxable and, therefore, not subject to withholding tax, however provided that the Company applies for a special assessment procedure with the German tax authorities and subject to further prerequisites. Such dividends from the tax contribution account accordingly reduce the acquisition costs of the Shares, which may result in a greater amount of taxable capital gain upon the respective shareholder's sale of the Shares. To the extent that dividends from the tax contribution account exceed the acquisition costs of the Shares, a capital gain is recognized by the shareholder, which may be subject to tax in accordance with the provisions outlined below.

Shareholders Tax Resident in Germany

Shares Held as Private Assets

In principle, the tax liability applicable to dividend payments to individual shareholders who are German tax residents and who hold shares as part of their private assets is generally satisfied by withholding a flat tax (*Abgeltungsteuer*) of 25% plus a solidarity surcharge of 5.5% thereon, resulting in a total tax rate of 26.375% (plus church tax, if any) as described above (see "—*Taxation of Dividends*"). Income-related expenses incurred in connection with private investment income are not tax deductible. The only deduction that may be made is an annual lump sum deduction amount of €801 (€1,602 for jointly assessed married couples and registered partners) on all private capital income (*Einkünfte aus Kapitalvermögen*). Shareholders may apply for the whole amount of their capital income, including dividends, to be taxed at the income tax rate based on their personal circumstances instead of the flat-rate withholding tax if this results in a lower tax liability. In such cases, it is also impossible to deduct any income-related expenses other than the lump sum deduction amount. However, the restriction of the deductibility of income related expenses in these cases is subject to a pending court case at the federal fiscal court. Furthermore, dividend income can generally only be offset by losses from investment income, except for losses generated by the disposal of shares. Shareholders may be liable for church tax, which is generally deducted by way of withholding by the German Disbursing Agent for dividends received after December 31, 2014, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

Individual shareholders who privately hold, directly or indirectly, an interest of at least 25% in the Company, and shareholders who privately hold, directly or indirectly, at least 1% in the Company and work for the Company, may in principle request an exemption from the flat-rate withholding tax. In this case, 60% of the dividends paid to the shareholder are subject to income tax according to the applicable rate plus solidarity surcharge thereon. Expenses incurred in connection with dividend income are then generally 60% tax-deductible. The levied withholding tax is offset against the income tax and any excess withholding tax is refunded. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shares Held as Business Assets of Corporations

In principle, dividends paid to corporations that are German tax residents are generally subject to corporate tax (and solidarity surcharge thereon) at a rate of 15.825%. However, dividends received are effectively 95% exempt from corporate tax (and solidarity surcharge thereon), if the corporation holds a direct participation of at least 10% in the share capital of the Company at the beginning of the calendar year in which the dividends are paid. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Participations in the share capital of the Company which a corporate shareholder holds through a partnership, including co-entrepreneurships (*Mitunternehmerschaften*), are attributable to such corporate shareholder only on a pro rata basis at the ratio of the interest share of the corporate shareholder in the assets of relevant partnership. However, 5% of the tax-exempt dividends are treated as non-deductible business expenses and are subject to tax. Business expenses actually incurred in connection with dividend income from a tax perspective are generally tax-deductible. For trade tax purposes, dividends are only exempt as described above if the entity that is receiving the dividends held a stake of at least 10% in the share capital of the Company at the beginning of the assessment period. Otherwise, the dividends will be fully subject to trade tax. No withholding tax should be imposed on dividends to corporations that are German tax residents by the German Disbursing Agent, subject to certain prerequisites. The same applies to the solidarity surcharge, which is levied in addition to the corporate income tax. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shares Held as Business Assets of Sole Proprietors

In principle, only 60% of the dividends paid to individuals who are German tax residents and who hold shares as part of their business assets are subject to income tax according to the applicable rate. A solidarity surcharge of 5.5% of this amount also applies as well as church tax, if any. Subject to certain prerequisites, no withholding tax should be imposed on to sole proprietors that are German tax residents by the German Disbursing Agent. To the extent withholding tax is levied, such withholding tax is offset against the personal income tax due and any excess amount is refunded. The same applies to the solidarity surcharge and church tax, if any. Business expenses incurred in connection with dividend income from a tax perspective are generally only 60% tax-deductible. The dividends are also subject to trade tax, which is fully or partly credited towards the individual's income tax by a lump-sum method. The dividends are exempt from trade tax, provided that the shareholder held at least 10% of the Company's share capital at the beginning of the relevant assessment period. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shares Held as Business Assets of a Commercial Partnership

Income tax or corporate income tax (in each case including solidarity surcharge and church tax, if any) is not levied at the level of the partnership (*Mitunternehmerschaft*) but rather at the level of the respective partner. The level of taxation for each partner depends on whether the partner is a corporation or an individual. If the partner is a corporation, the dividends contained in its profit share are taxed in accordance with the principles applicable to corporations (see "*—Shares Held as Business Assets of Corporations*" above). If the partner is an individual and the shares are held as business assets of the partnership, dividends contained in their profit share are taxed in accordance with the principles applicable to sole proprietors (see "*—Shares Held as Business Assets of Sole Proprietors*" above). Subject to certain conditions, an individual partner may request that its personal income tax may be lowered for earnings not withdrawn from the partnership.

If the partnership is liable for trade tax, it is levied at the level of the partnership. If an individual holds an interest in the partnership, the proportionate trade tax may be credited fully or partly towards the individual's income tax by means of a lump-sum method. The dividends are exempt from trade tax, provided that the partnership held at least 10% of the Company's share capital at the beginning of the relevant assessment period. Dividend payments that are made using funds from the tax contribution account (*steuerliches Einlagekonto*) are generally, subject to certain prerequisites, not taxable.

Shares Held as Part of the Assets of Certain Companies in the Financial and Insurance Sector

The tax exemption applicable to dividends does not apply to dividends paid to certain companies in the financial and insurance sector.

Dividends from shares that are part of the trading books of banks and financial services institutions in the meaning of the German Banking Act (*Kreditwesengesetz*), as well as dividends from shares that are acquired by certain financial enterprises with the aim of generating a short-term proprietary trading profit, are fully liable for corporate income tax (plus solidarity surcharge). If the stake held at the beginning of the relevant assessment period is 10% or higher, subject to certain conditions, the dividends can be fully exempted from trade tax. Dividends from shares that are classified as investments in the case of life insurers, health insurers and pension funds are fully subject to corporate income tax and trade tax.

Shareholders Tax Resident Outside Germany

Dividends paid to shareholders who are not German tax residents (individuals and corporations) should, absent a German limited tax liability, in principle not be subject to German taxation. However, if the Offer Shares are held as part of business assets in Germany (that is, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed), the provisions outlined above with respect to the taxation of shareholders that are German tax residents holding the Shares as business assets principally apply accordingly. No withholding tax should be imposed on to corporations that are German tax residents by a German Disbursing Agent. If the imposition of withholding tax was not refrained from by a German Disbursing Agent, the withholding tax amounts should be credited towards the shareholder's income tax or corporate income tax liability or refunded in the amount of any excess paid.

Taxation of Capital Gains

Shareholders Tax Resident in Germany

Shares Held as Private Assets

Capital gains are classified as income from capital investments and are subject to income tax (plus solidarity surcharge and church tax, if any) irrespective of how long the shares have been held.

If the shares are held in custody or administered by a German Disbursing Agent, the tax on the capital gains will in general be discharged for the account of the seller by the German Disbursing Agent imposing the withholding tax on investment income at the rate of 25% (plus 5.5% solidarity surcharge, resulting in a total withholding of 26.375%, and church tax, if any). The taxable capital gain is calculated by deducting the acquisition costs of the Offer Shares and the expenses directly related to the disposal from the proceeds of the disposal.

A shareholder's income tax and solidarity surcharge liability is generally satisfied through the withholding of the withholding tax. Shareholders may, however, request that a tax assessment be carried out on their income from capital investments if this results in a lower tax liability. Investment income may be reduced only by a lump sum deduction amount of €801 (€1,602 for jointly assessed married couples and registered partners); it is not possible to further deduct income-related expenses actually incurred except for expenses incurred directly in connection with the disposal for the purposes of calculating a capital gain or loss from the disposal of shares. Capital gains generated by the disposal of shares can be offset against any type of losses from capital investment income while capital losses incurred from the disposal of shares can only be offset against capital gains from the disposal of shares. Shareholders may be liable for church tax, which is generally deducted by way of withholding by the German Disbursing Agent for capital gains received after December 31, 2014, unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the Federal Central Tax Office. Where church tax is not levied by way of withholding, it is determined by means of an income tax assessment.

If the shareholder making the disposal — or, in the event of a sale of shares acquired without consideration, its legal predecessor — held a direct or indirect stake of at least 1% in the Company's share capital at any time in the five years preceding the disposal, any capital gains realized are deemed to be trading income such that any withholding tax levied on the capital gains does not satisfy the tax liability. The capital gains are 60% taxable at the individual income tax rate of the shareholder (plus 5.5% solidarity surcharge thereon, and church tax, if any), and, correspondingly, 60% of any capital loss is recognized for income tax purposes. The withholding tax and solidarity and church tax, if any, surcharge withheld are credited towards the shareholders' tax liability or refunded in the amount of any excess paid on their tax assessment.

Shares Held as Business Assets of Corporations

Gains from the disposal of shares held by incorporated entities that are German tax residents are generally not subject to withholding tax and are in principle exempt from corporate income tax and trade tax. However, 5% of the capital gains are deemed non-deductible business expenses and are thus subject to corporate income tax (plus solidarity surcharge thereon) and — if the shares are held as part of the commercial business assets in Germany — to trade tax. Consequently, capital gains are generally 95% exempt from tax. As a rule, losses on disposals and other profit reductions in connection with the shares sold may not be deducted as business expenses.

Shares Held as Business Assets of a Sole Proprietor

Gains from the disposal of shares held by individuals are not subject to withholding tax if the disposal proceeds are part of the business income of a business based in Germany and the shareholder declares this fact to the German Disbursing Agent on the designated official form. If withholding tax including solidarity surcharge was levied, this does not satisfy the tax liability. Instead, the amounts withheld are credited towards the seller's income tax (plus solidarity surcharge) liability or refunded in the amount of any excess paid. 60% of the gains from the disposal of the shares are subject to income tax (plus solidarity surcharge and church tax, if any) at the individual tax rate of the shareholder and — if the shares are held as part of commercial business assets in Germany — to trade tax. The trade tax is (partially) credited to the shareholder's personal income tax by means of a lump-sum method. Generally, only 60% of the losses on disposals and business expenses commercially linked to the shares sold may be deducted.

Shares Held as Business Assets of a Commercial Partnership

Income tax or corporate income tax is not levied at the level of the partnership (Mitunternehmerschaft) but at the level of the respective partner. If shares are held as business assets of the partnership, taxation is determined as if the partner held a direct interest in the Company, according to the rules outlined above depending on whether the partner is a corporation (see "*—Taxation of Shareholders—Taxation of Capital Gains—Shareholders Tax Resident in Germany—Shares Held as Business Assets of Corporations*") or an individual (see "*—Taxation of Shareholders—Taxation of Capital Gains—Shareholders Tax Resident in Germany—Shares Held as Business Assets of a Sole Proprietor*"). Upon request and subject to further conditions, a partner that is an individual may, subject to certain conditions, have its personal income tax lowered for earnings not withdrawn from the partnership.

Trade tax, however, is assessed and levied at the level of the partnership considering the trade tax rules applicable to the partners holding the interest in the relevant partnership. In case the partner is an individual, the trade tax paid by the partnership is generally credited on a pro-rata basis as a lump-sum against the individual partners' personal income tax liability.

Shares Held as Part of Assets of Certain Companies in the Financial and Insurance Sector

Capital gains realized by certain companies in the financial and insurance sector are, as an exception to the aforementioned rules, fully taxable. This applies to gains from the disposal of shares in the trading books of banks and financial services companies in the meaning of the German Banking Act (*Kreditwesengesetz*), to gains from the disposal of shares that were acquired by financial enterprises with the aim of generating a short-term proprietary trading profit, as well as to gains from the disposal of shares held as investments by life insurers, health insurers and pension funds. In turn, capital losses are generally fully tax deductible.

Shareholders Tax Resident Outside Germany

Gains from the disposal of shares held by shareholders that are not German tax residents (individuals and corporations) should generally not be subject to German taxation.

Gains from the disposal of shares held as part of German business assets (that is, via a permanent establishment or as part of business assets for which a permanent representative in Germany has been appointed) by non-resident shareholders are taxed in Germany principally according to the same provisions that apply to the taxation of shareholders that are German tax residents holding the shares as business assets (see "*—Taxation of Capital Gains*" above).

If the Company Qualified as a Corporate Investment Company

The above mentioned income tax treatment assumes that the Company does not qualify as a corporate investment company (*Kapital-Investitionsgesellschaft*) within the meaning of the German Investment Tax Act (*Investmentsteuergesetz*). However, if the Company qualified as a corporate investment company, any distributions on the Offer Shares received by German resident shareholders would generally be taxed as income in the form of dividends (see "*—Taxation of Dividends*" above) provided that, in the case of Offer Shares held as business assets, potential benefits under the German dividend and capital gains exemption rules (see "*—Taxation of Dividends—Shares Held as Business Assets of Corporations/Shares Held as Business Assets of Sole Proprietors/Shares Held as Business Assets of a Commercial Partnership*" and "*—Taxation of Capital Gains—Shares Held as Business Assets of Corporations/Shares Held as Business Assets of Sole Proprietors/Shares Held as Business Assets of a Commercial Partnership*" above) would only be available if the relevant shareholder is able to evidence that the Company is tax resident in a member state of the European Economic Area where it is subject to the income taxation of corporations without benefitting from a personal tax exemption.

German CFC Rules

German resident investors (individuals or corporate shareholders) collectively holding 50% or more of the shares or voting rights in the Company may become subject to the German CFC rules (*Hinzurechungsbesteuerung*) pursuant to the German Foreign Tax Act (*Außensteuergesetz*) to the extent that the income of the Company qualifies as (low taxed) passive income (*Zwischeneinkünfte*) for German CFC rules purposes.

Irrespective of the 50% threshold each German resident shareholder that holds at least 1% of the shares or voting rights in the Company may become subject to the German CFC rules to the extent that the income of the Company qualifies as passive capital investment income (*Zwischeneinkünfte mit Kapitalanlagecharakter*) provided that gross earnings, on which the passive capital investment income are based on, make up more than 10% of the entire gross earnings of all passive income of the Company in the respective fiscal year.

However, in either of the above situations German CFC rules may not result in an income attribution for German tax purposes to the extent that the German resident investor is able to evidence to the German tax authorities that the Company carries out an actual business in Luxembourg.

Inheritance and Gift Tax

The transfer of shares to another person upon death or as a gift is generally subject to German inheritance or gift tax in the following circumstances:

(i) the place of residence, customary place of abode, place of management or registered office of the testator, the donor, the heir, the done or another acquirer is, at the time of the asset transfer, in Germany, or such person, as a German national, has not spent more than five consecutive years outside Germany without having a place of residence in Germany (this term is extended to ten years for German expatriates with U.S. residence); or

(ii) the testator's or donor's shares were part of business assets for which there was a place of business in Germany or for which a permanent representative was appointed.

The small number of double taxation treaties regarding inheritance and gift tax that Germany has concluded to date generally provide for German inheritance or gift tax only to be levied in the cases under (i) and, subject to certain restrictions, in the cases under (ii). Special arrangements apply to certain German nationals and former German nationals living outside Germany.

Other Taxes

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. However, an entrepreneur can opt to pay VAT on the sale of shares, despite being generally exempt from value-added tax, if the shares are sold to another entrepreneur for the entrepreneur's business. Wealth tax is currently not levied in Germany.

The Proposed Financial Transaction Tax

The European Commission has published a proposal for a Directive for a common Financial Transaction Tax ("**FTT**") in certain participating Member States.

The proposed FTT has very broad scope and could apply to certain dealings in financial instruments (including secondary market transactions).

The FTT could apply to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and either (i) at least one party is established or deemed to be established in a participating Member State or (ii) the financial instruments are issued in a participating Member State.

According to a press announcement of the EU Council, ten participating Member States, including Germany, currently intend to work on the introduction of an FTT based on a progressive implementation of such tax. The progressive implementation shall first focus on the taxation of shares and certain derivatives only which shall be implemented at the latest on January 1, 2016. As to the further implementation of any FTT there is currently no detailed plan or timetable available.

Nevertheless, the proposed Directive remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear.

TAXATION IN LUXEMBOURG

The following is a summary discussion of certain material Luxembourg tax consequences with respect to the Company and its Shares. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder of Shares, and does not purport to include tax considerations that arise from rules of general application or that are generally assumed to be known to holders of Shares. It is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on Luxembourg laws and regulations as they stand on the date of this Prospectus and is subject to any change in law or regulations or changes in interpretation or application thereof that may take effect after such date. Prospective investors in the Shares should therefore consult their own professional advisers as to the effects of state, local or foreign laws and regulations, including Luxembourg tax law and regulations, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge (which are collectively referred to as Luxembourg corporation taxes) invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual tax payers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Taxation of the Company

Corporate Income Tax

The Company is liable for Luxembourg corporation taxes. The aggregate maximum applicable rate, including corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*) and a contribution to the employment fund, is 29.22% for the fiscal year ending 2015 for a company established in Luxembourg City. Liability for such corporation taxes extends to the Company's worldwide profits including capital gains, subject to the provisions of any relevant double taxation treaty and the tax exemptions for qualifying participations provided by the Article 166 of the Luxembourg income tax law or the Grand-ducal decree dated December 21, 2001. The taxable income of the Company is computed by application of the Luxembourg income tax law of December 4, 1967, as amended (*loi concernant l'impôt sur le revenu*), as commented and currently applied by the Luxembourg tax authorities. The Company is a fully taxable Luxembourg resident and should therefore, from a Luxembourg tax perspective, be able to benefit from double taxation treaties and European directives on income tax matters.

Net Wealth Tax

The Company is fully subject to the annual net wealth tax charge (*impôt sur la fortune*) which amounts to 0.5% of the net asset value of the Company. Certain assets (such as qualifying participations) 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.

Taxation of Investors

This tax disclosure is limited to the tax consequences to investors owning Shares. This discussion therefore is limited to taxation issues in respect of the holding and selling of these Shares.

Withholding Tax

A 15% withholding tax will be due in Luxembourg on distribution 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. Liquidation proceeds will not be subject to withholding taxes. 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.

Non-resident Shareholders

Shareholders will not become residents, or be deemed to be resident in Luxembourg, by reason only of holding Shares.

Capital gains realized by a shareholder of the Company who is not a resident of Luxembourg for tax purposes and who has no permanent establishment or permanent representative to which the Shares are attributable are not taxable in Luxembourg, except if the Shares are part of a substantial participation of more than 10% in the Company and provided these Shares are sold within six months of their acquisition or, under certain conditions, the individual shareholder has been a resident of Luxembourg in the past and provided that no double taxation treaty denies Luxembourg the right to tax.

Non-resident corporate shareholders which have a permanent establishment or a permanent representative in Luxembourg, to which the Shares are attributable, must include any income received, as well as any gain realized on the sale, disposal or redemption of Shares, in their taxable income for Luxembourg assessment purposes. The same inclusion applies to individuals, acting in the course of the management of a professional or business undertaking, who have a permanent establishment or a permanent representative in Luxembourg, to which the Shares are attributable.

Luxembourg-resident Shareholders

Luxembourg-resident Individuals

Any dividends and other payments derived from the Shares received by resident individuals who act in the course of either their private wealth or their professional/business activity, are subject to income tax at the progressive ordinary rates (with a top marginal rate of 43.6% for the year 2015) on half of the amounts received, the other half being tax exempt pursuant to the provisions of Article 115 paragraph 15a of the Luxembourg income tax law.

A gain realized upon the sale, disposal or redemption of Shares by Luxembourg resident individual shareholders acting in the course of the management of their private wealth is not subject to Luxembourg income tax, provided this sale, disposal or redemption took place more than 6 months after the Shares were acquired and provided the Shares do not represent a substantial participation of more than 10% in the Company.

Luxembourg-resident Companies

Luxembourg resident corporate shareholders will be subject to corporation taxes at the rate of 29.22% (for the fiscal year ending December 31, 2015 for entities having their registered office in Luxembourg-City) on dividend distributions made by the Company and the gains received upon disposal of the Shares unless a tax exemption pursuant to the provisions of the Article 166 of the Luxembourg income tax law or the Grand-ducal decree dated December 21, 2001 applies or unless the shareholders benefit from a special tax regime such as undertakings for collective investment subject to the law of December 17, 2010, as amended, specialized investment funds subject to the law of February 13, 2007, as amended, investment companies in risk capital subject to the law of June 15, 2004, as amended, or family wealth management companies subject to the law of May 11, 2007, as amended.

Net Wealth Tax

Non-resident and resident individual shareholders are exempt from net wealth tax on the Shares in Luxembourg.

Non-resident Shareholders

The mere holding of the shares in Luxembourg custody accounts does not create a permanent establishment or a permanent representative in Luxembourg. Absent any permanent establishment or a permanent representative in Luxembourg, non-resident corporate shareholders will not be subject to net wealth tax in Luxembourg as a result of them holding Shares.

Non-resident shareholders who have a permanent establishment or a permanent representative in Luxembourg to which the Shares are attributable are subject to Luxembourg net wealth tax on the Shares, unless the conditions provided for by paragraph 60 of the valuation law of October 16, 1934, as amended (BewG) are met.

Luxembourg-resident Shareholders

Shares held by Luxembourg resident corporate shareholders, will be subject to an annual net wealth tax charge (*impôt sur la fortune*) of 0.5% except if:

- the conditions provided for by the valuation law of October 16, 1934, as amended (BewG) are met; or

- the Luxembourg resident company benefits from a special tax regime such as undertakings for collective investment subject to the law of December 17, 2010, as amended, specialized investment funds subject to the law of February 13, 2007, as amended, investment companies in risk capital subject to the law of June 15, 2004, as amended, or family wealth management companies subject to the law of May 11, 2007, as amended.

Other Tax Consequences

Stamp Taxes and Transfer Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the holders of Shares as a consequence of the issuance of the Shares, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Shares.

Gift Taxes

No estate or inheritance tax is levied on the transfer of Shares upon death of a holder of Shares in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes and no gift tax is levied upon a gift of Shares if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg. Where a holder of Shares is a resident for tax purposes of Luxembourg at the time of his death, the Shares are included in its taxable estate for inheritance tax or estate tax purposes.

VAT

If the activities of the Company do not exceed a mere holding activity, the Company should not be able to register for value added tax, (VAT), purposes in Luxembourg and any VAT suffered by the Company will, in principle, be final and irrecoverable.

In case the Company provides services that are subject to VAT, it would have to register for VAT purposes in Luxembourg and it will be allowed to recover all or only a portion of the VAT incurred on its costs.

FINANCIAL INFORMATION

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

As at March 31, 2015 and March 31, 2014

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

Contents

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Directors of Swallowbird Trading & Investments Limited

Introduction

We have reviewed the accompanying condensed consolidated statements of financial position of Swallowbird Trading & Investments Limited ("the Company") and subsidiaries as at March 31, 2015 and 2014 and as at December 31, 2014, the condensed consolidated statements of comprehensive income and the statements of changes in equity and cash flows for the three month periods ended March 31, 2015 and 2014, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the EU.

Budapest, May 25, 2015
KPMG Hungária Kft.

Istvan Henye
Partner

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Financial Position as at

	Note	March 31, 2015	March 3l, 2014	December 31, 2014
		(In thousands EUR)		
Assets				
Current assets				
Cash and cash equivalents		**24,198**	4,196	9,662
Restricted bank deposits		**14,430**	7,956	9,863
Trade receivables		**2,193**	1,971	2,026
Other assets		**2,336**	955	597
Advances in respect of trading properties		**—**	1,363	31,972
Trading properties		**43,591**	—	13,750
Assets held for sale		**—**	5,192	1,117
		86,748	21,633	68,987
Non-current assets				
Property and equipment		**1,003**	315	378
Advances in respect of investment properties		**378,775**	6,521	119,194
Investment properties	4	**782,040**	472,071	611,568
Other financial asset		**993**	—	668
		1,162,811	478,907	731,808
Total assets		**1,249,559**	500,540	800,795
Liabilities				
Current liabilities				
Interest bearing loans from banks	5	**55,599**	8,455	45,623
Trade payables		**3,887**	2,934	2,655
Other payables		**15,869**	7,838	9,603
Derivatives		**1,304**	437	1,087
		76,659	19,664	58,968
Non-current liabilities				
Interest bearing loans from banks	5	**641,777**	275,857	368,730
Amounts due to related parties	7	**306,130**	120,783	204,633
Derivatives		**9,875**	8,538	11,009
Deferred tax liabilities		**41,242**	14,077	26,384
		999,024	419,255	610,756
Shareholders' Equity				
Share capital		**2**	2	2
Share premium		**13,569**	13,569	13,569
Other reserves		**30,059**	12,866	18,083
Retained earnings		**126,682**	34,899	98,326
Total equity attributable to shareholders of the company		**170,312**	61,336	129,980
Non controlling interests		**3,564**	285	1,091
Total equity		**173,876**	61,621	131,071
Total liabilities and shareholders' equity		**1,249,559**	500,540	800,795

Symeon Symeou
Director

Yaron Zaltsman
Director

Date of approval: May 25, 2015

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

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Comprehensive Income

	Note	For the three months ended March 31, 2015	For the three months ended March 31, 2014	For the year ended December 31, 2014
		(In thousands EUR)		
Revenue		**13,491**	7,426	34,329
Cost of Revenue		**(3,887)**	(1,147)	(6,581)
Gross profit		**9,604**	6,279	27,748
General and administrative expenses		**(1,108)**	(603)	(3,162)
Changes in fair value of investment properties and assets held for sale	10A	**39,021**	(309)	68,838
Results from operating activities		**47,517**	5,367	93,424
Finance income		**556**	3,943	4,669
Finance costs		**(6,236)**	(4,079)	(18,417)
Net finance costs		**(5,680)**	(136)	(13,748)
Profit before tax		**41,837**	5,231	79,676
Income tax expense		**(11,010)**	(187)	(10,398)
Profit for the year		**30,827**	5,044	69,278
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss				
Effective portion of changes in fair value of cash flow hedges, net of tax		**595**	(1,345)	(4,021)
Total other comprehensive income (loss)		**595**	(1,345)	(4,021)
Total comprehensive income for the year		**31,422**	3,699	65,257
Profit attributable to:				
Owners of the company		**28,356**	5,067	68,494
Non-controlling interest		**2,471**	(23)	784
Profit for the year		**30,827**	5,044	69,278
Total comprehensive income attributable to:				
Owners of the company		**28,949**	3,727	64,488
Non-controlling interest		**2,473**	(28)	769
Total comprehensive income for the year		**31,422**	3,699	65,257
Basic and diluted earnings per share		**14**	3	34

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

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
				(In thousands EUR)				
For the three-months ended March 31, 2015								
Balance at January 1, 2015	**2**	**13,569**	**(9,267)**	**27,350**	**98,326**	**129,980**	**1,091**	**131,071**
Total comprehensive income for the period								
Profit for the period	**—**	**—**	**—**	**—**	**28,356**	**28,356**	**2,471**	**30,827**
Other comprehensive income (loss) for the period, net of tax	**—**	**—**	**593**	**—**	**—**	**593**	**2**	**595**
Total comprehensive income for the period	**—**	**—**	**593**	**—**	**28,356**	**28,949**	**2,473**	**31,422**
Transactions with owners, recognized directly in equity								
Contribution from shareholders, net of tax	**—**	**—**	**—**	**11,339**	**—**	**11,339**	**—**	**11,339**
Share based payment	**—**	**—**	**—**	**44**	**—**	**44**	**—**	**44**
Balance at March 31, 2015	**2**	**13,569**	**(8,674)**	**38,733**	**126,682**	**170,312**	**3,564**	**173,876**

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

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
				(In thousands EUR)				
For the three-months ended March 31, 2014								
Balance at January 1, 2014	2	13,569	(5,261)	17,286	29,832	55,428	313	55,741
Total comprehensive income for the period								
Profit for the period	—	—	—	—	5,067	5,067	(23)	5,044
Other comprehensive loss for the period, net of tax	—	—	(1,340)	—		(1,340)	(5)	(1,345)
Total comprehensive income for the period	—	—	(1,340)	—	5,067	3,727	(28)	3,699
Transactions with owners, recognized directly in equity								
Contribution from shareholders, net of tax	—	—	—	2,119	—	2,119	—	2,119
Share based payment	—	—	—	62	—	62	—	62
Balance at March 31, 2014	2	13,569	(6,601)	19,467	34,899	61,336	285	61,621

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

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
				(In thousands EUR)				
For the year ended December 31, 2014								
Balance at January 1, 2014	2	13,569	(5,261)	17,286	29,832	55,428	313	55,741
Total comprehensive income for the year								
Profit for the year	—	—	—	—	68,494	68,494	784	69,278
Other comprehensive loss for the year, net of tax	—	—	(4,006)	—	—	(4,006)	(15)	(4,021)
Total comprehensive income for the year	—	—	(4,006)	—	68,494	64,488	769	65,257
Transactions with owners, recognized directly in equity								
Establishment of subsidiaries	—	—	—	—	—	—	9	9
Contribution from shareholders, net of tax	—	—	—	9,925	—	9,925	—	9,925
Share based payment	—	—	—	139	—	139	—	139
Balance at December 31, 2014	2	13,569	(9,267)	27,350	98,326	129,980	1,091	131,071

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

Swallowbird Trading & Investments Limited and subsidiaries

Unaudited Condensed Consolidated Interim Statements of Cash Flows

	For the three months ended March 31, 2015	For the three months ended March 31, 2014	For the year ended December 31, 2014
	(In thousands EUR)		
Cash flows from operating activities			
Profit for the year	**30,827**	5,044	69,278
Adjustments for:			
Depreciation	**35**	24	96
Change in fair value of investment properties and assets held for sale	**(39,021)**	309	(68,838)
Net finance costs	**5,680**	136	13,748
Income tax expense	**11,010**	187	10,398
Share based payment	**44**	62	139
Change in short-term restricted bank deposits related to tenants	**(278)**	(514)	(1,792)
Change in trade receivables	**(13)**	(111)	(166)
Change in other receivables	**(1,725)**	(260)	98
Change in trading properties	**2,131**	—	(13,085)
Change in advances in respect of trading properties	**—**	(1,363)	(31,972)
Change in trade payables	**475**	(413)	(133)
Change in other payables	**125**	282	2,935
Income tax paid	**(13)**	—	(104)
Net cash from (used in) operating activities	**9,277**	3,383	(19,398)
Cash flows from investing activities			
Purchase and capital expenditure of investment properties and assets held for sale	**(4,932)**	(1,089)	(68,840)
Advances paid for investment property purchase	**(379,800)**	(3,021)	(119,194)
Purchase of property and equipment	**(628)**	(14)	(149)
Interest received	**—**	—	5
Proceeds from investment property and from assets held for sale disposal (see Note 8G)	**954**	8,004	12,312
Acquisition of subsidiaries, net of cash of the acquired subsidiaries (see Note 9)	**494**	(13,281)	(13,841)
Change in short-term restricted bank deposits, net	**(4,289)**	(915)	(1,619)
Net cash used in investing activities	**(388,201)**	(10,316)	(191,326)
Cash flows from financing activities			
Long term loans received from banks	**285,471**	10,097	115,765
Repayment of long term borrowings from banks	**(1,672)**	(7,179)	(10,924)
Short term loans received from banks	**—**	—	31,000
Repayment of short term borrowings from banks	**(1,037)**	(1,569)	(4,956)
Interest paid	**(3,422)**	(2,481)	(10,875)
Loans received from related parties	**2,870**	—	24,199
Repayment of loans from related parties	**—**	—	(1,633)
Loans received from related parties (cash received in a form of capital note)	**111,250**	7,590	73,139
Net cash from financing activities	**393,460**	6,458	215,715
Increase (decrease) in cash and cash equivalents during the period	**14,536**	(475)	4,991
Cash and cash equivalents at the beginning of the period	**9,662**	4,671	4,671
Cash and cash equivalents at the end of the period	**24,198**	4,196	9,662

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

Note 1 - Reporting Entity

Swallowbird Trading & Investments Limited (the "Company") is a company domiciled in Cyprus. The Company is a fully owned subsidiary of ADO Group Ltd.

The Condensed Consolidated Interim Financial Statements of the Company as at March 31, 2015 and for the three month period then ended comprise the Company and its subsidiaries (together referred to as the "Group").

The Company holds and operates residential assets portfolio in Berlin, Germany.

Note 2 - Basis of accounting

A. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2014. The unaudited condensed consolidated statement of financial position as of December 31, 2014 included herein was derived from the audited 2014 consolidated financial statements as of that day.

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2014.

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on May 25, 2015.

B. Use of estimates and judgments

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2014.

Note 3 - Changes in accounting policies

The Group has consistently applied the accounting policies set out in the annual financial statements to all periods presented in these condensed consolidated interim financial statements.

Note 4 - Investment Properties

The fair value as at March 31, 2015 of the investment properties in Berlin was determined based on valuations performed by CBRE, an industry specialist that has appropriate recognized professional qualifications and recent experience in the location and category of the properties that are being valued.

The valuation was based on 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 period and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (primed vs. secondary), tenant credit quality and lease terms.

The current average capitalization rate which was calculated as the Net Operating Income ("NOI") for the reporting period divided by the fair value, reduced from 4.9% as at December 31, 2014 to 4.5% as at March 31, 2015 mainly due to increase in market rent prices and decrease in discount rates. The average capitalization rate including SPR deal which eas completed in April 1, 2015 (see Note 10A) is 4.8%.

Note 5 - Interest-Bearing Loans from Banks

	March 31, 2015	March 31, 2014	December 31, 2014	Interest rate March 31, 2015
			Thousands Euro	
Short term in EUR				
	45,860	6,517	41,543	Euribor + (0.88%-2.4%)
	9,739	1,938	4,080	1.62%-4.21%
	55,599	8,455	45,623	
Long term in EUR				
	158,368	166,769	158,738	Euribor + (0.88%-2.4%)
	483,409	109,088	209,992	1.62%-4.21%
	641,777	275,857	368,730	
Total interest-bearing loans from banks	**697,376**	284,312	414,353	

A. All loans are non-recourse loans with the related assets (investment properties and trading properties) as their only security which is valued higher than the related loans on an asset base. The loans are outstanding from German banks. All the loans were taken in order to finance the purchase of the properties in Berlin.

B. Re-pricing on the variable interest loans is done on a quarterly basis. The average effective interest rate as at March 31, 2015 and as at December 31, 2014 is 2.5% and 3.0% per annum respectively.

In order to hedge the exposure to variability in cash flows resulting from changes at the Euribor, the Group entered into interest rate swap agreements on most of the loans which bear variable interest.

C. For new loans received in the three month period ended at March 31, 2015 and March 31, 2014 and repayments of existing loans due to asset held for sale disposals – see Note 8B, 8C, 8E, 8G, 8H, 8I and 10A.

D. As at March 31, 2015, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

Note 6 - Financial Risk Management Objectives and Policies

All the aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended December 31, 2014.

A. Financial instruments measured at fair value for disclosure purposes only

The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, restricted cash deposits from tenants, restricted cash deposits to banks, trade receivables, tenants security deposits, trade and other payables and derivatives are the same as or proximate to their fair value.

The fair values of the other liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	March 31, 2015		March 31, 2014		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	In thousands EUR		In thousands EUR		In thousands EUR	
Floating rate borrowings from banks*	**204,228**	**208,142**	173,286	175,843	200,281	204,053
Fixed rate borrowings from banks	**493,148**	**506,661**	111,026	115,120	214,072	224,878
Amounts due to related party ADO Group Ltd	**27,443**	**33,995**	18,144	18,639	24,202	28,157
Amounts due to related party ADO Group Ltd (capital note)	**260,102**	**267,433**	102,639	122,480	162,117	169,002
Amounts due to related party Harel insurance company Ltd.	**18,585**	**18,585**	—	—	18,314	18,314
	1,003,506	**1,034,816**	405,095	432,082	618,986	644,404

* bearing an interest rate of Euribor plus a fixed rate margin.

Note 6 - Financial Risk Management Objectives and Policies (continued)

B. Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value using valuation methodology in accordance with hierarchy fair value levels. The various levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments that the entity can access at the measurement date.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

- Level 3: Inputs that are not based on observable market data (unobservable inputs).

	March 31, 2015			March 31, 2014			December 31, 2014		
	Level 2	Level 3	Total	Level 2	Level 3	Total	Level 2	Level 3	Total
	In thousands EUR			In thousands EUR			In thousands EUR		
Other financial asset*	**—**	**993**	**993**	—	—	—	—	668	668
Derivative financial liabilities	**11,179**	**—**	**11,179**	8,975	—	8,975	12,096	—	12,096
	11,179	**993**	**12,172**	8,975	—	8,975	12,096	668	12,764

* Relates to the Group's option for purchasing the minority in a transaction done at the end of 2013

B. Details regarding fair value measurement at Level 2

The derivatives value was calculated by the same bank that gave the loans. The credit risk used by the bank is not material component of the valuation made by the bank and the other variables are market observable.

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

Note 7 - Related Parties

A. Balances

	March 31, 2015	March 31, 2014	December 31, 2014	Interest rate March 31, 2015
		In thousands EUR		
Statements of financial position				
Current liabilities				
ADO Group Ltd. (presented under other payables in the statement of financial position)	**152**	459	—	—
Non-current liabilities				
Amounts due to related party - ADO Group Ltd.	**27,443**	18,144	24,202	6%-7%
Amounts due to related party - ADO Group Ltd. (capital note)	**260,102**	102,639	162,117	—
Amounts due to related party - Harel insurance company Ltd	**18,585**	—	18,314	6%
Total non-current liabilities	**306,130**	120,783	204,633	

Note 7 - Related Parties (continued)

B. Trading transactions

	For the three months ended		For the year ended
	March 31, 2015	March 31, 2014	December 31, 2014
	In thousands EUR		
Statements of comprehensive income			
Costs and expenses			
Services from ADO Group Ltd.	**59**	15	234
Interest on loans from ADO Group Ltd.	**371**	259	1,128
Interest on Capital Note to ADO Group Ltd.(*)	**1,853**	1,132	5,353
Interest on loans from Harel Insurance Company Ltd.	**271**	—	85

(*) The capital notes were issued by the Company's subsidiary, Ado Finance B.V. to the parent company (Ado Group Ltd.). The capital notes loans will be redeemed no later than 10 years from the issuing date but in any event not before 5 years from the issuing date and bear no interest.
The difference between the fair value of the capital notes and the loans face value was recorded in equity as a capital contribution from shareholders, net of tax. The amortization is recognized as interest expense.

Note 8 - Significant Events during the Period

A. In January 2015 the Group together with Harel Insurance (14% shareholder of the Company's direct shareholder - ADO Group) completed the acquisition of several German entities which hold 43 residential buildings located in Berlin, Germany for a total amount of EUR 130 million. The acquisition was made by newly established entities by the Group and Harel Insurance where the group holds 60% and Harel Insurance 40%. See Note 9A

B. In January 2015 the Group completed the purchase of one building in Berlin with a total of 3 thousands sqm including 33 residential units and 6 commercial units in the total amount of EUR 3.3 million. In order to finance the purchase the Group received in March 2015 a non-recourse loan from a German bank in the total amount of EUR 2.4 million. The loan is for a period of 7 years and bears a fixed interest rate of 1.62%.

C. In February 2015 the Group signed an agreement with a German bank for prolongation of existing non-recourse loan in the amount of EUR 8.2 million for a period of 7 years and fix interest rate of 1.72%.

D. During the reporting period the Group completed the sale of 11 condominiums units, for the total amount of EUR 2.7 million. The total purchase cost of these units was EUR 2.1 million

E. In March 2015, in order to finance the purchase of two buildings in Berlin, the Group received a non-recourse loan in the total amount of EUR 5.9 million. See Note 10B.

F. In March 2015 the board of directors decided to transfer the Company's registered office and corporate seat from Cyprus to Luxembourg. The validity of this resolution shall be subject to the approval of the Cypriote authorities and the condition precedent that the German Tax Authorities confirm by way of a binding ruling that no German real estate transfer tax will be triggered by the transfer of registered office and company seat of the Company as well as the following change of legal form from a Luxembourg S.à r.l. into a Luxembourg S.A. On May 2015 the company received the binding ruling from the German authorities. The Company intends to establish its seat in Luxembourg during June 2015. In addition, the Board of Directors of the Company decided to examine the possibility of implementing a process of offering of shares of the Company and the listing of its shares for trading on the main stock exchange of Frankfurt, Germany. The process being examined is the offering and the listing for trading of Swallowbird shares for a total amount that shall not be less than EUR 350 million. In addition, the floatation would be implemented, insofar as practicable, by way of admission to listing of the shares on the Prime Standard (a regulatory framework on the Frankfurt Stock Exchange), so that the offering, insofar as implemented, will allow accessibility for international investors on a regulated market segment of the Frankfurt Stock Exchange.

G. In the first quarter of 2015 the Group completed the sale of one residential building in the amount of EUR 1.1 million to third parties. The sold building was purchased in October 2013 as part of the transaction with the funds of Stenham, and recorded in the amount of EUR 1.1 million as part of the Assets held for sale in the statement of financial position. The existing bank loan related to this asset was already repaid in 2014.

Note 8 - Significant Events during the Period (continued)

In the first quarter of 2014 the Company completed the sale of 3 residential buildings in the amount of EUR 2.2 million to third parties. The 3 sold buildings were also purchased in October 2013 as part of the transaction with the funds of Stenham, and presented in the amount of EUR 2.1 million as part of the Assets held for sale in the statement of financial position. The existing bank loan related to those assets total to EUR 1.5 million was repaid during the first quarter of 2014.

H. In the first quarter of 2014, the Group completed the takeover of 3 residential buildings with total of 23 thousands sqm in Berlin including 524 residential units and 8 commercial units in the total amount of EUR 27 million. In order to finance the purchases of the buildings the Group received 3 loans from local banks in Germany in the total amount of EUR 18 million. Two loans in the amount of EUR 8 million were received in the fourth quarter of 2013 and one loan in the amount of EUR 10 million was received in February 2014. The EUR 10 million loan is provided for a period of 7 years bears fix interest rate of 2.8%.

I. In January 2014 the Group completed the sale of the building Yenidze Cigarette factory located in Dresden (Germany), to third party in the amount of EUR 6 million. The sale was part of an agreement that was signed in 2013 with the bank that financed the asset following a breach of the loan repayment obligation. The Group sold the asset for a price lower than the amount of the outstanding bank loan and the proceeds were used to repay part of the non-recourse loan (totaling EUR 9.6 million). As agreed with the bank, following the sale the bank forfeited the rest of the loan. A difference of EUR 0.6 million between the proceeds from the sale of the asset and its fair value as at December 31, 2013 was recorded as a loss in profit or loss as changes in fair value of investment properties. The gain from forgiveness of the remaining bank loan in the amount of EUR 4 million was recognized as finance income.

Note 9 – Acquisition of Subsidiaries

A. In January 2015 the Group together with Harel Insurance completed the acquisition of 100% of the issued shares and 100% of the shareholder loans of several German entities which hold 43 residential buildings located in Berlin, Germany for a total amount of EUR 130 million. The German entities were acquired through four of the Company's subsidiaries in which the Company holds 60% and Harel 40% interest. The portfolio includes 1,300 residential units and 45 commercial units in central Berlin with a total leasable area of approximately 88 thousands square meters.

4 buildings were converted into condominiums of apartments and the Group plans to convert additional 2 buildings into condominiums and sell the units. The conversion will not require any substantial expenses and expected to be completed during the year 2015. The 6 buildings are presented as trading properties.

In order to finance the purchase of the portfolio the Group received during the year 2014 two non-recourse loans from a local bank in Germany in the total amount of EUR 86.5 million. One bank loan for financing the Investment Properties in the amount of EUR 64.5 million was received for 7 years and bears a fix interest rate of 1.76%. Second bank loan for financing the purchase of the condominium buildings in the amount of EUR 22 million was received for 4 years and bears an interest rate of 3 months Euribor + 1.26%. The cash that will be generated from the sale of the condominium units will be used for the repayment of the EUR 22 million loan. The normal operating cycle of selling of housing units is estimated to be 3 years, therefore the Group presented this loan as current liability. The remaining purchase price was financed by shareholders loan.

Note 9 – Acquisition of Subsidiaries (continued)

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

	January 1, 2015
	In thousands EUR
Cash and cash equivalents	494
Trade and other receivables	168
Trading properties	31,974
Property and equipment	32
Investment property(*)	97,541
Trade and other liabilities	(557)
Total consideration	**129,652**
Paid consideration in the reporting period(**)	—
Cash acquired	494
Net cash flow from the acquisition of subsidiary	**494**

(*) The fair value of the investment property as at January 1, 2015 was determined based on valuation to Euro 97,500 thousand, therefore a loss of approximately Euro 41 thousand was recognised in profit or loss with respect to these assets subsequent to the acquisition.

(**) The total purchase price was paid already in the year 2014.

B. In the first quarter of 2014 one of the buildings of the Group was taken over as part of acquisition of 100% of the issued shares and 100% of the shareholder loans of a German company which is holding the asset for EUR 14 million. The only activity of the acquired company is holding rights in the residential building, located in Berlin. The purchase of the company was treated as a purchase of group of assets and liabilities and not as a business combination based on IFRS 3 – *Business combinations*, mainly since the Company's view was to purchase a portfolio of assets and not to acquire activities, processes and previous management. Therefore, the purchase price was allocated to the assets and liabilities based on their relative fair values at the purchase date without recognition of goodwill and deferred tax.

Note 10 – Subsequent Events

A. On April 1, 2015 the Group, through wholly owned subsidiaries completed the acquisition ("SPR" deal) from a third party for the amount of EUR 375 million. The acquisition included the rights in a portfolio of residential buildings which includes 5,749 residential apartments (together with commercial areas in an amount insignificant to the transaction as a whole) in Berlin over a total area of 400 thousand square meters. The purchase price is recorded under advances in respect of investment properties at the Condensed Consolidated Statements of Financial Position. In order to finance the deal, the group received in March 2015 a non-recourse loan in the amount of EUR 280 million from a consortium of two German banks for a period of 7 years. The loan bears a fixed interest rate which is composed of the swap cost to convert the loan to fix plus an interest margin of 1.32%. The final fix interest rate for a period of 7 years is 1.71%. The transaction real estate transfer tax (6% from the purchase price) and transaction costs (1.5% from the purchase price) where recognized at the Condensed Consolidated Statement of Comprehensive Income for the three months period ended March 31, 2015 under changes in fair value of investment properties although transfer of ownership over the real estate assets was April 1st 2015 as management believes it is better reflects the economic scale and the assets fair value.

Management did not create deferred tax assets for the related, mentioned above, purchase tax and transaction costs due to its expectation for its utilization.

B. In April 2015 the Group completed the takeover of two buildings in Berlin with a total of 5.8 thousands sqm, including 101 residential units and 1 commercial unit in the total amount of EUR 8.6 million. In order to finance the purchase of the buildings the Group received in March 2015 a non-recourse loan in the total amount of EUR 5.9 million. The loan is for a period of 10 years and bears a variable interest rate of 3 months Euribor + 1.5%.

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Financial Statements

As at and for the years ended December 31, 2014 and 2013

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Financial Statements

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Independent Auditors' Report

To the shareholders of Swallowbird Trading & Investments Limited

We have audited the accompanying consolidated financial statements of Swallowbird Trading & Investments Limited (the "Company") and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2014 and 2013, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Budapest, May 25, 2015

KPMG Hungária Kft.

Istvan Henye
Partner

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Financial Position as at

	Note	December 31, 2014	December 31, 2013
		(In thousands EUR)	
Assets			
Current assets			
Cash and cash equivalents	4	**9,662**	4,671
Restricted bank deposits	5	**9,863**	6,521
Trade receivables	6	**2,026**	1,716
Other assets	7	**597**	624
Advances in respect of trading properties	8	**31,972**	—
Trading properties	8	**13,750**	—
Assets held for sale	9(III)	**1,117**	7,395
		68,987	20,927
Non-current assets			
Property and equipment		**378**	325
Advances in respect of investment properties	9(II)	**119,194**	17,596
Investment properties	9(I)	**611,568**	448,940
Other financial asset		**668**	—
		731,808	466,861
Total assets		**800,795**	487,788
Liabilities			
Current liabilities			
Interest bearing loans from banks	11	**45,623**	19,743
Trade payables		**2,655**	2,603
Other payables	10	**9,603**	7,480
Derivatives	12	**1,087**	356
		58,968	30,182
Non-current liabilities			
Interest bearing loans from banks	11	**368,730**	266,747
Amounts due to related parties	21	**204,633**	114,629
Derivatives	12	**11,009**	7,051
Deferred tax liabilities	13	**26,384**	13,438
		610,756	401,865
Shareholders' Equity			
Share capital	14	**2**	2
Share premium		**13,569**	13,569
Other reserves		**18,083**	12,025
Retained earnings		**98,326**	29,832
Total equity attributable to shareholders of the company		**129,980**	55,428
Non controlling interests		**1,091**	313
Total Equity		**131,071**	55,741
Total liabilities and shareholders' equity		**800,795**	487,788

Symeon Symeou
Director

Yaron Zaltsman
Director

Date of approval: May 25, 2015

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Comprehensive Income

	Note	For the year ended December 31, 2014	2013
		(In thousands EUR)	
Revenue	15	**34,329**	22,673
Cost of operations	16	**(6,581)**	(3,873)
Gross profit		**27,748**	18,800
General and administrative expenses	17	**(3,162)**	(2,686)
Changes in fair value of investment properties and assets held for sale	9	**68,838**	23,001
Results from operating activities		**93,424**	39,115
Finance income		**4,669**	17
Finance costs		**(18,417)**	(12,523)
Net finance costs	18	**(13,748)**	(12,506)
Profit before tax		**79,676**	26,609
Income tax expense	13	**(10,398)**	(3,668)
Profit for the year		**69,278**	22,941
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax	13D(2)	**(4,021)**	3,472
Total other comprehensive income (loss)		**(4,021)**	3,472
Total comprehensive income for the year		**65,257**	26,413
Profit attributable to:			
Owners of the company		**68,494**	22,854
Non-controlling interest		**784**	87
Profit for the year		**69,278**	22,941
Total comprehensive income attributable to:			
Owners of the company		**64,488**	26,312
Non-controlling interest		**769**	101
Total comprehensive income for the year		**65,257**	26,413
Basic and diluted earnings per share (In thousands EUR)	22	**34**	11

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
				(In thousands EUR)				
Balance at January 1, 2014	**2**	**13,569**	**(5,261)**	**17,286**	**29,832**	**55,428**	**313**	**55,741**
Total comprehensive income for the year								
Profit for the year	—	—	—	—	**68,494**	**68,494**	**784**	**69,278**
Other comprehensive loss for the year, net of tax	—	—	**(4,006)**	—	—	**(4,006)**	**(15)**	**(4,021)**
Total comprehensive income for the year	—	—	**(4,006)**	—	**68,494**	**64,488**	**769**	**65,257**
Transactions with owners, recognized directly in equity								
Establishment of subsidiaries (see Note 9(II)A)	—	—	—	—	—	—	**9**	**9**
Contribution from shareholders, net of tax (see Notes 13D(3), 21A)	—	—	—	**9,925**	—	**9,925**	—	**9,925**
Share based payment	—	—	—	**139**	—	**139**	—	**139**
Balance at December 31, 2014	**2**	**13,569**	**(9,267)**	**27,350**	**98,326**	**129,980**	**1,091**	**131,071**

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
				(In thousands EUR)				
Balance at January 1, 2013	2	13,569	(8,719)	7,435	6,978	19,265	33	19,298
Total comprehensive income for the year								
Profit for the year	—	—	—	—	22,854	22,854	87	22,941
Other comprehensive income for the year, net of tax	—	—	3,458	—	—	3,458	14	3,472
Total comprehensive income for the year	—	—	3,458	—	22,854	26,312	101	26,413
Transactions with owners, recognized directly in equity								
Acquisition of subsidiaries with non-controlling interest	—	—	—	—	—	—	179	179
Contribution from shareholders, net of tax (see Notes 13D(3), 21A)	—	—	—	9,804	—	9,804	—	9,804
Share based payment	—	—	—	47	—	47	—	47
Balance at December 31, 2013	2	13,569	(5,261)	17,286	29,832	55,428	313	55,741

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Cash Flows

	For the year ended December 31,	
	2014	**2013**
	(In thousands EUR)	
Cash flows from operating activities		
Profit for the year	**69,278**	22,941
Adjustments for:		
Depreciation	**96**	128
Change in fair value of investment properties and assets held for sale	**(68,838)**	(23,001)
Net finance costs	**13,748**	12,506
Income tax expense	**10,398**	3,668
Share based payment	**139**	47
Change in short-term restricted bank deposits related to tenants	**(1,792)**	(1,129)
Change in trade receivables	**(166)**	(844)
Change in other receivables	**98**	215
Change in trading properties	**(13,085)**	—
Change in advances in respect of trading properties	**(31,972)**	—
Change in trade payables	**(133)**	(1,209)
Change in other payables	**2,935**	1,864
Income tax received (paid)	**(104)**	43
Net cash from (used in) operating activities	**(19,398)**	15,229
Cash flows from investing activities		
Purchase and capital expenditure of investment properties and assets held for sale	**(68,840)**	(57,056)
Advances paid for investment property purchase (see Note 9(II))	**(119,194)**	(17,596)
Purchase of property and equipment	**(149)**	(152)
Interest received	**5**	3
Proceeds from investment property and from assets held for sale disposal (see Notes 9(I)A(a), 9(III))	**12,312**	—
Acquisition of subsidiaries, net of cash of the acquired subsidiaries (see Note 9(I)A(b))	**(13,841)**	(4,641)
Repayment of long-term restricted bank deposits, net	**—**	3,250
Change in short-term restricted bank deposits, net	**(1,619)**	1,472
Net cash used in investing activities	**(191,326)**	(74,720)
Cash flows from financing activities		
Long term loans received from banks	**115,765**	43,893
Repayment of long term borrowings from banks	**(10,924)**	(3,582)
Short term loans received from banks	**31,000**	—
Repayment of short term borrowings from banks	**(4,956)**	—
Interest paid	**(10,875)**	(8,201)
Loans received from related parties	**24,199**	15,747
Repayment of loans from related parties	**(1,633)**	(8,470)
Loans received from related parties (cash received in a form of capital note, see Note 21A)	**73,139**	23,194
Net cash from financing activities	**215,715**	62,581
Increase in cash and cash equivalents during the year	**4,991**	3,090
Cash and cash equivalents at the beginning of the year	**4,671**	1,581
Cash and cash equivalents at the end of the year	**9,662**	4,671

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

Notes to the Consolidated Financial Statements

Note 1 - Reporting Entity

A. Swallowbird Trading & Investments Limited ("the Company") was incorporated and registered in Cyprus in December 2007 as a private company. The Company's registered office is at Larnaca, Cyprus.

B. The Company holds and operates residential and commercial portfolios of real estate assets in Berlin, Germany. The consolidated financial statements for each of the periods comprise the Company and its subsidiaries (together referred to as the "Group"). The Company's immediate parent company is ADO Group Limited ("ADO Group"), an Israeli company traded in the Israeli stock exchange ("TASE") which holds 100% of the Company's shares. The ultimate shareholder of ADO Group is Shikun & Binui Ltd., an Israeli company traded in the Israeli stock exchange ("TASE") which holds 39.2% of the Company's shares.

For the list of the Company's subsidiaries, refer to Note 24.

Note 2 - Basis of Preparation

A. Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRS").

The consolidated financial statements were authorized for issue by the board of directors on May 25, 2015.

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements according with the Cyprus Civil Code. The statutory financial statements for the year ended December 31, 2014 were submitted to the Cypriot regulator during 2015.

B. Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's and the Company's subsidiaries' functional currency. All financial information presented in Euro has been rounded to the nearest thousand, unless otherwise indicated.

C. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial instruments (i.e.: cash flow hedge swap agreements), investment properties, other financial asset and derivatives which are measured at fair value, trading properties which are measured at the lower of cost and net realisable value and assets held for sale which are measured at fair value less costs to sell.

D. Operating cycle

The Group has two different operating cycles:

- Sale of Residential units – Selling of residential units as a separate condominium (operation which started in 2014) has an operating cycle of three years. During the period the Group purchased two buildings with the intention of converting them to condominiums and selling them as separate housing units. As a result, current assets and current liabilities relating to this operation include items with an expected realization period of three years (i.e: most of the housing units are expected to be sold within 3 years).

- Holding and Operating Residential and Commercial units – Operating Residential and Commercial units has an operating cycle of one year. As a result, current assets and current liabilities relating to this operation include items with an intended realization period of one year.

E. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, 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 recognised prospectively.

Note 2 - Basis of Preparation (continued)

E. Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2015 is included in the following notes:

(a) Judgements and estimations

Information about critical judgements and estimations made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 13 – Regarding the utilization of tax losses (estimation)

Note 9 – Regarding measurement of investment properties and assets held for sale at fair value (estimations).

Note 12- Regarding measurement of derivatives at fair value (estimation).

(b) Measurement of fair values

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

- Note 9, on investment properties;
- Note 19, on financial instruments; and
- Note 9, on acquisition of subsidiaries, with respect to the fair value of purchased assets and liabilities acquired.

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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(c) Acquisition of property companies

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

F. Critical accounting judgements and key sources of estimation uncertainty

(a) Valuation of investment property

Financial statements of the Group include investment properties that are subject to considerable estimation uncertainty due to the risk that the investment property will not be valued appropriately because the fair value is determined by making estimations and assumptions of factors which are not derived from quoted market prices and factors may not be known to the valuer or to the Group. See also Note 9(I)B(b).

(b) Valuation of Derivatives

The consolidated financial statements of the Group include derivatives valuations that are being 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 judgements about the estimation of the credit risk used by the landing bank and about whether the bank used the correct market observable to the other variables.

Note 2 - Basis of Preparation (continued)

F. Critical accounting judgements and key sources of estimation uncertainty (continued)

(c) Valuation of Capital note

Financial statements of the Group include capital notes that bear no interest. The value of the capital notes is calculated by discounting the face value based on the estimated bank interest margin which the Group pays when taking loans plus the estimated 5 years Euro area central government bonds rate, which is the approximate market interest for such instrument. The risk that the capital note will not be appropriately evaluated exists, since the Group needs to estimate the bank interest margin.

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

G. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has early adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2014, but they do not have an impact on the Group's consolidated financial statements:

- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions*

- IFRIC 21 *Levies*

Note 3 - Summary of Significant Accounting Policies

A. Basis of consolidation

1. Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

2. Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

3. Non-controlling interests

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company. NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Allocation of profit or loss and other comprehensive income to the shareholders:

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total profit or loss and other comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

Note 3 - Summary of Significant Accounting Policies (continued)

A. Basis of consolidation (continued)

4. Transactions eliminated on consolidation

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

5. Acquisition of property companies

When buying a company holding real estate asset, the Group exercises judgement 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 as described above. However, in transactions in which the acquired 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, no goodwill is recognized and deferred taxes on the temporary difference existing at the date of acquisition are not recognized.

B. Cash and cash equivalents

Cash and cash equivalents comprise deposits in banks and short-term investments (primarily time deposits and certificates of deposit) with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

C. Restricted bank deposits

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

D. Trade receivables

Trade receivables do not carry interest and are recognized initially at fair value plus any directly attributable transaction costs, subsequent to which they are measured at amortized cost less allowance for impairment losses. The main component of this allowance is a specific loss component that relates to individually significant exposures.

E. 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 it to its existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

F. Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, properties are no longer depreciated.

G. Investment properties

Investment property is property held to earn rental income or for capital appreciation or both, rather than for:

1) Use in the production or supply of goods or services or for administrative purposes; or

2) Sale in the ordinary course of business.

Note 3 - Summary of Significant Accounting Policies (continued)

G. Investment properties (continued)

Investment property is measured initially at cost, including capitalized borrowing costs. The cost includes expenses directly attributable to the purchase of investment property. In subsequent periods, investment property is measured at fair value, and changes in fair value are recognized in the statement of profit and loss.

Gains or losses on the disposal of investment property are determined by comparing the net proceeds from the disposal with the asset's carrying amount (the fair value of the investment property as of the disposal date). The gain or loss on the disposal of investment properties 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.

H. Impairment

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

Calculation of recoverable amount

Financial asset

The Group considers evidence of impairment for financial assets at an individual level. All individually significant assets are individually assessed for impairment. 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. The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Individually significant financial assets are tested for impairment on an individual basis.

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

Non-financial assets

The recoverable amount of non-financial assets (other than investment property, trading property and deferred tax assets) is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

In respect of non-financial assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

I. Trade payables

Trade payables are not interest bearing financial liabilities.

J. Provisions

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

Note 3 - Summary of Significant Accounting Policies (continued)

J. Provisions (continued)

settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time- value of the money, and where relevant, the risks specific to the liability and excluding the credit risk of the Company.

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.

K. 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.

L. Revenue recognition

Rental income from operating leases of investment property is recognized in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income.

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 (i.e.: transfer of legal title), recovery of the consideration is probable, the associated costs and possible return of the Trading Property can be estimated reliably, there is no continuing management involvement with the Trading Property, and the amount of the revenue can be measured reliably.

Other revenues, including management services fee and third party's asset management income, are recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided, and are measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of VAT and other sales related taxes.

M. Finance income and costs

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

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets or liabilities at fair value through profit or loss, impairment losses recognized on financial assets, 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 (unless certain criteria are met for qualifying assets).

N. Taxation

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

The tax currently payable is based on taxable profit for the year, and any adjustment to tax payable in respect of previous years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Note 3 - Summary of Significant Accounting Policies (continued)

N. Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the enacted or substantially enacted tax rates at the reporting date that are expected to apply in the period when the liability is settled or the asset is 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.

O. Transactions with controlling shareholder

Assets and liabilities included in a transaction with the controlling shareholder are measured at fair value on the date of the transaction. Any difference between the fair value and the consideration received is recorded at the Capital reserve from transaction with controlling shareholder in the statement of changes in equity.

P. 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, adjusted for treasury shares. 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, after adjustment for treasury shares, for the effects of all dilutive potential ordinary shares, which comprise convertible debentures, share options and share options granted to employees.

Q. Financial instruments

(1) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group commits itself to buy or sell the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows 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. Any interest in the derecognized financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group's non-derivative financial assets are loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are 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.

Note 3 - Summary of Significant Accounting Policies (continued)

Q. Financial instruments (continued)

(1) Non-derivative financial assets (continued)

The Group has the following non-derivative financial assets: cash and cash equivalents, restricted bank deposits trade and other receivables and other financial asset.

(2) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

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

(3) Derivative financial instruments, including hedge accounting

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

Cash flow hedges

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

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

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

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.

R. Share capital - Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity. Any costs attributable to listing existing shares are expensed as incurred.

S. Segments

The information about the components of the Group which management uses to make decisions about operating matters based on internal reports that are regularly reviewed by the Chief Operating Decision Maker ("CODM") in order to

Note 3 - Summary of Significant Accounting Policies (continued)

S. Segments (continued)

allocate resources to the segment and asses its performance indicates that the Group has one reportable segment. The CODM does not separately review the condo activity of selling of housing units since this is a new activity and it is insignificant to the activity of the Group in the current period. Accordingly, no additional quantitative information about reportable segments is disclosed. The Group operates solely in Berlin, therefore the Group only has one geographical area in which it operates. Accordingly, no quantitative information about reportable and geographical segments are disclosed.

Note 4 - Cash and Cash Equivalents

	Interest rate as of December 31, 2014	December 31, 2014	December 31, 2013
		Euro thousands	Euro thousands
Bank deposits - in EUR	—	**9,662**	4,671
		9,662	4,671

Note 5 - Restricted Bank Deposits

	Interest rate as of December 31, 2014	December 31, 2014	December 31, 2013
		Euro thousands	Euro thousands
Short term			
Restricted bank deposit - in EUR(*)	—	**9,863**	6,521
Total		**9,863**	6,521

(*) The balance as at December 31, 2014 includes EUR 6,880 thousands pledged bank deposits received from tenants (December 31, 2013 - EUR 5,158 thousands) and EUR 2,983 thousands pledged to secure banking facilities (December 31, 2013 - EUR 1,363 thousands).

Note 6 - Trade Receivables

	December 31, 2014	December 31, 2013
	Euro thousands	Euro thousands
Trade receivable	**3,824**	3,305
Impairment for doubtful debts	**(1,798)**	(1,589)
	2,026	1,716

The balances represent amounts receivable from leases of residential and commercial units less any allowance for doubtful debts. Trade accounts receivables are non-interest bearing and are generally on 30 days' terms.

The Group's exposures to credit risk and impairment losses related to trade receivables are disclosed in Note 19.

Note 7 - Other assets

	December 31, 2014	December 31, 2013
	Euro thousands	Euro thousands
Advance to suppliers	**225**	107
Prepaid expenses	**143**	403
Value added tax due from tax authorities	**157**	89
Others	**72**	25
	597	624

Note 8 - Trading properties and Advances in respect of trading properties

A. During 2014, the Group completed the takeover of 2 buildings including 90 residential separated condominium units in the amount of EUR 14 million. The buildings were mostly rented out when purchased. During the last quarter of 2014 the Group started to sell the units from those buildings and estimates that it can complete most of the housing units selling in 3 years. These two buildings are treated as Trading Properties as the Groups intention is to hold those housing units for sale in the ordinary course of business. In order to finance the purchase of the buildings the Group received during the reporting period a non-recourse loan from a local bank in Germany in the amount of EUR 9 million. See more details in Note 9(I)A(b).

B. In January 2015 the Group together with Harel Insurance (14% shareholder of the Company's direct share holder ADO Group) completed the acquisition of several German entities which hold a portfolio of residential buildings located in Berlin, Germany. The German entities were acquired through two of the Company's subsidiaries in which the Company holds 60% and Harel 40% interest. Out of this portfolio 4 buildings were converted into condominiums of apartments and the Group plans to convert (after the completion) additional 2 buildings into condominiums and sell the units. The advances paid by the Company's subsidiaries in the amount of EUR 32 million by December 31, 2014 to acquire the German entities holding the condominium buildings are presented as advances in respect of trading properties. In order to finance the purchase of the condominium buildings the Group received during the reporting period a non-recourse loan from a local bank in Germany in the amount of EUR 22 million. See more details in Note 9(II)A.

The net realisable value of the trading property is based on the Group's best estimation of the expected selling price less the estimated costs of completion and the estimated costs necessary to make the sale. In determining the expected selling price of the residential separated condominium units management used actual recent transactions with adjustments for differences in the location and building condition. At the reporting period the net realisable value of all residential separated condominium units exceeded their carrying amount thus no write down was recognised.

Note 9 - Investment Properties, Advances in Respect of Investment Properties and Assets Held-for-Sale

(I) Investment Properties

	December 31,	
	2014	2013
	Euro thousands	Euro thousands
Balance at January 1,	**448,940**	255,809
Acquisition of subsidiaries	**14,055**	104,640
Additions (see A(b) below)	**75,621**	61,060
Capital expenditure of Investment properties	**10,122**	4,430
Disposals (see A(a) below)	**(5,825)**	—
Fair value adjustments	**68,655**	23,001
Balance at December 31,	**611,568**	448,940

A. Reconciliation of carrying amount

The closing balance of investment properties at December 31, 2014 relates to buildings in Berlin. Three of these buildings in the total value of EUR 12,532 thousands are commercial buildings. All the others are residential buildings. The buildings are mainly spread in the center and western side of the city. Most buildings contain between 10 to 80 residential units ranging between 55 sqm to 85 sqm per unit. Generally residential contracts are without time period. The tenants have the sole right to terminate the contract with a 3 month notice in writing. Contracts are denominated in EUR. Tenants are required to make rental deposits generally equal to 3 months rent at the inception of any lease contract, and are paying in advance rent, facility management and utilities for 1 month period.

According to the German law, residential rental contracts are unlimited in their duration/period. The right to increase the rent is being defined in the contract (e.g. stepped rent) and subject to the German law. The rent prices are set according to the market prices or upon a given price index ("rent mirror") which exists in Germany. The rent increase is restricted by the law and can only be increased if several parameters are being met. The main two are: the existing rent price is below the rent mirror for the specific area where the apartment is located in and that no rent increase over 15% was performed in the last three years.

Note 9 - Investment Properties, Advances in Respect of Investment Properties and Assets Held-for-Sale (continued)

(I) Investment Properties (continued)

A. Reconciliation of carrying amount (continued)

According to the 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 rents, and the termination/cancellation of the contract must be in writing.

Some of the residential buildings include commercial units in the ground floor. These units, together with the 3 commercial buildings mentioned above, are leased for retail for a period of 1-5 years. Generally leases contain an initial period of 2 to 5 years. Subsequent renewals are negotiated with the lessee. Contracts are denominated in EUR. Tenants are required to make rental deposits generally equal to 3 months rent at the inception of any lease contract.

All the investment properties are pledged to the financing banks.

(a) In January 2014 the Group completed the sale of the building Yenidze Cigarette factory located in Dresden (Germany), to third party in the amount of EUR 6 million. The sale was part of an agreement that was signed in 2013 with the bank that financed the asset following a breach of the loan repayment obligation. The Group sold the asset for a price lower than the amount of the outstanding bank loan and the proceeds were used to repay part of the non-recourse loan (totaling EUR 9.6 million). As agreed with the bank, following the sale the bank forfeited the rest of the loan. A difference of EUR 0.6 million between the proceeds from the sale of the asset and its fair value as at December 31, 2013 was recorded as a loss in profit or loss as changes in fair value of investment properties. The gain from forgiveness of the remaining bank loan in the amount of EUR 4 million was recognized as finance income.

(b) During the reporting period, the Group completed the takeover of 17 residential buildings with total of 78 thousands sqm in Berlin including 1,328 residential units and 72 commercial units in the total amount of EUR 104 million. Except the below mentioned share deal all the transactions were of purchasing of assets directly.

Two buildings (from the 17 buildings mentioned above) include 90 residential separated condominium units were purchased for EUR 14 million. The Group started to sell part of the units from those buildings. These two buildings are treated as Trading Properties. See Note 8A.

In order to finance the purchases of the buildings the Group received non-recourse loans from local banks in Germany in the total amount of EUR 69 million.

The loan financing the 2 condominium buildings in the amount of EUR 9 million was given for 3 years and bears an interest rate of 3 months Euribor + 2.3%. The cash received on the sale of the condominium units shall be used partly (i.e. until certain maximum amount of proceed per sold square meter) for the repayment of the EUR 9 million loan in accordance with the contract with the financing bank. The normal operating cycle of selling of housing units activity is estimated to be 3 years, therefore the Group presented this loan as current liability.

The remaining loans in the amount of EUR 60 million included EUR 8 million loan received in 2013 and EUR 52 million loans received in 2014. All of the loans were provided for a period of 5-7 years and bear fix interest rate of 2.0%-2.9%.

The loans include standard financial covenants: Yearly Debt Service Coverage Ratio ("DSCR") in a range between 100% to 130% of the remaining loans and a maximum loan to value range of 68%-77%.

Share deal transaction:

One building (from the 17 buildings mentioned above) was taken over as part of acquisition of 100% of the issued shares and 100% of the shareholder loans of a German company, which is holding the asset, for EUR 14 million. The only activity of the acquired company is holding rights in the residential building, located in Berlin. The purchase of the company was treated as a purchase of group of assets and liabilities and not as a business combination based on IFRS 3 – Business combinations, mainly since the Group purchased the assets but did not take over the processes including the property management activity of the previous management. Therefore, the purchase price was allocated to the assets and liabilities based on their fair values at the purchase date without recognition of goodwill.

Note 9 - Investment Properties, Advances in Respect of Investment Properties and Assets Held-for-Sale (continued)

(I) Investment Properties (continued)

B. Measurement of fair value

(a) Determination of fair value

The fair value of investment property was determined by property valuation experts having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The valuation experts determine the fair value of the Group's investment property portfolio for each reporting period.

(b) Level 3 fair value – valuation technique and significant unobservable inputs.

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

The following table shows the valuation technique used in measuring the fair value of investment property as well as the significant unobservable inputs used. No significant changes in unobservable inputs have been noted from the year ended December 31, 2013.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flows : The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth rate, occupancy rate lease incentive costs such as rent free period and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (primary vs. secondary) tenant credit quality and lease terms.	• Current market residential rental price per sqm (€5.5-€10.5, average €7.6) • Expected market rental growth (1.5%-2.0%, weighted average 1.9%) • Occupancy rate (96%-98%, weighted average 97%) • Fluctuation rate of existing tenants (residential 10%, commercial 5%) • Risk-adjusted discount rates (4.5%-6.5%, weighted average 5.9%).	The estimated fair value would change if : • Current market residential rental price per sqm was higher (lower) by 5% than the fair value would be higher (lower) by 0.7% (i.e: million 4.1 EUR). • Expected market rental growth was higher (lower) by 5% then the fair value would be higher (lower) by 0.5% (i.e: million 2.8 EUR). • The occupancy rate was higher (lower) by 3% than the fair value would be higher (lower) by 2% (i.e: million 14.7 EUR). • The fluctuation rate of existing tenants was higher (lower) by 10% than the fair value would be higher (lower) by 0.4% (i.e: million 2.2 EUR). • The risk-adjusted discount rate was lower (higher) by 5% the market value would be higher (lower) by 4% (i.e: million 32 EUR).

Fair value is a price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date.

Note 9 - Investment Properties, Advances in Respect of Investment Properties and Assets Held-for-Sale (continued)

(I) Investment Properties (continued)

B. Measurement of fair value (continued)

In determining the fair value of residential and commercial properties, the valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A discount rate which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. A table showing the range of discount rates applied for each type of property is included below:

Discount Rate	2014	2013
Residential	**4.50%-6.50%**	5.60%-7.40%
Commercial	**5.50%-6.50%**	6.00%-7.25%

Valuations reflect, where appropriate; the type of tenants actually populate the housing units or responsible for meeting lease commitments or likely to be in occupation after letting of vacant areas and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

In determining the fair value of the properties which are not generating any substantial income or completely vacant the evaluators relied on market rents, or used the sales comparison approach.

The Group's current average capitalization rate which was calculated as the Net operating income ("NOI") for the reporting period divided by the fair value, reduced from 5.3% as at December 31, 2013 to 4.9% as at December 31, 2014 mainly due to increase in income growth rate and decrease in discount rates.

(II) Advances in respect of Investment Properties

A. In January 2015 the Group together with Harel Insurance (14% shareholder of the Company's direct share holder ADO Group) completed the acquisition of several German entities which hold 43 residential buildings located in Berlin, Germany for a total amount of EUR 130 million. The German entities were acquired through two of the Company's subsidiaries in which the Company holds 60% and Harel 40% interest.

The portfolio includes 1,300 residential units and 45 commercial units in central Berlin with a total leasable area of approximately 88 thousands square meters.

4 buildings were converted into condominiums of apartments and the Group plans to convert additional 2 buildings into condominiums and sell the units. The conversation will not require any substantial expenses and expected to be completed during the year 2015.

The advances paid by the Company's subsidiaries in the amount of EUR 32 million by December 31, 2014 to acquire the German entities holding the condominium buildings are presented as advances in respect of trading properties.

The advances paid in the amount of EUR 98 million by December 31, 2014 to acquire the German entities holding the other residential buildings are presented as advances in respect of investment properties.

In order to finance the purchase of the portfolio the Group received during the reporting period two non-recourse loans from a local bank in Germany in the total amount of EUR 86.5 million. (One bank loan for financing the purchase of the condominium buildings in the amount of EUR 22 million was received for 4 years and bears an interest rate of 3 months Euribor + 1.26%. The cash that will be generated from the sale of the condominium units will be used for the repayment of the EUR 22 million loan. The normal operating cycle of selling of housing units is estimated to be 3 years, therefore the Group presented this loan as current liability). A bank loan for financing the Investment Properties in the amount of EUR 64.5 million was given for 7 years and bears a fix interest rate of 1.76%.

During the reporting period the Company's parent company (ADO Group) and Harel granted loans to the Group in total amount of EUR 45.6 million (each according to its relative share in the transaction). The loans were recorded in the statement of financial position against advances in respect of trading properties and advances in respect of

Note 9 - Investment Properties, Advances in Respect of Investment Properties and Assets Held-for-Sale (continued)

(II) Advances in respect of Investment Properties (continued)

investment properties. The loans from ADO Group and Harel bear annual interest rate of 6% and presented under amounts due to related parties. (See also Note 21A related parties).

B. During the fourth quarter of 2014 the Group signed purchase agreements for 3 buildings in Berlin with a total of 8.7 thousands sqm, including 134 residential units and 7 commercial units in the total amount of EUR 11.9 million. In March and April 2015 the Group completed the takeover of these buildings see Note 23F.

C. On December 19, 2014 the Group, through wholly owned subsidiaries entered into an agreement ("SPR deal") with a third party to acquire the rights in a portfolio of residential buildings in Berlin which includes 5,800 residential apartments (together with commercial areas in an amount insignificant to the transaction as a whole) over a total area of 400 thousand square meters ("the properties" and "the transaction" respectively). The total cost of the transaction (including related costs) is expected to be EUR 400 million. On the date of the agreement, the Group made an advance payment to the seller in the amount of EUR 20 million and the remaining amount is expected to be paid at the end of March 2015, the transaction closing date. The EUR 20 million are presented under advances in respect of investment properties at the statement of financial position. All the properties included in the transaction are located in western Berlin, and are synergetic to the Group's activity, in a manner compatible with its acquisition strategy, of acquiring residential properties in Berlin. The annual rent in respect of the properties are estimated at EUR 24 million and the overall occupancy rate is estimated at 96%.

In March 2015 the Group received a non-recourse bank loan in the amount of EUR 280 million and in April 2015 completed the takeover of SPR deal - see Note 23G.

(III) Assets held for sale

During 2014, the Group completed the sale of 6 (out of 7) residential buildings in the amount of EUR 6.3 million to third parties. The 6 sold buildings were purchased in October 2013 as part of the transaction with the funds of Stenham, and presented in the amount of EUR 6.2 million as part of the Assets held for sale in the statement of financial position. Following these sales, the Group fully repaid the bank loan related to these assets which was totaled to EUR 4.9 million. The amount of EUR 1.1 million which is booked under assets held for sale at December 31, 2014 represents one building which was sold in the first quarter of 2015 - see Note 23C.

Note 10 - Other Payables

	December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Deferred income from buyers of housing units	**199**	—
Accrued expenses	**887**	651
Accrued interest payable	**268**	363
Tenants deposits	**6,880**	5,158
Parent company (ADO Group)	**—**	78
Deferred income	**632**	645
Corporate tax	**43**	165
VAT	**358**	139
Other	**336**	281
	9,603	7,480

The Group's exposures to liquidity risk related to other payables are disclosed in Note 19.

Note 11 - Interest Bearing Loans from Banks

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see Note 19.

Note 11 - Interest Bearing Loans from Banks (continued)

	December 31, 2014	December 31, 2013	Interest rate December 31, 2014
	Thousands Euro		
Short term in EUR			
	41,543	17,775	Euribor + (0.88%-2.4%)
	4,080	1,968	1.76%-4.21%
	45,623	19,743	
Long term in EUR			
	158,738	167,449	Euribor + (0.88%-1.86%)
	209,992	99,298	1.76%-4.21%
	368,730	266,747	
Total interest-bearing loans from banks	**414,353**	**286,490**	

A. All loans are non-recourse loans with the related assets (investment properties and trading properties) as their only security which is valued higher than the related loans on an asset base. The loans are outstanding from German banks. All the loans were taken in order to finance the purchase of the properties in Berlin, except one loan which was taken to finance an asset located in Dresden and was settled during the period – see Note 9(I)A(a).

B. Re-pricing on the variable interest loans is done on a quarterly basis. The average effective interest rates, including swap agreements (swap interest hedge deals from variable to fix) as at December 31, 2014 and as at December 31, 2013 are 3.0% and 3.5% per annum respectively.

In order to hedge the exposure to variability in cash flows resulting from change at the Euribor, the Group entered into interest rate swap agreements on most of the loans which bear variable interest (see Note 12).

C. For new loans received in the year 2014 and repayments of existing loans due to asset held for sale disposals – see Notes 9(I)A(a)-9(I)A(b), 9(II)A. For new loans received after the reporting period see Notes 23D, 23F and 23G.

D. At the end of December 2014, under the existing loan agreements, the Group is fully compliant with its obligations including loan covenants to the financing banks.

Note 12 - Derivatives

	December 31, 2014	December 31, 2013
	Euro thousands	Euro thousands
Current liabilities	**1,087**	356
Non current liabilities	**11,009**	7,051

For most of the bank loans which bear variable interest, the Group entered into cash flow hedge swap agreements according to which the Group receives 3 months Euribor + the interest margin and pays yearly fixed rates of 2.48%-3.89%, the maturity date of the swap agreements are identical to the related loan due dates timeline.

There are no significant default risk as the interest rate swaps were concluded with major banks. If the interest rate level changes, the fair value changes accordingly. Income and expenses are recognized in equity for the effective part of the hedge while the non-effective part is recognized within current earnings unless it's immaterial. If the interest rate level should rise\fall by 50 base points the attributable fair value of the interest rate swap will fall\raise by approximately EUR 1,728 thousands (2013 – EUR 926 thousands).

For the accounting treatments see Note 3Q(3).

Note 13 - Taxes

A. The main tax laws imposed on the Group companies in their countries of residence (no changes from previous year were noted unless specified otherwise):

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A 'solidarity surcharge' is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Dividends received from another company are 95% tax exempt.

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

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

- German real estate owned at the start of the calendar year is subject to annual property tax at 1.3% to 2.9% (depending on the location of the property) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is 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 more than 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT) which is payable by the buyer on the purchase price (on transfer of the property) or a specially assessed value as above (on transfer of shares). The tax rate varies between 3.5% and 6.5%, depending on the municipality where the property is located. In Berlin the tax rate is 6% (2013: 5%).

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

- Accumulated tax losses can be carried forward without time restriction and can be unlimited 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 amounting to 60% of the profits / capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on base 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, 2014 and as at December 31, 2013 is 15.825% for the companies which hold the investment properties real estate assets and 30.18% for the management companies that operate the real estate in Berlin.

(2) Cyprus

The taxation of companies is based on tax residence and all Cypriot companies are taxed under corporation tax at the rate of 12.5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (15% up to April 28, 2013). In such cases this interest will be exempt from corporation tax.

Dividend income and profits from the sale of shares and other titles of companies are exempt from taxation. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% for 2014 and thereafter (for the tax years 2012 and 2013 was 20%). There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividend to shareholders that are physical persons resident in Cyprus are subject to a 17% withholding tax.

Note 13 - Taxes (continued)

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

(2) Cyprus (continued)

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% for the tax year 2014 and onwards (for the tax years 2012 and 2013 was 20%) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

(3) Netherlands

Corporate Tax Rate – Profits up to EUR 200,000 are subject to a tax rate of 20%; profits above EUR 200,000 are subject to tax rate of 25%.

Tax Losses - Losses can be carried forward for nine years and compensated under specific legislative limitations.

Dutch participation exemption - provides for a full exemption of all benefits (dividends and capital gains) derived from a qualifying shareholding in a subsidiary.

Pursuant to article 13 of the Dutch Corporate Income Tax Act 1969 ("CITA"), effective as of January 1, 2007, a Dutch resident taxpayer is entitled to the benefits of the participation exemption with respect to shares held in another company if the following requirements are met:

- The taxpayer owns shares representing at least 5% of the paid up nominal share capital of a company with a capital divided into shares;
- The taxpayer does not qualify as an investment institution within the meaning of article 28 of the CITA; and
- The subsidiary does not qualify as a so-called low taxed passive subsidiary ("LTPS").

As a general rule, the participation exemption applies if participation is not held as a passive investment by the tax payer ("motive test"). Only if the motive test cannot be met, the taxpayer should support its position that a qualifying participation is not a LTPS, by meeting the "Asset Test" or "Subject to Tax Test".

A subsidiary is an LTPS when it cumulatively meets the following two conditions:

- The directly and indirectly held assets consist for more than 50% of free passive investments (Asset Test);
- The subsidiary's statutory tax burden does not amount to a tax of at least 10% on its profits and there are no significant differences in tax base (Tax Burden Test).

Withholding Tax – no withholding tax applies on interest payment from a Dutch resident entity to foreign debtors. Withholding tax on dividend payment to Israel is 5% based on the tax treaty between Israel and the Netherlands, subject to a minimum holding percentage of 25% in the company. The dividend withholding tax is 15% in any other case.

B. Income taxes:

	For the year ended December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Current year tax	**(45)**	(51)
Adjustments for prior years	**30**	65
Deferred tax expense	**(10,383)**	(3,682)
	(10,398)	(3,668)

Note 13 - Taxes (continued)

C. Reconciliation of statutory to effective tax rate:

	For the year ended December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Cyprus statutory income tax rate	**12.5%**	12.5%
Profit before taxes	**79,676**	26,609
Tax using the Company's domestic tax rate	**9,960**	3,326
Non deductible expense	**22**	6
Utilization of tax losses from prior years for which deferred taxes were not created	**(941)**	—
Effect of tax rates in foreign jurisdictions	**2,192**	998
Deferred tax assets not recognized for tax losses and other timing differences	**208**	141
Effect of Related Party loans interest	**(1,026)**	(484)
Adjustments for prior years	**(2)**	(65)
Other differences, net	**(15)**	(254)
Income tax expenses	**10,398**	3,668

D. Recognized deferred tax assets and liabilities

The Group recognizes deferred tax assets up until the total amount of the deferred tax liability.

Deferred taxes recognized are attributable to the following:

	December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Assets		
Derivatives	**1,871**	1,139
Tax losses carry-forward	**3,795**	3,194
	5,666	4,333
Liabilities		
Investment properties	**(25,254)**	(12,945)
Capital Note	**(6,785)**	(4,814)
Merger (deferred taxes relate to access of payment over cost upon merger in 2011)	**(11)**	(12)
	(32,050)	(17,771)
Net tax liabilities	**(26,384)**	(13,438)

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

	Investment properties	Merger	Derivatives	Capital Note (see Note 21A)	Tax losses	Total
			Euro thousands			
Balance at January 1, 2013	(8,206)	(17)	1,776	(2,158)	2,752	(5,853)
Charge (credit) to profit or loss for the year	(4,739)	5	(2)	612	442	(3,682)
Charge to other comprehensive income	—	—	(635)	(3,268)	—	(3,903)
Balance at December 31, 2013	(12,945)	(12)	1,139	(4,814)	3,194	(13,438)
Charge (credit) to profit or loss for the year	**(12,309)**	**1**	**(12)**	**1,337**	**601**	**(10,382)**
Charge (credit) to other comprehensive income	**—**	**—**	**744**	**(3,308)**	**—**	**(2,564)**
Balance at December 31, 2014	**(25,254)**	**(11)**	**1,871**	**(6,785)**	**3,795**	**(26,384)**

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

Carry forward tax losses amounted to EUR 29,280 thousand at December 31, 2014 (2013 - EUR 27,952 thousand). The tax losses can be carried forward indefinitely.

Note 13 - Taxes (continued)

D. Recognized deferred tax assets and liabilities (continued)

Deferred tax assets are recognised for carry forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 839 thousand at December 31, 2014 (2013 - EUR 1,825 thousand) in respect of losses carried forward amounting to EUR 5,299 thousand at December 31, 2014 (2013 - EUR 11,535 thousand) that can be carried forward against future taxable income due to its expectation for its 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.

(2) Tax recognized in other comprehensive income

	For the year ended					
	2014			2013		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	Euro thousands					
Derivatives	**(4,750)**	**744**	**(4,006)**	4,093	(635)	3,458

(3) Tax recognized directly in equity

	For the year ended					
	2014			2013		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	Euro thousands					
Capital note	**13,233**	**(3,308)**	**9,925**	13,072	(3,268)	9,804

Note 14 - Share Capital

	December 31,	
	2014	2013
	Number of shares	
Authorised:		
Ordinary shares of par value Euro 1 each	**2,000**	2,000
Issued and fully paid:		
At the beginning of the period	**2,000**	2,000
At the end of the period	**2,000**	2,000

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

Reserves include:

Reserve from transaction with shareholder - see note 21 regarding capital note issued. Hedging reserves - see note 3Q(3).

Note 15 - Revenue

	For the year ended December 31,	
	2014	2013
	Euro thousands	Euro thousands
Rental income from tenants	**31,972**	20,741
Selling of housing units	**610**	—
Income from facility services	**1,747**	1,932
	34,329	22,673

Note 16 - Cost of Operations

	For the year ended December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Direct expenses:		
Salaries and related expenses	**2,451**	1,784
Cost of utilities recharged, net (*)	**654**	315
Selling of housing units - cost	**512**	—
Property operations and maintenance	**2,964**	1,774
	6,581	3,873

(*) Net of utilities recharged to tenants.

Note 17 - General and Administrative Expenses

	For the year ended December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Salaries and related expenses	**948**	695
Share based payment	**139**	47
Rent	**80**	75
Professional services	**813**	782
Travelling	**34**	20
Office, communication and IT expenses	**294**	242
Advertising and marketing	**219**	40
Impairment loss on trade receivables	**143**	296
Depreciation	**96**	128
Services from parent company (see Note 21B)	**234**	138
Others	**162**	223
	3,162	2,686

Note 18 - Finance Income and Finance Costs

	For the year ended December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Interest received on bank deposits	**5**	3
Change in fair value of derivatives	**76**	14
Forgiveness of loan	**3,920**	—
Change in fair value of other financial asset (*)	**668**	—
Total finance income	**4,669**	17
Interest on bank loans	**(11,015)**	(8,396)
Interest on loans from related parties (see Note 21B)	**(6,566)**	(3,581)
Other finance expenses	**(836)**	(546)
Total finance costs	**(18,417)**	(12,523)
Total	**(13,748)**	(12,506)

(*) Option to acquire the remaining holdings (5.4%) in subsidiaries.

Note 19 - Financial Instruments – Fair Value and Risk Management

The Group's principal financial liabilities comprise bank loans, trade payables, loans received from related parties and derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and cash equivalents, short-term deposits, other financial assets, which arise directly from its operations.

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks which are recognized below.

1. Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group transacts only with creditworthy third parties. The Group's policy is to take a deposit security of 3 months rental which will be returned upon termination of the lease agreement. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant to the Group operation. The maximum exposure is the carrying amount of the receivable as disclosed in Note 6. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

With respect to cash balances and deposits the Group deposits all of its cash at high rated (Aaa) German banks.

2. Interest rate risk:

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. 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 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. See Note 12.

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

	December 31,	
	2014	**2013**
	Euro thousands	**Euro thousands**
Fixed rate instruments		
Assets		
Cash and cash equivalents	**9,662**	4,671
Restricted bank deposits from tenants	**6,880**	5,158
Restricted bank deposits securing bank loans	**2,983**	1,363
Total fixed rate financial assets	**19,525**	11,192
Liabilities		
Bank loans	**214,072**	101,266
Amounts due to related parties	**204,633**	114,629
Tenants security deposits	**6,880**	5,158
Total fixed rate financial liabilities	**425,585**	221,053
Variable rate instruments		
Bank loans	**200,281**	185,224

Interest on financial instruments classified as floating rate is repriced at intervals of three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

2. Interest rate risk (continued):

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, after the impact of hedge accounting, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on the Group's equity, except the impact on the profit and loss.

	Decrease\ Increase in basis points	Effect on the Profit before tax TEUR
December 31, 2014		
Variable rate instruments	50	155
December 31, 2013		
Variable rate instruments	50	78

3. Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group relies on external funding to finance its current and future properties. The future acquisitions of investment properties and the ability of the Group to expand its operations is dependent on its ability to obtain future bank financing. The Group intends to repay its existing bank loans by its operating activity (mainly rental income).

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that not more than 20% of its liabilities should be for less than one year. The table below summarizes the maturity profile of the Group's financial liabilities, including contractual interest payments, at December 31, 2014 and 2013 based on contractual undiscounted payments.

	Year ended December 31, 2014						
	< 3 months	3 to 12 months	1 to 2 years	3 to 5 years	> 5 years	Total	Carrying amount
Borrowings from banks	4,810	22,760	32,092	264,354	148,411	472,427	414,353
Loans from related parties	—	—	—	—	261,271	261,271	204,633
Trade payables	2,655	—	—	—	—	2,655	2,655
Tenants security deposits	—	6,880	—	—	—	6,880	6,880
Other payables	—	1,619	—	—	—	1,619	1,619
Derivatives	140	664	937	7,717	4,332	13,790	12,096
Total	7,605	31,923	33,029	272,071	414,014	758,642	642,236

	Year ended December 31, 2013						
	< 3 months	3 to 12 months	1 to 2 years	3 to 5 years	> 5 years	Total	Carrying amount
Borrowings from banks	13,418	16,026	14,772	237,114	54,032	335,362	286,490
Loans from related parties	—	—	—	—	153,063	153,063	114,629
Trade payables	2,603	—	—	—	—	2,603	2,603
Tenants security deposits	—	5,158	—	—	—	5,158	5,158
Other payables	—	1,339	—	—	—	1,339	1,339
Derivatives	343	410	378	4,752	2,774	8,657	7,407
Total	16,364	22,933	15,150	241,866	209,869	506,182	417,626

Given the current conditions in the real estate market management has considered property by property whether the Group will be able to generate sufficient cash from rents of residential and commercial units to repay its financial obligations as they fall due. As of December 31, 2014 management believes that they are sufficient.

4. Capital management:

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

4. Capital management: (continued)

may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014 and December 31, 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings from banks, trade payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent plus shareholders loans. The Group defines healthy capital ratio as a gearing ratio that is lower than 80%.

	2014	2013
	Euro thousands	Euro thousands
Interest bearing loans and borrowings	**414,353**	286,490
Trade payables net	**629**	887
Less cash and restricted bank deposits	**(19,525)**	(11,192)
Net debt	**395,457**	276,185
Equity	**131,071**	55,741
Shareholder's loans	**204,633**	114,629
Total Capital	**335,704**	170,370
Capital and net debt	**731,161**	446,555
Gearing ratio	**54%**	62%

5. Fair values:

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried at cost or amortised cost in the consolidated financial statements and for which carrying value is not considered to be approximately equal to fair value. This note does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value, such as trade and other receivables and trade and other payables.

Financial instruments measured at fair value for disclosure purposes only

	December 31, 2014					
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Valuation techniques for determining fair value	Inputs used to determine fair value
		EUR thousands				
Non-current liabilities:						
Long-term bank loans	**383,956**	—	—	**397,836**	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of Euribor+1.4% for the variable interest loans and Discount rate of 1.76% for the fix interest loans
Short term bank loan	**30,397**	—	—	**31,095**	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of Euribor+1.4%
Capital notes from related party	**162,117**	—	—	**169,002**	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of euro area central government bonds for 5 years + 3%.
Amount due to related party – ADO Group	**24,202**	—	—	**28,157**	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of euro area central government bonds for 10 years + 3%.
Amount due to related party – Harel Insurance Company Ltd.	**18,314**	—	—	**18,314**	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of 6%

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

5. Fair values: (continued)

	December 31, 2013					
		Fair value				
	Carrying amount	Level 1	Level 2	Level 3	Valuation techniques for determining fair value	Inputs used to determine fair value
		EUR thousands				
Non-current liabilities:						
Long-term bank loans	281,565	—	—	285,878	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of Euribor+1.7%
Short term bank loan	4,925	—	—	4,942		
Capital notes from related party	91,091	—	—	90,100	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of euro area central government bonds for 5 years + 4%.
Amount due to related party – ADO Group	23,538	—	—	23,347	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of euro area central government bonds for 10 years + 4%.

6. Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses 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, 2014	Level 1	Level 2	Level 3	Total
Other financial asset*	—	—	668	668
Derivative financial liabilities	—	12,096	—	12,096

*Relates to the Group's option for purchasing the non-controlling interest in a transaction done at the end of 2013.

December 31, 2013	Level 1	Level 2	Level 3	Total
Derivative financial liabilities	—	7,407	—	7,407

The Derivatives value was calculated by the same bank that gave the related to the derivatives loans. The credit risk used by the bank is not material component of the valuation made by the bank and the other variables are market observable.

Note 20 - Contingent Liabilities and Commitments

A. Contingent liabilities

The Company is involved in litigation arising in the ordinary course of its business, mostly claims related to immaterial repairs in the units. Although the final outcome of each of these cases cannot be estimated at this time, the

Note 20 - Contingent Liabilities and Commitments (continued)

A. Contingent liabilities (continued)

Company's management believes, based on similar previous cases and discussions with its lawyers, that the chances these litigations will result in any outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

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 in 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 shareholders loans to the financing bank; liens on all of the rights deriving from each material contract the borrower company is a party.

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

Note 21 - Related Parties

A. The following balances with related parties are included in the financial statements:

	December 31, 2014	December 31, 2013	Interest rate
	Euro thousands		
Statements of financial position			
Current liabilities			
ADO Group (presented under other payables in the statement of financial position)	—	78	—
Non-current liabilities			
Amounts due to related parties - ADO Group	**24,202**	23,538	6%-7%
Amounts due to related parties - ADO Group (Capital notes)	**162,117**	91,091	—
Amounts due to related parties - Harel Insurance Company Ltd (*)	**18,314**	—	6%
	204,633	114,629	

(*) Shareholder of the Company's parent company (ADO Group).

Loans

The loans will be repaid subject to availability of funds, no later than December 31, 2024 yet the Company has the right but not the obligation to repay the loans at an earlier date.

Capital notes

The capital notes were issued by the Company's subsidiary, ADO Finance B.V. to the Company's parent company (ADO Group). The capital notes loans will be redeemed no later than 10 years but in any event not before 5 years and bear no interest.

The difference between the fair value of the capital note liability and the cash received under the notes was recorded in equity as a capital contribution from shareholders, net of tax, at the date of issuing the notes. The total benefit net of tax recorded in equity in respect of this benefit was EUR 9,925 thousands in 2014 (2013 EUR 9,804 thousands).

Note 21 - Related Parties (continued)

B. Trading transactions

During the year, the Company and its parent and entities under common control of the parent had the following transactions with related parties that are not members of the Group.

	For the year ended December 31,	
	2014	2013
	Euro thousands	Euro thousands
Statements of comprehensive income		
Costs and expenses		
Services and management fee charges from ADO Group	**234**	138
Interest on loans from ADO Group	**1,128**	1,137
Interest on Capital note to ADO Group	**5,353**	2,444
Interest on loans from Harel Insurance Company Ltd.	**85**	—

The shareholder of the Company, holding 100% of all issued and paid share capital of the Company as of the reporting date, is ADO Group Limited, incorporated in Israel and the ultimate controlling party is Shikun and Binui Ltd.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

In year 2014 the parent company (ADO Group) is charging the Company and one of its subsidiaries in the amount of EUR 20 thousand per month for the following services: consulting, accounting, bookkeeping and company secretary services. In year 2013 the charge was in the amount of EUR 12 thousand per month.

C. Other related party transactions

The Company has 4 directors as at December 31, 2014. The annual salary cost and expenses return of the directors in 2014 and 2013 was nil.

Note 22 - Earnings Per Share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Earnings attributable to the owners of the Company

	For the year ended December 31,	
	2014	2013
	Euro thousands	Euro thousands
Profit attributable to the owners of the Company	**68,494**	22,854

Weighted average number of ordinary shares

	For the year ended December 31,	
	2014	2013
	Euro thousands	Euro thousands
Balance as of January 1,	**2,000**	2,000
Effect of issue of shares as part of purchase of subsidiaries	**—**	—
Effect of shares issued during the year	**—**	—
Weighted average number of shares used in the computation of basic earnings per share	**2,000**	2,000

	For the year ended December 31,	
	2014	2013
	Euro thousands	Euro thousands
Basic and diluted earnings per share (*)	**34**	11

(*) As at December 31, 2014 and 2013 the Company has no dilutive potential ordinary shares.

Note 23 - Subsequent Events

(a) In January 2015 the Group together with Harel Insurance (14% shareholder of the Company's direct shareholder—ADO Group) completed the acquisition of several German entities which hold 43 residential buildings located in Berlin, Germany for a total amount of EUR 130 million. The acquisition was made by newly established entities by the Group and Harel Insurance where the group holds 60% and Harel Insurance 40%. See Note 9(II)A.

(b) In the first quarter of 2015, the Group completed the sale of 11 condominiums units, for the total amount of EUR 2.7 million. The total purchase cost of these units was EUR 2.1 million

(c) In the first quarter of 2015 the Group completed the sale of one residential building in the amount of EUR 1.1 million to third parties. The sold building was purchased in October 2013 as part of the transaction with the funds of Stenham, and recorded in the amount of approximately EUR 1.1 million as part of the Assets held for sale in the statement of financial position. The existing bank loan related to the asset was already repaid in 2014.

(d) In February 2015 the Group signed an agreement with a German bank for prolongation of existing non-recourse loan in the amount of EUR 8.2 million for a period of 7 years and fix interest rate of 1.72%.

(e) In March 2015 the board of directors decided to transfer the Company's registered office and corporate seat from Cyprus to Luxembourg. The validity of this resolution shall be subject to the approval of the Cypriote authorities and the condition precedent that the German Tax Authorities confirm by way of a binding ruling that no German real estate transfer tax will be triggered by the transfer of registered office and company seat of the Company as well as the following change of legal form from a Luxembourg S.à r.l. into a Luxembourg S.A. On May 2015 the company received the binding ruling from the German authorities. The Company intends to establish its seat in Luxembourg during June 2015. In addition, the Board of Directors of the Company decided to examine the possibility of implementing a process of offering of shares of the Company and the listing of its shares for trading on the main stock exchange of Frankfurt, Germany. The process being examined is the offering and the listing for trading of Swallowbird shares for a total amount that shall not be less than EUR 350 million. In addition, the floatation would be implemented, insofar as practicable, by way of admission to listing of the shares on the Prime Standard (a regulatory framework on the Frankfurt Stock Exchange), so that the offering, insofar as implemented, will allow accessibility for international investors on a regulated market segment of the Frankfurt Stock Exchange.

(f) In March and April 2015 the Group completed the purchasing of 3 buildings in Berlin with a total of 8.7 thousands sqm, including 134 residential units and 7 commercial units in the total amount of EUR 11.9 million. In order to finance the purchases the Group received two non-recourse loans from German banks in the total amount of EUR 8.3 million. One loan in the amount of EUR 2.4 for a period of 7 years million and bears fix interest rate of 1.62%. Second loan in the amount of EUR 5.9 million for a period of 10 years and bears a variable interest rate of 3 months Euribor + 1.5%.

(g) On April 1, 2015 the Group, through wholly owned subsidiaries completed the acquisition ("SPR" deal) from a third party for the amount of EUR 375 million. The acquisition included the rights in a portfolio of residential buildings which includes 5,749 residential apartments (together with commercial areas in an amount insignificant to the transaction as a whole) in Berlin over a total area of 400 thousand square meters. In order to finance the deal, the group received in March 2015 a non-recourse loan in the amount of EUR 280 million from a consortium of two German banks for a period of 7 years. The loan bears a fixed interest rate which is composed of the swap cost to convert the loan to fix plus an interest margin of 1.32%. The final fix interest rate for a period of 7 years is 1.71%. The acquisition related costs include real estate transfer tax (6% from the purchase price) and transaction costs (1.5% from the purchase price).

Note 24 - List of Controlled Entities of the Company

			Shareholding and control at December 31,	
			2014	2013
	Company	Country	%	
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

Note 24 - List of Controlled Entities of the Company (continued)

	Company	Country	Shareholding and control at December 31, 2014	2013
			%	
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 mbH	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	Central Asset 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 I.I.C Immobilien, Investitionen & Capital - Erste	Germany	99.64	99.64
25	Immobilienverwaltung GmbH & Co KG	Germany	99.64	99.64
26	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
29	Lavlav Grundstücks GmbH	Germany	99.64	99.64
30	Mastik Grundstücks GmbH	Germany	99.64	99.64
31	Maya Grundstücks GmbH	Germany	99.64	99.64
32	Merlingotik Fünfte Immobilien GmbH & Co. KG	Germany	99.64	99.64
33	Mezi Grundstücks GmbH	Germany	99.64	99.64
34	Muse Grundstücks GmbH	Germany	99.64	99.64
35	Papun Grundstücks GmbH	Germany	99.64	99.64
36	Nehederet Grundstücks GmbH	Germany	99.64	99.64

Note 24 - List of Controlled Entities of the Company (continued)

	Company	Country	Shareholding and control at December 31, 2014	2013
			%	
37	Neshama Grundstücks GmbH	Germany	99.64	99.64
38	Osher Grundstücks GmbH	Germany	99.64	99.64
39	Pola Grundstücks GmbH	Germany	99.64	99.64
40	Q-ADO Dienstleistungs GmbH	Germany	100	100
41	Reshet Grundstücks GmbH	Germany	99.64	99.64
42	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
55	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
56	Sababa32 Grundstücks GmbH	Germany	99.64	99.64
57	Shemesh Grundstücks GmbH	Germany	99.64	99.64
58	Stav Grundstücks GmbH	Germany	99.64	99.64
59	Tamuril Grundstücks GmbH	Germany	99.64	99.64
60	Tara Grundstücks GmbH	Germany	99.64	99.64
61	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
62	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
63	Tehila Grundstücks GmbH	Germany	99.64	99.64
64	Trusk Grundstücks GmbH	Germany	99.64	99.64
65	Wernerwerkdamm 25 Grundstücks GmbH	Germany	99.64	99.64
66	Yarok Grundstücks GmbH	Germany	99.64	99.64
67	Yahel Grundstücks GmbH	Germany	99.64	99.64
68	Yussifun Grundstücks GmbH	Germany	99.64	99.64
69	Bombila Grundstücks GmbH	Germany	99.64	99.64
70.	ADO SBI Holding Ltd. & Co. KG	Germany	94	94

Note 24 - List of Controlled Entities of the Company (continued)

	Company	Country	Shareholding and control at December 31, 2014	2013
			%	
71	Central Facility Management GmbH	Germany	100	100
72	Sheket Grundstücks GmbH	Germany	100	100
73	Seret Grundstücks GmbH	Germany	100	100
74	Melet Grundstücks GmbH	Germany	100	100
75	Yabeshet Grundstücks GmbH	Germany	100	100
76	ADO Finance B.V.	Holland	100	100
77	Yadit Grundstücks GmbH	Germany	100	100
78	Zamir Grundstücks GmbH	Germany	100	100
79	Arafel Grundstücks GmbH	Germany	100	100
80	Sharav Grundstücks GmbH	Germany	100	100
81	Sipur Grundstücks GmbH	Germany	100	100
82	Matok Grundstücks GmbH	Germany	100	100
83	Barbur Grundstücks GmbH	Germany	94.9	94.9
84	Parpar Grundstücks GmbH	Germany	100	100
85	Jessica Properties B.V.	Holland	94.50	94.50
86	Alexandra Properties B.V.	Holland	94.44	94.44
87	Marbien B.V.	Holland	94.90	94.90
88	Meghan Properties B.V.	Holland	94.44	94.44
89	Matok Löwenberger Straße Grundstücks GmbH	Germany	100	—
90	Songbird 1 ApS	Denmark	60	—
91	Songbird 2 ApS	Denmark	60	—
92	Joysun 1 B.V.	Holland	60	—
93	Joysun 2 B.V.	Holland	60	—
94	Yona Investment GmbH & Co. KG	Germany	60	—
95	Yanshuf Investment GmbH & Co. KG	Germany	60	—
96	Ziporim Investment GmbH	Germany	60	—
97	Ofek 1 Grundstücks GmbH	Germany	100	—
98	Ofek 2 Grundstücks GmbH	Germany	100	—
99	Ofek 3 Grundstücks GmbH	Germany	100	—
100	Ofek 4 Grundstücks GmbH	Germany	100	—
101	Ofek 5 Grundstücks GmbH	Germany	100	—
102	Galim 1 Grundstücks GmbH	Germany	100	—
103	Galim 2 Grundstücks GmbH	Germany	100	—
104	Galim 3 Grundstücks GmbH	Germany	100	—

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Financial Statements

As at and for the years ended December 31, 2013 and 2012

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Financial Statements

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Independent Auditor's Report

To the shareholders of Swallowbird Trading & Investments Limited

We have audited the accompanying consolidated financial statements of Swallowbird Trading & Investments Limited (the "Company") and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at December 31, 2013 and 2012, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards adopted by the EU.

Budapest, May 25, 2015

KPMG Hungária Kft.

Istvan Henye
Partner

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Financial Position as at

	Note	December 31, 2013	December 31, 2012
		(In thousands EUR)	
Assets			
Current assets			
Cash and cash equivalents	4	**4,671**	1,581
Restricted bank deposits	5	**6,521**	4,029
Trade receivables	6	**1,716**	366
Other receivables	7	**624**	450
Assets held for sale	9B	**7,395**	—
		20,927	6,426
Non-current assets			
Restricted bank deposits	5	—	3,250
Property and equipment		**325**	301
Advances in respect of investment property		**17,596**	8,434
Investment property	8	**448,940**	255,809
		466,861	267,794
Total assets		**487,788**	274,220
Liabilities			
Current liabilities			
Interest bearing loans from banks	11	**19,743**	12,681
Trade payables		**2,603**	2,788
Other payables	10	**7,480**	4,927
Derivatives	12	**356**	561
		30,182	20,957
Non-current liabilities			
Interest bearing loans from banks	11	**266,747**	164,362
Amounts due to related parties	21	**114,629**	52,944
Derivatives	12	**7,051**	10,806
Deferred tax liabilities	13	**13,438**	5,853
		401,865	233,965
Shareholders' Equity			
Share capital	14	**2**	2
Share premium		**13,569**	13,569
Other reserves		**12,025**	(1,284)
Retained earnings		**29,832**	6,978
Total equity attributable to shareholders of the company		**55,428**	19,265
Non controlling interests		**313**	33
Total Equity		**55,741**	19,298
Total liabilities and shareholders' equity		**487,788**	274,220

Symeon Symeou	Yaron Zaltsman
Director	Director

Date of approval: May 25, 2015

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Comprehensive Income

	Note	For the year ended December 31, 2013	2012
		(In thousands EUR)	
Revenues	15	**22,673**	15,698
Cost of operations	16	**(3,873)**	(1,890)
Gross profit		**18,800**	13,808
General and administrative expenses	17	**(2,686)**	(2,635)
Changes in fair value of investment property	8	**23,001**	15,291
Results from operating activities		**39,115**	26,464
Finance income		**17**	106
Finance costs		**(12,523)**	(9,602)
Net finance costs	18	**(12,506)**	(9,496)
Profit before tax		**26,609**	16,968
Income tax expense	13	**(3,668)**	(2,211)
Profit for the year		**22,941**	14,757
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges, net of tax		**3,472**	(7,211)
Change in hedging reserve classified to profit and loss, net of tax		**—**	(67)
Total other comprehensive income (loss)		**3,472**	(7,278)
Total comprehensive income for the year		**26,413**	7,479
Profit attributable to:			
Owners of the company		**22,854**	14,703
Non-controlling interest		**87**	54
Profit for the year		**22,941**	14,757
Total comprehensive income attributable to:			
Owners of the company		**26,312**	7,451
Non-controlling interest		**101**	28
Total comprehensive income for the year		**26,413**	7,479
Basic and diluted earnings per share	23	**11**	7

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
				(In thousands EUR)				
Balance at January 1, 2013	**2**	**13,569**	**(8,719)**	**7,435**	**6,978**	**19,265**	**33**	**19,298**
Total comprehensive income for the year								
Profit for the year	—	—	—	—	22,854	22,854	87	22,941
Other comprehensive income for the year, net of tax (See Note 13D2)	—	—	3,458	—	—	3,458	14	3,472
Total comprehensive income for the year	—	—	3,458	—	22,854	26,312	101	26,413
Transactions with owners, recognized directly in equity								
Acquisition of subsidiaries with non-controlling interest	—	—	—	—	—	—	179	179
Contribution from shareholders, net of tax (See Note 13D2)	—	—	—	9,804	—	9,804	—	9,804
Share based payment	—	—	—	47	—	47	—	47
Balance at December 31, 2013	**2**	**13,569**	**(5,261)**	**17,286**	**29,832**	**55,428**	**313**	**55,741**

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Changes in Equity

	Share capital	Share premium	Fair value reserves	Hedging reserves	Capital reserve from transaction with controlling shareholder	Retained earnings	Total	Non-controlling interests	Total equity
					(In thousands EUR)				
Balance at January 1, 2012	2	13,569	—	(1,467)	(420)	(7,725)	3,959	5	3,964
Total comprehensive income for the year									
Profit for the year	—	—	—	—	—	14,703	14,703	54	14,757
Other comprehensive loss for the year, net of tax (See Note 13D2)	—	—	—	(7,252)	—	—	(7,252)	(26)	(7,278)
Total comprehensive income for the year	—	—	—	(7,252)	—	14,703	7,451	28	7,479
Transactions with owners, recognized directly in equity									
Contribution from shareholders, net of tax (See Note 13D2)	—	—	—	—	7,762	—	7,762	—	7,762
Share based payment	—	—	—	—	93	—	93	—	93
Balance at December 31, 2012	2	13,569	—	(8,719)	7,435	6,978	19,265	33	19,298

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

Swallowbird Trading & Investments Limited and subsidiaries

Consolidated Statements of Cash Flows

	For the year ended December 31,	
	2013	**2012**
	(In thousands EUR)	
Cash flows from operating activities		
Profit for the year	**22,941**	14,757
Adjustments for:		
Depreciation	**128**	60
Change in fair value of investment property	**(23,001)**	(15,291)
Net finance cost	**12,506**	9,496
Income tax expenses	**3,668**	2,211
Share based payment	**47**	93
Change in short-term restricted bank deposits related to tenants	**(1,129)**	(475)
Change in trade receivables	**(844)**	113
Change in other receivables	**215**	116
Change in trade payables	**(1,209)**	736
Change in other payables	**1,864**	459
Income tax received (paid)	**43**	(32)
Net cash from operating activities	**15,229**	12,243
Cash flows from investing activities		
Purchase and development of investment property	**(57,056)**	(25,611)
Advance for investment property purchase	**(17,596)**	(8,434)
Purchase of property and equipment	**(152)**	(245)
Interest received	**3**	8
Proceeds from investment property disposal	**—**	3,227
Acquisition of subsidiaries, net of cash of the acquired subsidiaries (See also Note 9)	**(4,641)**	—
Change in long-term restricted bank deposits, net	**3,250**	(3,161)
Change in short-term restricted bank deposits, net	**1,472**	373
Net cash used in investing activities	**(74,720)**	(33,843)
Cash flows from financing activities		
Long term loans received from banks	**43,893**	121,858
Repayment of borrowings from banks	**(3,582)**	(103,756)
Interest paid	**(8,201)**	(6,320)
Settlement of derivatives	**—**	(1,100)
Loans received from related parties, net	**7,277**	2,098
Loans received from related parties (in a form of capital note, see Note 21A)	**23,194**	4,050
Net cash from financing activities	**62,581**	16,830
Increase (decrease) in cash and cash equivalents during the year	**3,090**	(4,770)
Cash and cash equivalents at the beginning of the year	**1,581**	6,351
Cash and cash equivalents at the end of the year	**4,671**	1,581

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

Note 1 - Reporting Entity

A. Swallowbird Trading & Investments Limited ("the Company") was incorporated and registered in Cyprus in December 2007 as a private company. The Company's registered office is at Larnaca, Cyprus.

B. The Company holds and operates residential and commercial portfolios of real estate assets in Berlin, Germany. The consolidated financial statements for each of the periods comprise the Company and its subsidiaries (together referred to as the "Group"). The Company's immediate parent company is ADO Group Limited ("ADO Group"), an Israeli company traded in the Israeli stock exchange ("TASE") which holds 100% of the Company's shares. The ultimate shareholder of ADO Group is Shikun & Binui Ltd., an Israeli company traded in the Israeli stock exchange ("TASE") which holds 39.2% of the Company's shares.

For the list of the Company's subsidiaries, refer to Note 25.

Note 2 - Basis of Preparation

A. Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRS").

The consolidated financial statements were authorized for issue by the board of directors on May 25, 2015.

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements according with the Cyprus Civil Code. The statutory financial statements for the year ended December 31, 2013 were submitted to the Cypriot regulator during 2014.

B. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties and derivatives which are stated at fair value and assets held for sale which are measured at fair value less costs to sell.

C. Functional and presentation currency

These consolidated financial statements are presented in Euro, which is the Company's and the Company's subsidiaries functional currency. All financial information presented in Euro has been rounded to the nearest thousand, unless otherwise indicated.

D. Operating cycle

The Company's operating cycle is up to one year. As a result, current assets and current liabilities include also items the realization of which is intended and anticipated to take place within a year.

E. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, 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 recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the years ending December 31, 2013 and December 31, 2014 is included in the following notes:

(a) Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 13 – regarding the utilization of tax losses (estimation)

Note 8 – regarding measurement of investment property at fair value (estimations).

Note 2 - Basis of Preparation (continued)

E. Use of estimates and judgements (continued)

(b) Measurement of fair values

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

- Note 8, on investment property;
- Note 19, on financial instruments; and
- Note 9, on subsidiaries, with respect to the fair value of purchased assets and liabilities acquired.

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. There are three levels of fair value measurements in the fair value hierarchy that are based on the data used in the measurement, as follows:

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

(c) Acquisition of property companies

When acquiring the shares of legal entities holding real estate assets ("property company"), the Group examines whether to treat it as a purchase of a group of assets and liabilities or as a business combination based on IFRS 3. If the Group does not take over the processes including the asset management activity of the previous management the acquisition is not a business combination and the purchase price is allocated to the assets and liabilities, based on their relative fair values at the date of acquisition without recognition of goodwill and deferred tax (see note 9).

F. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013:

- IFRS 10 *Consolidated Financial Statements* (no impact on the Group's consolidated financial statements)
- IFRS 11 *Joint Arrangements* (no impact on the Group's consolidated financial statements)
- IFRS 12 *Disclosure of Interests in Other Entities* (no impact on the Group's consolidated financial statements)
- Amendment to IAS 12 *Income taxes - Deferred Tax*: *Recovery of Underlying Assets* (no impact on the Group's consolidated financial statements)
- Amendments to IAS 19 *Employee Benefits: Defined Benefit Plans* (no impact on the Group's consolidated financial statements)
- Amendments to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities* (no impact on the Group's consolidated financial statements)

Note 2 - Basis of Preparation (continued)

F. Changes in accounting policies (continued)

- IFRS 13 *Fair Value Measurement*

- Amendments to IAS 1 *Presentation of Financial Statements*: Presentation of Items of Other Comprehensive Income

From the above listed new standards and amendments to standards IFRS 10, 11 and 12 have been early adopted as of January 1, 2013.

The nature and effects of the changes are explained below.

1. Fair value measurement

IFRS 13 *Fair value measurement* provides a single framework for measuring fair value (see definition below). The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013; however results in additional disclosure requirements which are noted here (see Notes 8 and 19).

Fair value is defined as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

2. Presentation of items of other comprehensive income

As a result of the amendment to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of other comprehensive income to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognized assets, liabilities and other comprehensive income of the Group.

Note 3 - Summary of Significant Accounting Policies

A. Basis of consolidation

1. <u>Business combinations</u>

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

2. <u>Subsidiaries</u>

Subsidiaries are entities controlled by the Group. 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.

3. <u>Non-controlling interests</u>

Non-controlling interests comprise the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company. NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Note 3 - Summary of Significant Accounting Policies (continued)

A. Basis of consolidation (continued)

3. Non-controlling interests (continued)

Allocation of profit or loss and other comprehensive income to the shareholders:

Profit or loss and any part of other comprehensive income are allocated to the owners of the Company and the non-controlling interests. Total profit or loss and other comprehensive income is allocated to the owners of the Company and the non-controlling interests even if the result is a negative balance of non-controlling interests.

4. Transactions eliminated on consolidation

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

5. Acquisition of property companies

When buying a company holding real estate asset, the Group exercises judgement 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 as described above. However, in transactions in which the acquired 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, no goodwill is recognized and deferred taxes on the temporary difference existing at the date of acquisition are not recognized.

B. Cash and cash equivalents

Cash and cash equivalents comprise deposits in banks and short-term investments (primarily time deposits and certificates of deposit) with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

C. Restricted bank deposits

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

D. Trade receivables

Trade receivables do not carry interest and are recognized initially at fair value plus any directly attributable transaction costs, subsequent to which they are measured at amortized cost less allowance for impairment losses. The main component of this allowance is a specific loss component that relates to individually significant exposures.

E. Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held-for-sale, properties are no longer amortized or depreciated.

F. Investment property

Investment property is property held to earn rental income or for capital appreciation or both, rather than for:

1) Use in the production or supply of goods or services or for administrative purposes; or

Note 3 - Summary of Significant Accounting Policies (continued)

F. Investment property (continued)

2) Sale in the ordinary course of business.

Investment property is measured initially at cost, including capitalized borrowing costs. The cost includes expenses directly attributable to the purchase of investment property. In subsequent periods, investment property is measured at fair value, and changes in fair value are recognized in the statement of profit and loss.

Gains or losses on the disposal of investment property are determined by comparing the net proceeds from the disposal with the asset's carrying amount (the fair value of the investment property as of the disposal date). The gain 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

In determining the fair value of residential and commercial properties, the valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. A table showing the range of yields applied for each type of property is included below:

Yields	2013	2012
Residential	5.60% - 7.40%	5.75% - 7.25%
Commercial	6.00% - 7.25%	6.25% - 7.25%

Valuations reflect, where appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant areas and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

In determining the fair value of the properties which are not generating any substantial income or completely vacant the evaluators relied on market rents, or used the sales comparison approach.

Any gain or loss arising from a change in fair value is recognized in the income statement in the period in which it arises. Rental income from investment property is accounted for as described in accounting policy K.

Gain or loss on disposal of investment properties determined by comparing the proceeds from disposal of the asset to its carrying amount (the fair value of the properties before sale).

G. Employee benefits

Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally 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.

H. Impairment

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

Note 3 - Summary of Significant Accounting Policies (continued)

H. Impairment (continued)

Calculation of recoverable amount

Financial assets

The Group considers evidence of impairment for financial assets at an individual level. All individually significant assets are individually assessed for impairment. 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. The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Individually significant financial assets are tested for impairment on an individual basis.

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

Non-financial assets

The recoverable amount of non-financial assets (other than investment property, trading property and deferred tax assets) is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

In respect of non-financial assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

I. Trade payables

Trade payables are not interest bearing financial liabilities.

J. Provisions

Provisions are recognized when the Group has a legal or constructive present obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax interest rate that reflects current market assessments of the time-value of the money, and where relevant, the risks specific to the liability and excluding the credit risk of the Company.

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.

K. Revenue recognition

Revenue from the sale of investment property is recognized when the 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.

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.

Note 3 - Summary of Significant Accounting Policies (continued)

K. Revenue recognition (continued)

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, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided, and are measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales related taxes.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or continuing management involvement with the assets.

L. Finance income and costs

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

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets or liabilities at fair value through profit or loss, impairment losses recognized on financial assets, 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 (unless certain criteria are met for qualifying assets).

M. Taxation

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

The tax currently payable is based on taxable profit for the year, and any adjustment to tax payable in respect of previous years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the enacted or substantially enacted tax rates at the reporting date that are expected to apply in the period when the liability is settled or the asset is realized.

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

N. Transactions with controlling shareholder

Assets and liabilities included in a transaction with the controlling shareholder are measured at fair value on the date of the transaction. Any difference between the fair value and the consideration received is recorded at the Capital reserve from transaction with controlling shareholder in the statement of changes in equity.

O. 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

Note 3 - Summary of Significant Accounting Policies (continued)

O. Earnings per share (continued)

ordinary shares outstanding during the year, adjusted for treasury shares. 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, after adjustment for treasury shares, for the effects of all dilutive potential ordinary shares, which comprise convertible debentures, share options and share options granted to employees.

P. Financial instrument

1. Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group commits itself to buy or sell the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows 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. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group’s non-derivative financial assets are loans and receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are 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.

The Group has the following non-derivative financial assets: cash and cash equivalents, restricted bank deposits and trade and other receivables.

2. Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables.

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

3. Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments for hedging its interest rate risk exposures resulting from variable interest rate bank loans (i.e.: adjusting variable interest rate to fix 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 asset or 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.

Note 3 - Summary of Significant Accounting Policies (continued)

P. Financial instrument (continued)

3. Derivative financial instruments, including hedge accounting (continued)

The amount recognized in the other comprehensive income is removed and included in 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 and other comprehensive income 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 balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in profit or loss.

Q. Share capital - Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity. Any costs attributable to listing existing shares have been expensed as incurred.

R. Segments

The information about the components of the Group which management uses to make decisions about operating matters based on internal reports that are regularly reviewed by the Chief Operating Decision Maker (“CODM”) in order to allocate resources to the segment and asses its performance indicates that the Group has one reportable segment. The Group operates solely in Berlin, therefore the Group only has one geographical area in which it operates.

S. New IFRS Pronouncement

The following new or amended standards are not yet effective for the annual financial reporting periods ended December 31, 2012 and December 31, 2013 and they are not expected to have an impact on the Group’s consolidated financial statements:

- Amendments to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*
- Amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*
- Amendments to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*
- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions*
- IFRIC 21 *Levies*

Note 4 - Cash and Cash Equivalents

	Interest rate as of December 31, 2013	December 31, 2013	December 31, 2012
		Euro thousands	Euro thousands
Bank deposits - in EUR	—	**4,671**	1,581
		4,671	1,581

Note 5 - Restricted Bank Deposits

	Interest rate as of December 31, 2013	December 31, 2013	December 31, 2012
		Euro thousands	Euro thousands
Short term			
Restricted bank deposit - In EUR(*)	—	**6,521**	4,029
Total		**6,521**	4,029
Long term			
Restricted bank deposit - In EUR	—	**—**	(**)3,250
Total		**—**	3,250

(*) The balance as at December 31, 2013 includes EUR 5,158 thousands pledged bank deposits received from tenants (December 31, 2012 - EUR 3,025 thousands) and EUR 1,363 thousands pledged to secure banking facility (December 2012 – EUR 1,004 thousands)

(**) In December 2012 a controlled entity signed an agreement with a third party for selling its investment property. The gross proceed of EUR 3,250 thousand was received at the end of December 2012 and presented in the non-current assets as a restricted bank deposit as it used as collateral of a long term bank loan. In April 2013 the loan deposit was released.

Note 6 - Trade Receivables

The balances represent amounts receivable from leases of residential and commercial units less any allowance for doubtful debts. Trade accounts receivables are non-interest bearing and are generally on 30 days' terms.

As at December 31, 2013 trade receivables at nominal value of EUR 1,589 thousand (2012: EUR 694 thousand) were impaired and fully provided for. The Group's exposures to credit and impairment losses related to trade receivables are disclosed in Note 19.

Note 7 - Other Receivables

	December 31, 2013	December 31, 2012
	Euro thousands	Euro thousands
Advance to suppliers	**107**	143
Prepaid expenses	**403**	114
Value added tax due from tax authorities	**89**	129
Others	**25**	64
	624	450

Note 8 - Investment Property

	December 31, 2013	December 31, 2012
	Euro thousands	Euro thousands
Balance at January 1,	**255,809**	207,115
Acquisition of subsidiaries (see Note 9)	**104,640**	—
Additions **(see A(a) below)**	**65,490**	36,630
Disposals	**—**	(3,227)
Fair value adjustments	**23,001**	15,291
Balance at December 31,	**448,940**	255,809

Note 8 - Investment Property (continued)

A. Reconciliation of carrying amount

The closing balance of investment property at December 31, 2013 relates to the holding of 94.5% -100% in German and Dutch subsidiaries that hold buildings in Berlin The closing balance of investment property at December 31, 2012 relates to the holding of 99.64% and 100% in subsidiaries which hold residential buildings in Berlin in the total amount of EUR 249,384 thousand.

Three of these buildings in the total value of EUR 11,436 thousands as at December 31, 2013 (EUR 10,700 thousands as at December 31, 2012) are commercial buildings. All the others are residential buildings. The buildings are mainly spread in the western side of the city. Each building contains between 10 to 80 residential units ranging between 55 sqm to 85 sqm per unit. Generally residential contracts are without time period. Contracts are denominated in EUR. Tenants are required to make rental deposits generally equal to 3 months rent at the inception of any lease contracts, and are paying in advance for 1 month period. In addition to rental fees, the Group charges the tenants with utilities fees.

Some of the residential buildings include commercial units in the ground floor. These units together with the 3 commercial buildings mentioned above - are leases for retail for a period of 1-5 years. Generally leases contain an initial period of 2 to 5 years and others include contingent leases. Subsequent renewals are negotiated with the lessee.

According to the German law, residential renting contracts are unlimited in their duration/period. The right to increase the rent is being defined either in the contract (e.g. stepped rent) or through the German law. The rent prices are set according to the market prices or upon a given price index ("rent mirror") which exists in Germany. The rent increase is restricted by the law and can only be increased if several parameters are being met. The main two are: the existing rent price is below the rent mirror for the specific area where the apartment is located in; no rent increase over 15% was performed in the last three years.

According to the German law, the owner can terminate the residential contract only if he has a "justified cause" (e.g. the tenant is in default for more than two months rents) and the termination/cancellation of the contract must be in writing.

The company held one old asset - the Yenidze Cigarette factory located in Dresden, Germany. The fair value of the asset as of December 31, 2013 and December 31, 2012 was EUR 6,425 thousand. This asset did not generate any substantial income and was sold after the reporting date in January 2014. See also Note 24A.

(a) During the year 2013 the Group completed the takeover of 73 buildings with a total of approximately 155 thousands sqm in Berlin, including 2,053 residential units and 178 commercial units in the total amount of approximately EUR 170 million.

During the year 2013, the Group signed purchase agreements for 17 buildings in Berlin with a total of approximately 81 thousands sqm, including 1,377 residential units and 79 commercial units in the total amount of approximately EUR 109 million. Out of these 17 buildings the Group completed the takeover of 16 buildings during the year 2014 (see Note 24B) and estimates to complete the purchase of the remaining building by the second quarter of 2015.

(b) During the year 2012 the Group completed the takeover of 563 units.

In December 2012 a controlled entity signed an agreement with a third party for selling its investment property. The investment property was purchased in October 2007 in the amount of EUR 2.3 million. The gross proceed of EUR 3.25 million was received at the end of December 2012 and presented in the non-current assets as a restricted bank deposit as it used as collateral of a long term bank loan. The existing loan and swap agreement related to the asset total to approximately EUR 1.8 million, out of that the swap amounts to EUR 0.3 million. The bank and the controlled entities discussed the possibility of using the loan and the swap to finance different asset instead of paying it back to the bank. In March 2013 the parties agreed that if the controlled entity will not be able to finance a new asset, then it will pay both the loan and the swap from the restricted account and will release the remaining balance to the entity.

As of December 31, 2012 the Group has paid advances in respect for investment property in the amount of EUR 8,434 thousand.

(c) The fair values of the properties in Berlin as at December 31, 2012 were determined based on valuations performed by W&W Real Estate and as at December 31, 2013 by W&W Real Estate and JKT, an industry specialist in valuing such type of properties. The valuations were based on discounted cash flow model.

Note 8 - Investment Property (continued)

B. Measurement of fair value

(a) Determination of fair value

The fair value of investment property was determined by property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The valuers provide the fair value of the Group's investment property portfolio for each reporting period.

(b) Level 3 fair value – valuation technique and significant unobservable inputs

The fair value measurement for investment property in the amount of EUR 448,940 thousands (2012: EUR 255,809 thousands) has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

The following table shows the valuation technique used in measuring the fair value of investment property as well as the significant unobservable inputs used. No significant changes in unobservable inputs have been noted from the year ended December 31, 2012.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flows The valuation model considers the present value of net cash flows to be generated from the property taking into account expected rental growth rate, void periods, occupancy rate lease incentive costs such as rent free period and other costs not paid by tenants. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (primary vs. secondary) tenant credit quality and lease terms.	• Expected market rental growth (2.5%-3.5%, weighted average 2.9%) • Occupancy rate (95-98, weighted average 97%) • Risk-adjusted discount rates for residential (5.6-6.4%, weighted average 5.9%). • Risk-adjusted discount rates for commercial (6-7.2%, weighted average 6.3%).	The estimated fair value would increase (decrease) if • The Market rental growth was higher (lower) by 5% than the market value was higher (lower) by 2% (i.e: million 9.9 EUR). • The occupancy rate was higher (lower) by 3% than the market value was higher (lower) by 3% (i.e: million 13.4 EUR). • The risk-adjusted discount rate was lower (higher) by 5% than them market value was value was higher (lower) by 3% (i.e: million 11.3 EUR).

Note 9 - Acquisition of Subsidiaries

A. On June 30, 2013 the Company completed the acquisition of 94.9% of the issued shares and 100% of the shareholder loans of a German company for approximately Euro 5.5 million. The rest of the shares (5.1%) were purchased by Shikun and Binui RED B.V. The only activity of the acquired company is holding rights in 2 residential buildings, located in Berlin, totals to approximately 13,000 sqm and including 167 residential units and a single commercial unit. The purchase of the company was treated as a purchase of group of assets and liabilities and not as a business combination based on IFRS 3 – *Business combinations*, mainly since the Company view was taking care of the assets themselves and not the activity and previous management.

Therefore, the purchase price was allocated to the assets and liabilities based on their fair values at the purchase date without recognition of goodwill and deferred tax as followings:

	June 30, 2013
	In thousands EUR
Cash and cash equivalents	111
Restricted bank deposit	120
Trade and other receivables	74
Investment property(*)	12,455
Trade and other liabilities	(202)
Interest bearing loans from banks	(6,897)
Derivatives	(161)
Non controlling interest	(179)
Total consideration	5,321
Deposit in favor of the seller to be used for final calculation up to 12 months from the agreement	(300)
Paid consideration	5,021

	Thousands EUR
Paid consideration	5,021
Cash acquired	(111)
Net cash flow from the acquisition of subsidiary	4,910

(*) The fair value of the investment property as at June 30, 2013 was determined based on valuation to Euro 12,250 thousand reflecting a rent yield of 6.4%, therefore a loss of approximately Euro 205 thousand was recognised in profit or loss with respect to these assets subsequent to the acquisition.

Bank loan - the loan remaining period is 2 years. Part of the loan in the amount of Euro 6,177 thousands bears variable interest in the amount of 3 months Euribor+1.7%. The entity entered into swap agreement according to which received 3 month Euribor+1.7%/pay fix 3.2%. The remaining loan in the amount of Euro 720 thousands bears variable interest in the amount of 3 months Euribor+2.4%. On this loan, the entity entered into Cap agreement according to which the maximum Euribor rate is 2.5%. The loans are non-recourse loans. The financial covenants include Debt Service Cash Ratio (DSCR) which shall be at least 110% and Loan to Value which should not be over 75% during the whole loan period. As at December 31, 2013 the entity is fully compliant with its covenants.

B. At the end of October 2013 (hereinafter: "completion date"), the Company and ADO Group completed transaction with the funds of Stenham Berlin Residential Fund Limited (hereinafter: "SBRF"), a private corporation and with CR Property Holdings N.V. (hereinafter: "CRH"), a private corporation held by SBRF (SBRF and CRH shall hereinafter be referred to together as "Stenham"), according to which the Company purchased from Stenham approximately 94.5% shares in each of the four Dutch private companies held by Stenham which own rights in 48 income-producing properties in Berlin, Germany and its approached, including approximately 1,013 residential apartments and 124 commercial units located in floor ground of these assets, which their fair value at the completion date estimated at EUR 98 million. In addition, ADO Group purchased from Stenham 100% of shareholder loans provided by Stenham to the property companies with a balance at the completion date of approximately EUR 43 million.

For the acquisition of property and loans mentioned above, ADO Group and the Company paid total consideration of approximately Euro 8 million in cash and issuance of 427,366 million ordinary shares of ADO Group. After completion, Stenham hold approximately 20.57% of the issued and paid-up capital of ADO Group.

The agreements between the parties included the completion of refinance agreement with a local bank in Germany in the amount of EUR 62,200 thousands. Due to the intention of the Company to sell several acquired assets during the year

Note 9 - Acquisition of Subsidiaries (continued)

2014 and in order to avoid penalty costs the parties reached agreement that approximately EUR 5,000 thousands from the loan is for one year and bears interest rate of 3 months Euribor + 2% and the rest of the loan, in the amount of approximately EUR 57,200 thousands is for 5 years with a fix interest rate of 3.16%. The loans are all non-recourse. The financial covenants include Debt Service Cash Ratio (DSCR) which shall be at least 125% and Loan to Value which should be not over 66% till 30.9.2015 and 63% after 1.10.2015. As at December 31, 2013 the entity is fully compliant with these covenants. As part of the agreement, the company received option to acquire the remaining holdings (5.5%) in Dutch companies. The Option value was calculated as insignificant as at the date of acquisition. The purchase of Stenham was treated as a purchase of group of assets and liabilities and not as a business combination based on IFRS 3 – *Business combinations* mainly since the Company view was taking care of the assets themselves and not the activity and previous management. Therefore, the purchase price was allocated to the assets and liabilities based on their fair values at the purchase date without recognition of any goodwill as follow:

	October 29, 2013
	In thousands EUR
Cash and cash equivalents	1,432
Restricted bank deposit	2,716
Trade and other receivables	515
Assets held for sale(*)(**)	7,395
Investment property(*)	92,185
Trade and other liabilities	(1,734)
Interest bearing loans from banks	(61,539)
Shareholder loans	(39,807)
Total consideration	1,163

	Thousands EUR
Paid consideration	1,163
Cash acquired	(1,432)
Net cash flow from the acquisition	(269)

(*) The total fair value of the investment property including assets held for sale as the transaction date was determined based on valuation reports to totaling Euro 98,417 thousand reflecting a rent yield of 6%, therefore a loss of approximately Euro 1,163 thousand was recognized in profit or loss with respect to these assets subsequent to the acquisition.

(**) As part of the Stenham deal the Group acquired 7 residential buildings which the company intends to sell. Since these buildings were acquired exclusively with a view to its subsequent disposal they were classified as held for sale since they meet the "held-for-sale" criteria in accordance with IFRS 5 (see Note 24C).

Note 10 - Other Payables

	December 31,	
	2013	2012
	Euro thousands	Euro thousands
Accrued expenses	**651**	378
Accrued interest payable	**363**	218
Tenants deposits	**5,158**	3,322
Parent company	**78**	223
Deferred income	**645**	249
Corporate tax	**165**	169
VAT	**139**	200
Other	**281**	168
	7,480	4,927

Note 11 - Interest Bearing Loans from Banks

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings, see Note 19.

	December 31, 2013	December 31, 2012	Interest rate December 31, 2013
	Thousands Euro		
Short term in EUR			
	17,775	12,310	Euribor + (0.9%-2.8%)
	1,968	371	2.2%-4.2%
	19,743	12,681	
Long term in EUR			
	167,449	147,144	Euribor + (0.9%-2.4%)
	99,298	17,218	2.2%-4.2%
	266,747	164,362	
Total interest-bearing loans from banks	**286,490**	**177,043**	

A. All loans are non-recourse loans being the investment properties/assets held for sale as their only security. The loans are outstanding from European banks. All the loans, except for one short term loan in the amount of EUR 9,600 thousands which was taken to finance the asset located in Dresden, were taken in order to finance the purchase of residential properties in Berlin. In January 2014 the asset in Dresden was sold, see Note 24A.

B. Re-pricing on the variable interest loans is done on quarterly basis. The average effective interest rates, including swap agreements as at December 31, 2013 and as at December 31, 2012 are 3.5% and 3.8% per annum respectively.

C. During the year ended December 31, 2013 several controlled entities received non-recourse loans from local banks in Germany in total amount of EUR 107 million. The loans were taken in order to finance the purchase of 69 buildings in a cost of EUR 170 million. The loans were given for 5-10 years. Part of the loans (EUR 86 million) bear fixed interest of 2.17%-3.16% and the remaining loans (EUR 16 million) bear variable interest rate of 3 months Euribor + 1.5%.

In addition the company received a loan in an amount of EUR 7 million through acquisition of a subsidiary, please see note 9A.

For each of the variable interest loans, the controlled entities entered into swap agreement according to which they receive 3 months Euribor+1.5% and pay yearly fixed rates of 2.69%-3.42%. In addition, due to the intention of the Company to sell several assets in year 2014 and in order to avoid penalty costs, the Company reached agreement that approximately EUR 5 million from one of the loans will be for one year, bears interest rate of 3 months Euribor + 2%. The loans include standard financial covenants: Yearly DSCR ranges between 110%-130% of the remaining loans, maximum loan to value ratio of 66%-75%, and in part of the loans minimum quarterly rents.

D. During the year ended December 31, 2012 several controlled entities received non-recourse loans from local banks in Germany in total amount of EUR 18.35 million. The loans were taken in order to finance the purchase of 8 buildings in a cost of EUR 25.4 million. The loans were given for 7-10 years. Part of the loans (EUR 16.1 million) bear fixed interest of 3.05%-3.06% and the remaining loan (EUR 2.25 million) bear variable interest rate of 3 months Euribor + 1.86%.

For the variable interest loan received in year 2012, a controlled entity entered into swap agreement according to which it receives 3 months Euribor+1.86% and pay yearly fixed rate of 3.89%.

The loans received in year 2012 include standard financial covenants: Yearly DSCR ranges between 110%-120% of the remaining loans, maximum loan to value ratio of 74%-77%, and in part of the loans minimum quarterly rents.

In March 2012 a controlled entities signed on a refinance agreement of existing loans in the amount of EUR 102 million. The new loan is in the amount of EUR 105 million. The loan is for 7 years, bears variable interest rate of 3m Euribor+1.83%. The controlled entities entered into swap agreement according to which, they will pay

Note 11 - Interest Bearing Loans from Banks (continued)

fix rate of 3.7%. The principal payments of the loan are being paid on a quarterly basis, averaging 1.7% per year with a final payment after 7 years in the amount of 90% of the loan. The loan is non-recourse loan, the financial covenants include Debt Service Cash Ratio (DSCR) which shall be at least 110% and Loan to Value should be not over 75% during the whole loan period.

E. At the end of December 2013 and 2012, under the existing loan agreements, the Group is fully compliant with its obligations to the banks except one bank loan in the amount of EUR 9.6 million from an Austrian bank which was granted to finance the asset in Dresden. (The Group was still fully compliant with its obligation regarding this bank loan as at December 31, 2012.) In January 2014 the asset was sold and all the proceeds were used to repay part of the existing non-recourse loan – see Note 24A.

F. For new bank loans received and repayments of existing bank loans during the period started January 1, 2014 till the date when the consolidated financial statement were authorized for issue see Notes 24A-G.

Note 12 - Derivative Financial Instruments

	December 31,	
	2013	**2012**
	Euro thousands	**Euro thousands**
Current liabilities	**356**	561
Non current liabilities	**7,051**	10,806

For all of the long term bank loans which bear variable interest, the Company entered into swap agreements according to which they receive 3 months Euribor+the interest margin and pay yearly fixed rates of 2.69%-3.89%.

Fair value measurement

Fair values of the SWAP may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data, where current prices or observable market data are not available.

Factors such as bid-offer spread, credit profile, collateral requirements and model uncertainty are taken into account, as appropriate, when fair values are calculated using valuation techniques. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, and middle exchange rates, as determined by relevant central banks at each cut dates.

For the accounting treatments see Note 3P(3).

Note 13 - Taxes

A. The main tax laws imposed on the Group companies in their countries of residence (no changes from previous year were noted unless specified otherwise):

(1) Germany

- The standard rate of corporation tax for both residents and non-residents is 15%. A ‘solidarity surcharge’ is also levied resulting in an effective rate of 15.825% which applies to companies which hold German property regardless of their residence. Dividends received from another company are 95% tax exempt.
- No tax is withheld on rental payments to non-resident companies holding German property.
- Capital gains on the sale of German property are subject to corporation tax at the standard rate for both residents and non-residents. Trade tax is also applicable at the relevant rate, except for non-residents with no permanent establishment in Germany or limited companies that only hold assets for capital investments as long as the sale of the asset classifies as part of that business (detailed regulations apply). Capital gains realised by a company on the sale of shares in a property holding company are 95% exempt.
- German real estate owned at the start of the calendar year is subject to annual property tax at 1.3% to 2.9% (depending on the location of the property) on the specially assessed value of the property (dependent on the rental value and age of the property). The tax payable is deductible expense for profit tax purposes such as trade tax and corporation tax.

Note 13 - Taxes (continued)

(1) Germany (continued)

- The transfer of German real estate or a share transaction that unifies at least more than 95% of the shares of a company holding a real estate property is subject to a real estate transfer tax (RETT) 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 5%, depending on the municipality where the property is located.
- Limitation on the tax deductibility of interest expenses, and simultaneous repeal of the existing thin-cap rules. The "interest barrier rule" allows the deduction of net interest expenses exceeding EUR 3 million p.a. only to the extent that total net interest expenses do not exceed 30% of the EBITDA, unless the total net interest does not exceed EUR 3 million p.a. or other exemption criteria are met. The net interest expenses which are not deductible can be carried forward.
- Accumulated tax losses can be carried forward without time restriction and can be unlimited 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 amounting to 60% of the profits / capital gains that exceed EUR 1 million (minimum taxation). Those parts that cannot be deducted on base 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, 2013 and as at December 31, 2012 is 15.825% for the companies which hold the investment properties real estate assets and 30.18% for the management companies that operate the real estate in Berlin.

(2) Cyprus

The taxation of companies is based on tax residence and all companies are taxed under corporation tax at the rate of 12.5% as of January 1, 2013 (up to December 31, 2012, the corporation tax rate was 10%).

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to August 30, 2011). In such cases this interest will be exempt from corporation tax.

Dividend income and profits from the sale of shares and other titles of companies are exempt from taxation. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to August 31, 2011 the rate was 15% and was increased to 17% for the period thereafter to December 31, 2011).

There is no withholding tax on payments of dividends to non-resident shareholders or shareholders that are companies resident in Cyprus.

Payments of dividend to shareholders that are physical persons resident in Cyprus are subject to a 15% withholding tax.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to August 31, 2011 the rate was 15% and was increased to 17% for the period thereafter to December 31, 2011) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

(3) Netherland

Companies resident in the Netherlands are subject to corporate income tax at the general rate of 25% (2012:25%). The first EUR 200,000 of profits is taxed at a rate of 20%. Tax losses may be carried back for one year and carried forward for nine years. As part of the measures to combat the consequences of the economic crisis, taxpayers can elect for an extension of the loss carry back period to three years (instead of one year). The election is only available for losses suffered in the taxable years 2009, 2010 and 2011. If a taxpayer makes use of the election, two additional limitations apply: (i) the loss carry forward period for the taxable years 2009, 2010 and/or 2011 will be limited to a maximum of six years (instead of nine years); and (ii) the maximum amount of loss that can be carried back to the second and third year preceding the taxable year will be limited to EUR 10 million per year. The amount of loss that can be carried back to the year directly proceeding the taxable year for which the election is made will remain unrestricted. As of the taxable year 2012, the election for extended loss carry back is not available anymore and the regular loss carry back and carry forward limitations apply.

Note 13 - Taxes (continued)

(3) Netherland (continued)

Under the participation exemption rules, income (including dividends and capital gains) derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non-resident investee companies, is exempt from Netherlands corporate income tax provided the conditions as set under these rules have been satisfied. Such conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy at least one of the following tests:

- Motive Test, the investee company is not held as passive investment;
- Tax Test, the investee company is taxed locally at an effective rate of at least 10% (calculated based on Dutch tax accounting standards);
- Asset Test, the investee company owns (directly and indirectly) less than 50% low taxed passive assets.

B. Income taxes:

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Current year tax	**(51)**	(176)
Adjustments for prior years	**65**	(10)
Deferred tax expense	**(3,682)**	(2,025)
	(3,668)	(2,211)

C. Reconciliation of statutory to effective tax rate:

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Cyprus statutory income tax rate	**12.5%**	10%
Profit before taxes	**26,609**	**16,968**
Tax using the Company's domestic tax rate	**3,326**	1,697
Non deductible expense	**6**	9
Effect of tax rates in foreign jurisdictions	**998**	1,080
Deferred taxes not provided for losses and other timing differences, net	**(343)**	(475)
Adjustments for prior years	**(65)**	10
Other differences, net	**(254)**	(110)
Income tax expenses	**3,668**	2,211

D. Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

	December 31,	
	2013	2012
	Euro thousands	Euro thousands
Assets		
Derivatives	**1,139**	1,776
Tax losses carry-forward	**3,194**	2,752
	4,333	4,528
Liabilities		
Investment property	**(12,945)**	(8,206)
Capital Note	**(4,814)**	(2,158)
Merger (deferred taxes relates to access of payment over cost upon merger in 2011)	**(12)**	(17)
	(17,771)	(10,381)
Net tax liabilities	**(13,438)**	(5,853)

Note 13 - Taxes (continued)

(3) Netherland (continued)

D. Recognized deferred tax assets and liabilities (continued)

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

	Investment property	Merger	Derivatives	Capital Note (see Note 22A)	Tax losses	Total
			Euro thousands			
Balance at January 1, 2012	(5,348)	(50)	618	—	2,191	(2,589)
Charge (credit) to profit or loss for the year	(2,858)	33	(177)	416	561	(2,025)
Charge to other comprehensive income	—	—	1,335	(2,574)	—	(1,239)
Balance at December 31, 2012	(8,206)	(17)	1,776	(2,158)	2,752	(5,853)
Charge (credit) to profit or loss for the year	**(4,739)**	**5**	**(2)**	**612**	**442**	**(3,682)**
Charge to other comprehensive income	**—**	**—**	**(635)**	**(3,268)**	**—**	**(3,903)**
Balance at December 31, 2013	**(12,945)**	**(12)**	**1,139**	**(4,814)**	**3,194**	**(13,438)**

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

Carry forward tax losses amounted to EUR 27,952 thousand at December 31, 2013 (2012- EUR 26,272 thousand). The tax losses can be carried forward indefinitely.

Deferred tax assets are recognised for carry forward tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred tax assets of EUR 1,825 thousand at December 31, 2013 (2012 - EUR 2,001 thousand) in respect of losses carried forward and other temporary differences amounting to EUR 11,535 thousand at December 31, 2013 (2012 - EUR 12,644 thousand) that can be carried forward against future taxable income.

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.

(2) Tax recognized in other comprehensive income

	For the year ended					
	2013			2012		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
			Euro thousands			
Derivatives	**4,093**	**(635)**	**3,458**	(8,587)	1,335	(7,252)
Capital note	**13,072**	**(3,268)**	**9,804**	10,336	(2,574)	7,762

Note 14 - Share capital

	December 31,	
	2013	2012
	Number of shares	
Authorised:		
Ordinary shares of par value Euro 1 each	**2,000**	2,000
Issued and fully paid:		
At the beginning of the period	**2,000**	2,000
At the end of the period	**2,000**	2,000

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

Note 14 - Share capital (continued)

Reserves include:

Reserve from transaction with shareholder -see Note 21 regarding capital note issued. Hedging reserves -see Note 3P(3).

Note 15 - Revenues

	For the year ended December 31,	
	2013	**2012**
	Euro thousands	**Euro thousands**
Rental income from tenants	**20,741**	15,463
Income from facility services	**1,932**	235
	22,673	15,698

Note 16 - Cost of Operations

	For the year ended December 31,	
	2013	**2012**
	Euro thousands	**Euro thousands**
Direct expenses:		
Salaries and related expenses	**1,784**	1,018
Cost of utilities recharged, net(*)	**315**	91
Property operations and maintenance	**1,774**	781
	3,873	1,890

(*) Net of utilities recharged to tenants.

Note 17 - General and Administrative Expenses

	For the year ended December 31,	
	2013	**2012**
	Euro thousands	**Euro thousands**
Salaries and related expenses	**695**	823
Share based payment	**47**	93
Rent	**209**	236
Professional services	**782**	736
Travelling	**20**	26
Office, communication and IT expenses	**242**	198
Advertising and marketing	**40**	50
Impairment loss on trade receivables	**296**	101
Bad debts	**—**	150
Depreciation	**128**	60
Services from parent company (see Note 21B)	**138**	90
Others	**89**	72
	2,686	2,635

Note 18 - Finance Income and Finance Costs

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Interest received on bank deposits	**3**	8
Net change in fair value of derivatives	**14**	—
Reversal of hedging reserve due to refinance	**—**	98
Total finance income	**17**	106
Interest paid on bank loans	**(8,396)**	(6,820)
Interest on loans from related parties (see Note 21B)	**(3,581)**	(2,225)
Net change in fair value of derivatives	**—**	(43)
Other finance expenses	**(546)**	(514)
Total finance costs	**(12,523)**	(9,602)
Total	**(12,506)**	(9,496)

Note 19 - Financial Instruments – Fair Value and Risk Management

The Group's principal financial liabilities comprise bank loans, trade payables, loans received and derivatives. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, loans to related entities, cash and cash equivalents, short-term deposits, other financial assets, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks which are recognized below.

1. Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group trades only with creditworthy third parties. It is the Group's policy that all tenants who wish to trade on credit terms are subject to credit verification procedures. The Group's policy is to take a deposit security of 3 months which will be retuned upon termination of the lease agreement. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the financial asset as disclosed in Note 6. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and loan notes, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these. With respect to cash balances and deposits the Group deposits all of its cash at high rated (Aaa) German banks.

2. Interest rate risk:

The Group's exposure to the risk of changes in market interest rates relates primarily to the Groups long-term debt obligations with floating interest rates. Loans obtained at variable rates expose the Group to cash flow interest risk, which could have adverse effects on the Group's profit or loss or financial position. Changes in interest rates cause variations in interest income and costs on interest-bearing assets and liabilities.

Borrowings issued at fixed rates expose the Group to fair value interest risk.

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

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

2. Interest rate risk (continued):

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

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Fixed rate instruments		
Assets		
Cash and cash equivalents	**4,671**	1,581
Restricted bank deposits from tenants	**5,158**	3,025
Restricted bank deposits to banks	**1,363**	4,254
Total fixed rate financial assets	**11,192**	8,860
Liabilities		
Bank loans	**101,266**	17,589
Amounts due to related parties	**114,629**	52,944
Tenants security deposits	**5,158**	3,322
Total fixed rate financial liabilities	**221,053**	73,855
Variable rate instruments		
Bank loans	**185,224**	159,454

Interest on financial instruments classified as floating rate is repriced at intervals of less than three months. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, after the impact of hedge accounting, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no material impact on the Group's equity, except the impact on the profit and loss.

	Decrease in basis points	Increase in Profit before tax TEUR
December 31, 2013		
Variable rate instruments	50	78
December 31, 2012		
Variable rate instruments	4.5	7

3. Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group relies on external funding to finance its current and future properties. The future acquisitions of investment properties and the ability of the Group to expand its operations is dependent on its ability to obtain future bank financing. The Group intends to repay its existing bank loans by its operating activity (mainly rental income). Despite the tightening of the availability credit observed in world markets, the Group has so far been able to secure additional properties funding when needed.

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

3. Liquidity risk (continued):

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is that not more than 20% of its liabilities will be for less than one year. The table below summarizes the maturity profile of the Group's financial liabilities, including contractual interest payments, at December 31, 2013 and 2012 based on contractual undiscounted payments.

	Year ended December 31, 2013						
	< 3 months	3 to 12 months	1 to 2 years	3 to 5 years	> 5 years	Total	Carrying amount
Borrowings from banks	13,418	16,026	14,772	237,114	54,032	335,362	286,490
Loans from related parties	—	—	—	—	153,063	153,063	114,629
Trade payables	2,603	—	—	—	—	2,603	2,603
Tenants security deposits	—	5,158	—	—	—	5,158	5,158
Other payables	—	2,322	—	—	—	2,322	2,322
Derivatives	343	410	378	4,752	2,774	8,657	7,407
Total	16,364	23,916	15,150	241,866	209,869	507,165	418,609

	Year ended December 31, 2012						
	< 3 months	3 to 12 months	1 to 2 years	3 to 5 years	> 5 years	Total	Carrying amount
Borrowings from banks	12,532	7,017	9,416	56,871	128,813	214,649	177,043
Loans from related parties	—	—	—	—	71,538	71,538	52,944
Trade payables	2,788	—	—	—	—	2,788	2,788
Tenants security deposits	—	3,322	—	—	—	3,322	3,322
Other payables	—	1,605	—	—	—	1,605	1,605
Derivatives	805	451	605	3,651	8,270	13,782	11,367
Total	**16,125**	**12,395**	**10,021**	**60,522**	**208,621**	**307,684**	**249,069**

- Given the current conditions in the real estate market management has considered property by property whether the Group will be able to generate sufficient cash from rents of residential and commercial units to repay its financial obligations as they fall due. As of December 31, 2013 found all of them sufficient.

4. Capital management:

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group defines healthy capital ratio as a gearing ratio that is lower than 80%. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and December 31, 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings from banks, trade payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent plus shareholders loans. The Group defines healthy capital ratio as a gearing ratio that is lower than 80%.

	2013	2012
	Euro thousands	Euro thousands
Interest bearing loans and borrowings	**286,490**	177,043
Trade payables net	**887**	2,422
Less cash and restricted bank deposits	**(11,192)**	(8,860)
Net debt	**276,185**	170,605
Equity	**55,741**	19,298
Shareholder's loans	**114,629**	52,944
Total Capital	**170,370**	72,242
Capital and net debt	**446,555**	242,847
Gearing ratio	**62%**	70%

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

5. Fair values:

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated financial statements.

Financial instruments measured at fair value for disclosure purposes only

	December 31, 2013					
	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3	Valuation techniques for determining fair value	Inputs used to determine fair value
	NIS thousands					
Non-current liabilities:						
Long-term bank loans	281,565	—	—	285,878	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of Euribor+1.7%
Short term bank loan	4,925	—	—	4,942		
Capital notes from related party	91,091	—	—	90,100	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of euro area central government bonds for 5 years + 4%.
Amount due to related party – ADO Group	23,538	—	—	23,347	Discounted cash flow based on market interest rate on the date of measurement	Discount rate of euro area central government bonds for 10 years + 4%.

The table below includes fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is not a reasonable approximation of their fair value.

	For the year ended December 31, 2012	
	Carrying amount	Fair value
	Euro thousands	Euro thousands
Financial liabilities		
Floating* rate borrowings from banks	159,454	161,198
Fixed rate borrowings from banks	17,589	18,401

The fair value of loan notes has been calculated using market interest rate margin of 1.7% for borrowing from banks. The carrying amounts of short term receivables and payables expected to be settled within 12 months was deemed to be reasonable approximation of their fair values. The fair value of interest rate swaps is based on bank quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the term and maturity of each contract and using market interest rates for similar instrument at the measurement date.

* Including floating and fix interest part.

6. Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Note 19 - Financial Instruments – Fair Value and Risk Management (continued)

6. Fair value hierarchy (continued)

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses 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, 2013	Level 1	Level 2	Level 3	Total
Derivative financial liabilities	—	7,407	—	7,407

December 31, 2012	Level 1	Level 2	Level 3	Total
Derivative financial liabilities	—	11,367	—	11,367

The Derivatives value was calculated by the same bank that gave the loans. The credit risk used by the bank is not material component of the valuation made by the bank and the other variables are market observable.

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

Note 20 - Contingent Liabilities and Commitments

A. Contingent liabilities

The Company is involved in litigation arising in the ordinary course of its business, mostly claims related to immaterial repairs in the units. Although the final outcome of each of these cases cannot be estimated at this time, The Company's management believes, based on similar previous cases and discussions with its lawyers, that the chances these litigations will result in any outflow of resources to settle them is remote, and therefore no provision or disclosure is required.

B. Securities, guarantees and liens under bank finance agreements

In order to secure loans granted for purchasing the assets, the Company has granted banks with regard to certain subsidiaries: first ranking liens on all the investment property assets, including rights in 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 shareholders loans to the financing bank; liens on all of the rights deriving from each material contract the borrower company is a party, etc.

Payments to the shareholders, including dividend distribution, are subject to financial covenants and usually require the financing bank's prior approval (where dividend distribution is forbidden in the subsidiaries, it was undertook that the transfer of shares or registration of a lien on the shares would not take place without the approval of the banks). Several German Companies undertook not to make any disposition in and to the secured assets, not to sell, transfer or lease any 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, related party transactions 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; (v) receipt of loans by the Project Company and/or the provision thereby of a guarantee to third parties.

Note 21 - Related Parties

A. The following balances with related parties are included in the financial statements:

	December 31, 2013	December 31, 2012	Interest rate
	In thousands EURO		
Statements of financial position			
Current liabilities			
ADO Group (presented under other payables in the statement of financial position)	**78**	223	—
Non-current liabilities			
Amounts due to related parties – ADO Group	**23,538**	12,557	6%
Amounts due to related parties – ADO Group (Capital notes)	**91,091**	40,387	—

Loans

The loans will be repaid subject to availability of funds, no later than December 31, 2023 yet the Company has the right but not the obligation to repay the loans at an earlier date.

Capital notes

The capital notes were issued by the Company subsidiary, ADO Finance B.V. to the mother company (ADO Group). The capital notes loans will be redeemed no later than 10 years but in any event not before 5 years and bears no interest.

The difference between the fair value of the capital note and the loan carrying amount was recorded in equity as a capital contribution from shareholders, net of tax.

B. Trading transactions

During the year, the Company and its jointly controlled entities had the following trading transactions with related parties that are not members of the Group.

	For the year ended December 31, 2013	For the year ended December 31, 2012
	Euro thousands	Euro thousands
Statements of comprehensive income		
Costs and expenses		
Services from ADO Group	**138**	90
Interest on loans from ADO Group	**1,137**	552
Interest on Capital Note to ADO Group	**2,444**	1,673

The shareholder of the Company, holding 100% of all issued and paid share capital of the Company as of the reporting date, is ADO Group Limited, incorporated in Israel and the ultimate controlling party is Shikun and Binui Ltd.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation.

In year 2013 the parent company (ADO Group) is charging the Company and one of its subsidiaries in the amount of EUR 12 thousand per month for the following services: Consulting, accounting, bookkeeping and company secretary services.

In year 2012 the charge was in the amount of EUR 10 thousand per month (The charge for consulting services is from July 1, 2012 and the charge of the Company's subsidiary is from January 1, 2013).

C. Related party transactions

The Company has 4 directors at the reporting date, and had 5 as at December 31, 2013. The annual salary cost and expenses return of the directors in 2012 and 2013 was nil.

Note 21 - Related Parties (continued)

C. Related party transactions (continued)

Stenham transaction

At the end of October 2013 the Company and ADO Group completed transaction with Stenham see Note 9B.

Securities provided to the parent Company bond holders

67% of the Company shares are pledged to the parent company's bonds holders as part of the guarantees the parent company gave to its bonds holders.

Note 22 - Critical Accounting Judgments and Key Sources of Estimation Uncertainty

A. Valuation of investment property

Financial statements of the Group include investment properties that are subject to considerable estimation uncertainty: The risk that an investment property will not be appropriately evaluated exists, since factors not known to the valuer or to the Group might affect the value of the asset. See also Note 8.

B. Valuation of Derivatives

Financial statements of the Group include capital notes that bear no interest. The value of the capital notes is calculated by discounting the face value based on the estimated bank interest margin which the Group pays when taking loans plus the estimated 5 years Euro area central government bonds rate, which is the approximate market interest for such instrument. The risk that the capital note will not be appropriately evaluated exists, since the Group needs to estimate the bank interest margin.

C. Valuation of Capital note

Financial statements of the Group include capital notes fair values that are being calculated by discounting the face amount based on the estimated bank interest margin which the company receives when taking loans plus the estimated 5 years German bonds rate. The risk that the capital note will not be appropriately evaluated exists, since the company needs to make judgments about the bank interest margin.

D. Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Note 23 - Earnings Per Share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Earnings attributable to the owners of the Company

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Profit attributable to the owners of the Company	**22,854**	14,703

Note 23 - Earnings Per Share (continued)

Weighted average number of ordinary shares

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Balance as of January 1,	**2,000**	2,000
Effect of issue of shares as part of purchase of subsidiaries	**—**	—
Effect of shares issued during the year	**—**	—
Weighted average number of shares used in the computation ofbasic earnings per share	**2,000**	2,000

	For the year ended December 31,	
	2013	2012
	Euro thousands	Euro thousands
Basic and diluted earnings per share(*)	**11**	7

(*) As at December 31, 2013 and 2012 the Company has no dilutive potential ordinary shares.

Note 24 - Subsequent Events

(a) In January 2014 the Group completed the sale of the building Yenidze Cigarette factory located in Dresden (Germany), to third party in the amount of EUR 6 million. The sale was part of an agreement that was signed in 2013 with the bank that financed the asset following a breach of the loan repayment obligation. The Group sold the asset for a price lower than the amount of the outstanding bank loan and the proceeds were used to repay part of the non-recourse loan (totaling EUR 9.6 million). As agreed with the bank, following the sale the bank forfeited the rest of the loan. A difference of EUR 0.6 million between the proceeds from the sale of the asset and its fair value as at December 31, 2013 was recorded as a loss in profit or loss as changes in fair value of investment properties. The gain from forgiveness of the remaining bank loan in the amount of EUR 4 million was recognized as finance income.

(b) During the year 2014, the Group completed the takeover of 17 residential buildings with total of 78 thousands sqm in Berlin including 1,328 residential units and 72 commercial units in the total amount of EUR 104 million. Except the below mentioned share deal all the transactions were of purchasing of assets directly. Two buildings (from the 17 buildings mentioned above) include 90 residential separated condominium units were purchased for EUR 14 million. The Group started to sell part of the units from those buildings from the third quarter of 2014. In order to finance the purchases of the buildings the Group received non-recourse loans from local banks in Germany in the total amount of EUR 69 million. The loan financing the 2 condominium buildings in the amount of EUR 9 million was given for 3 years and bears an interest rate of 3 months Euribor + 2.3%. The remaining loans in the amount of EUR 60 million included EUR 8 million loan received in 2013 and EUR 52 million loans received in 2014. All of the loans were provided for a period of 5-7 years and bear fix interest rate of 2.0%- 2.9%. The loans include standard financial covenants: Yearly Debt Service Coverage Ratio (“DSCR”) in a range between 100% to 130% of the remaining loans and a maximum loan to value range of 68%-77%. One building (from the 17 buildings mentioned above) was taken over as part of acquisition of 100% of the issued shares and 100% of the shareholder loans of a German company, which is holding the asset, for EUR 14 million. The only activity of the acquired company is holding rights in the residential building, located in Berlin.

(c) During the year 2014 and the first quarter of 2015, the Group completed the sale of 7 residential buildings in the amount of EUR 7.4 million to third parties. The sold buildings were purchased in October 2013 as part of the transaction with the funds of Stenham, and presented in the amount of EUR 7.4 million as part of the Assets held for sale in the statement of financial position. Following these sales, during the year 2014 the Group fully repaid the bank loan related to these assets which was totaled to EUR 4.9 million.

(d) In January 2015 the Group together with Harel Insurance (14% shareholder of the Company’s direct shareholder ADO Group) completed the acquisition of several German entities which hold 43 residential buildings located in Berlin, Germany for a total amount of EUR 130 million. The German entities were acquired through four of the Company’s subsidiaries in which the Company holds 60% and Harel 40% interest.

The portfolio includes 1,300 residential units and 45 commercial units in central Berlin with a total leasable area of approximately 88 thousands square meters.

Note 24 - Subsequent Events (continued)

4 buildings were converted into condominiums of apartments and the Group plans to convert additional 2 buildings into condominiums and sell the units. The conversation will not require any substantial expenses and expected to be completed during the year 2015.

In order to finance the purchase of the portfolio the Group received during the year 2014 two non-recourse loans from a local bank in Germany in the total amount of EUR 86.5 million. One bank loan for financing the Investment Properties in the amount of EUR 64.5 million was received for 7 years and bears a fix interest rate of 1.76%. Second bank loan for financing the purchase of the condominium buildings in the amount of EUR 22 million was received for 4 years and bears an interest rate of 3 months Euribor + 1.26%. The cash that will be generated from the sale of the condominium units will be used for the repayment of the EUR 22 million loan. The remaining purchase price was financed by shareholders loan.

(e) In March and April 2015 the Group completed the purchasing of 3 buildings in Berlin with a total of 8.7 thousands sqm, including 134 residential units and 7 commercial units in the total amount of EUR 11.9 million. In order to finance the purchases the Group received two non-recourse loans from German banks in the total amount of EUR 8.3 million. One loan in the amount of EUR 2.4 for a period of 7 years million and bears fix interest rate of 1.62%. Second loan in the amount of EUR 5.9 million for a period of 10 years and bears a variable interest rate of 3 months Euribor + 1.5%.

(f) On April 1, 2015 the Group, through wholly owned subsidiaries completed the acquisition ("SPR" deal) from a third party for the amount of EUR 375 million. The acquisition included the rights in a portfolio of residential buildings which includes 5,749 residential apartments (together with commercial areas in an amount insignificant to the transaction as a whole) in Berlin over a total area of 400 thousand square meters. In order to finance the deal, the group received in March 2015 a non-recourse loan in the amount of EUR 280 million from a consortium of two German banks for a period of 7 years. The loan bears a fixed interest rate which is composed of the swap cost to convert the loan to fix plus an interest margin of 1.32%. The final fix interest rate for a period of 7 years is 1.71%. The acquisition related costs include real estate transfer tax (6% from the purchase price) and transaction costs (1.5% from the purchase price).

(g) In February 2015 the Group signed an agreement with a German bank for prolongation of existing non-recourse loan in the amount of EUR 8.2 million for a period of 7 years and fix interest rate of 1.72%.

(h) In March 2015 the board of directors decided to transfer the Company's registered office and corporate seat from Cyprus to Luxembourg. The validity of this resolution shall be subject to the approval of the Cypriote authorities and the condition precedent that the German Tax Authorities confirm by way of a binding ruling that no German real estate transfer tax will be triggered by the transfer of registered office and company seat of the Company as well as the following change of legal form from a Luxembourg S.à r.l. into a Luxembourg S.A. On May 2015 the company received the binding ruling from the German authorities. The Company intends to establish its seat in Luxembourg during June 2015. In addition, the Board of Directors of the Company decided to examine the possibility of implementing a process of offering of shares of the Company and the listing of its shares for trading on the main stock exchange of Frankfurt, Germany. The process being examined is the offering and the listing for trading of Swallowbird shares for a total amount that shall not be less than EUR 350 million. In addition, the floatation would be implemented, insofar as practicable, by way of admission to listing of the shares on the Prime Standard (a regulatory framework on the Frankfurt Stock Exchange), so that the offering, insofar as implemented, will allow accessibility for international investors on a regulated market segment of the Frankfurt Stock Exchange.

(i) During the first quarter of 2015 period the Group completed the sale of 11 condominiums units, for the total amount of EUR 2.7 million. The total purchase cost of these units was EUR 2.1 million.

Note 25 - List of Controlled Entities of the Company

Company		Country	Shareholding and control at December 31, 2013	2012
			%	
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 mbH	Germany	99.64	99.64
9	Anafa Grundstücks G mbH	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	Central Asset Management GmbH	Germany	100	100
15	CCM City Construction Management GmbH	Germany	100	100
16	Drontheimer STR. 4 Grundstücks GmbH	Germany	99.64	99.64
17	Eldalote Grundstücks GmbH	Germany	99.64	99.64
18	Nuni Grundstücks GmbH	Germany	99.64	99.64
19	Krembo Grundstücks GmbH	Germany	99.64	99.64
20	Tussik Grundstücks GmbH	Germany	99.64	99.64
21	Geut Grundstücks GmbH	Germany	99.64	99.64
22	Gozal Grundstücks GmbH	Germany	99.64	99.64
23	Gamad Grundstücks GmbH	Germany	99.64	99.64
24	Geshem Grundstücks GmbH	Germany	99.64	99.64
25	I.I.C Immobilien, Investitionen & Capital – Erste Immobilienverwaltung GmbH & Co KG	Germany	99.64	99.64
26	Lavlav 1 Grundstücks GmbH	Germany	99.64	99.64
27	Lavlav 2 Grundstücks GmbH	Germany	99.64	99.64
28	Lavlav 3 Grundstücks GmbH	Germany	99.64	99.64
29	Lavlav Grundstücks GmbH	Germany	99.64	99.64
30	Mastik Grundstücks GmbH	Germany	99.64	99.64
31	Maya Grundstücks GmbH	Germany	99.64	99.64
32	Merlingotik Fünfte Immobilien GmbH & Co.	Germany	99.64	99.64
33	Mezi Grundstücks GmbH	Germany	99.64	99.64
34	Muse Grundstücks GmbH	Germany	99.64	99.64
35	Papun Grundstücks GmbH	Germany	99.64	99.64

Note 25 - List of Controlled Entities of the Company (continued)

Company		Country	Shareholding and control at December 31, 2013	2012
			%	
36	Nehederet Grundstücks GmbH	Germany	99.64	99.64
37	Neshama Grundstücks GmbH	Germany	99.64	99.64
38	Osher Grundstücks GmbH	Germany	99.64	99.64
39	Pola Grundstücks GmbH	Germany	99.64	99.64
40	Q-ADO Dienstleistungs GmbH	Germany	100	100
41	Reshet Grundstücks GmbH	Germany	99.64	99.64
42	Sababa18 Grundstücks GmbH	Germany	99.64	99.64
43	Sababa19 Grundstücks GmbH	Germany	99.64	99.64
44	Sababa20 Grundstücks GmbH	Germany	99.64	99.64
45	Sababa21 Grundstücks GmbH	Germany	99.64	99.64
46	Sababa22 Grundstücks GmbH	Germany	99.64	99.64
47	Sababa23 Grundstücks GmbH	Germany	99.64	99.64
48	Sababa24 Grundstücks GmbH	Germany	99.64	99.64
49	Sababa25 Grundstücks GmbH	Germany	99.64	99.64
50	Sababa26 Grundstücks GmbH	Germany	99.64	99.64
51	Sababa27 Grundstücks GmbH	Germany	99.64	99.64
52	Sababa28 Grundstücks GmbH	Germany	99.64	99.64
53	Sababa29 Grundstücks GmbH	Germany	99.64	99.64
54	Sababa30 Grundstücks GmbH	Germany	99.64	99.64
55	Sababa31 Grundstücks GmbH	Germany	99.64	99.64
56	Sababa32 Grundstücks GmbH	Germany	99.64	99.64
57	Shemesh Grundstücks GmbH	Germany	99.64	99.64
58	Stav Grundstücks GmbH	Germany	99.64	99.64
59	Tamuril Grundstücks GmbH	Germany	99.64	99.64
60	Tara Grundstücks GmbH	Germany	99.64	99.64
61	Tehila1 Grundstücks GmbH	Germany	99.64	99.64
62	Tehila2 Grundstücks GmbH	Germany	99.64	99.64
63	Tehila Grundstücks GmbH	Germany	99.64	99.64
64	Trusk Grundstücks GmbH	Germany	99.64	99.64
65	Wernerwerkdamm 25 Grundstücks GmbH	Germany	99.64	99.64
66	Yarok Grundstücks GmbH	Germany	99.64	99.64
67	Yahel Grundstücks GmbH	Germany	99.64	99.64
68	Yussifun Grundstücks GmbH	Germany	99.64	99.64
69	Bombila Grundstücks GmbH	Germany	99.64	99.64
70.	ADO SBI Holding Ltd. & Co. KG	Germany	94	94
71	Central Facility Management GmbH	Germany	100	100

Note 25 - List of Controlled Entities of the Company (continued)

Company		Country	Shareholding and control at December 31, 2013	2012
			%	
72	Sheket Grundstücks GmbH	Germany	100	100
73	Seret Grundstücks GmbH	Germany	100	100
74	Melet Grundstücks GmbH	Germany	100	100
75	Yabeshet Grundstücks GmbH	Germany	100	100
76	ADO Finance B.V.	Holland	100	100
77	Yadit Grundstücks GmbH	Germany	100	—
78	Zamir Grundstücks GmbH	Germany	100	—
79	Arafel Grundstücks GmbH	Germany	100	—
80	Sharav Grundstücks GmbH	Germany	100	—
81	Sipur Grundstücks GmbH	Germany	100	—
82	Matok Grundstücks GmbH	Germany	100	—
83	Barbur Grundstücks GmbH	Germany	94.9	—
84	Parpar Grundstücks GmbH	Germany	100	—
85	Jessica Properties B.V.	Holland	94.50	—
86	Alexandra Properties B.V.	Holland	94.44	—
87	Marbien B.V.	Holland	94.90	—
88	Meghan Properties B.V.	Holland	94.44	—

VALUATION REPORT

in the form of a condensed valuation report ("Valuation Report") of the determination of Fair Value carried out by CBRE in accordance with the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes ("International Valuation Standards") and the RICS Valuation—Professional Standards, (January 2014) (Red Book), published by the Royal Institution of Chartered Surveyors, that relates to a securities prospectus (the "German Prospectus") in relation to the offering of shares and the listing of the entire share capital of Swallowbird Trading & Investment Ltd. (the "Company") and the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the sub-segment thereof with additional post-admission obligations (Prime Standard) as well as an international offering circular which will be used in connection with international private placements of the shares (together with the German Prospectus, the "Prospectus"). The Valuation Report covers 258 assets, comprised of 13,767 residential units, 622 commercial units and 3,400 miscellaneous rented units (garages, parking spaces, antennas).

Date of Valuation:	March 31, 2015
Date of Valuation Report:	June 03, 2015
Valuer:	CBRE CBRE GmbH Bockenheimer Landstraße 24 60323 Frankfurt Germany ("CBRE")
Addressees:	Swallowbird Trading & Investment Ltd., Inomenon Ethnon, 48 GURICON HOUSE, Flat/Office D GROUND FLOOR 6042, Larnaca Cyprus (the "Company") Kempen & Co N.V., Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands (in their capacity as Joint Global Coordinators and Joint Bookrunners) UBS Limited, 1 Finsbury Avenue, London EC2M 2PP, United Kingdom (in their capacity as Joint Global Coordinators and Joint Bookrunners) Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom COMMERZBANK Aktiengesellschaft, Mainzer Landstraße 153, DLZ 2, 60327 Frankfurt am Main, German (in their capacity as Joint Bookrunners)

CBRE is a "Gesellschaft mit beschränkter Haftung" (limited liability company), registered under commercial law in Germany under the company registration number 13347. The German company CBRE GmbH was established on April 3, 1973 and has its registered office at Bockenheimer Landstraße 24, 60323 Frankfurt/Main, Germany.

CBRE is not a company that is regulated by any regulatory authority; however in its valuation department it employs amongst others a publicly appointed and sworn-in valuer (Öffentlich bestellter und vereidigter Sachverständiger), members of the Royal Institution of Chartered Surveyors (RICS), and valuers certified by HypZert GmbH.

SUMMARY OF THE VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets, rounded at asset level, are as at March 31, 2015:

1,200,674,100 EUR

(One billion, two hundred million, six hundred and seventy-four thousand, one hundred Euros)

Net of purchasers' costs (8.5% of Fair Value) and VAT.

The assessment of Fair Values was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

The five largest assets by Fair Value are depicted in the following table:

Valuation Unit	City	Postal Code	Address	Fair Value EUR
P9053	Berlin	13469	Schluchseestr. 46, 47-51 ung., 73-77 ung.; Titiseestr. 17-35 ung.	29.800.000
P9059	Berlin	13593	Gruberzeile 28-32 ger., 28a; Heerstr. 385-407 ung.; Mareyzeile 1-11 ung., 1a; Meydenbauerweg 30-44 ger., 49; Sandstr. 37-41 ung.	39.900.000
P9061	Berlin	13593	Maulbeerallee 25-55 ung.	45.400.000
P9065	Berlin	13593	Blasewitzer Ring 1-21 ung.; Obstallee 2-22 ger.	36.400.000
P9067	Berlin	13469	Tegemauer Zeile 2-14 ger.; Titiseestr. 2-12 ger.; Todtnauer Zeile 1-14; Zabel- Krüger-Damm 26-48 ger.	62.900.000

They amount to a total Fair Value of EUR 214,400,000 and represent approximately 18% of the total portfolio's Fair Value.

For a detailed breakdown of values between freehold-equivalent and leasehold assets please refer to Part 4 "Valuation Conclusions".

There are no negative Fair Values to report.

The following table shows the aggregated key valuation data for the portfolio:

Fair Value:	1,200,674,100 EUR
Purchasers' costs	*101,946,895 EUR*
Total lettable area:	965,599 sq m
Average Fair Value per sq m lettable area:	1,243 EUR
Current annual rental income (gross):	66,607,804 EUR
Potential annual rental income (gross):	70,247,008 EUR
Estimated annual rental value (gross):	82,586,374 EUR
Multiplier[1] (based on current rent):	18.0 times
Multiplier (based on potential rent):	17.1 times
Multiplier (based on rental value):	14.5 times
Net initial yield[2] (based on current rent):	4.10%
Net initial yield (based on potential rent):	4.41%
Net initial yield (based on rental value):	5.36%

For further information please refer to Part 5 "Valuation Key Definitions".

Our opinion of Fair Value is based upon the scope of work and valuation assumptions as detailed in Part 3 "Explanation of Valuation" and Part 4 "Valuation Conclusions" of this Valuation Report and has been derived mainly using comparable recent market evidence on arm's length terms.

1 Based on net capital value, for the specific definition please refer to Part 5 "Valuation Key Definitions".
2 Based on gross capital value, for the specific definition please refer to Part 5 "Valuation Key Definitions".

CONTENTS

1. Basis of Valuation

1.1 Valuation Instructions

CBRE has been appointed to carry out a Fair Value valuation of the Company's assets. CBRE has prepared a valuation report in the form of a condensed valuation report ("Valuation Report") for the inclusion in a securities prospectus (the "German Prospectus") in relation to the offering of shares and the listing of the entire share capital of Swallowbird Trading & Investment Ltd. (the "Company") and the admission to trading on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and on the sub-segment thereof with additional post-admission obligations (Prime Standard) as well as an international offering circular which will be used in connection with international private placements of the shares (together with the German Prospectus, the "Prospectus") with the valuation date being March 31, 2015.

CBRE has inspected all the assets for the above mentioned instruction. For further details please refer to Part 3.1.2 "Inspection Dates and Coverage".

The assets have been valued individually at asset level (valuation units).

We understand that the properties are principally held as investment properties and that the Company requires the value of the freehold[3] or leasehold[4] interests as appropriate.

We confirm that regarding this instruction we are acting solely for the Company and that we have no conflicts of interests in relation to this instruction.

This valuation is based on information provided for the purposes of the above mentioned valuation and the current data provided by the Company.

1.2 Purpose of Valuation

The Valuation Report will be part of the Prospectus issued by the Company that relates to an IPO (initial public offering) and the offering and the private placements of the Company.

We acknowledge that our Valuation Report is used by the Company as the main source to determine the value of the subject assets for IPO purposes. The Valuation Report complies with the legal requirements, in particular the European Commission Regulation (EC) No 809/2004 of 29 April 2004 (as amended) and paragraphs 128 to 130 of the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

1.3 Addressees/Reliance

The present Valuation Report is addressed to:

- Swallowbird Trading & Investment Ltd., Inomenon Ethnon, 48, GURICON HOUSE, Flat/Office D, GROUND FLOOR, 6042, Larnaca, Cyprus
- Kempen & Co N.V., Beethovenstraat 300, 1077 WZ Amsterdam, The Netherlands
- UBS Limited, 1 Finsbury Avenue, EC2M 2PP London, United Kingdom
- Barclays Bank PLC, 5 The North Colonnade, Canary Wharf, London E14 4BB, United Kingdom
- COMMERZBANK Aktiengesellschaft, Mainzer Landstraße 153, DLZ 2, 60327 Frankfurt am Main, Germany

CBRE GmbH ("CBRE") has been informed by the Company that it is going to move its registered office and central administration to Luxembourg and change its name to ADO Properties S.A. in June 2015.

1.4 Publication

CBRE agrees that the Valuation Report will be published in unchanged and unabbreviated form in the Prospectus. Apart from that neither the whole nor any part of our Valuation Report may be included in any published document, circular statement, other than inclusion of references in marketing material related to the offering, nor published in any way without our prior written approval of the form and context in which it will appear.

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3 Freehold equivalent: ownership of real property, being land and all immovable structures attached to such land.

4 Leasehold equivalent: property reverts to the owner of the land after the lease period has expired.

1.5 Date of Valuation

The effective valuation date is March 31, 2015.

1.6 Subject Assets

In accordance with the valuation instructions, the subjects of the valuation are the assets held as at March 31, 2015 (and two transferred to the Company on April 1, 2015) comprised of 258 assets with 13,767 residential units, of which 2,966 residential units are subject to public rent control, 622 commercial units and 3,400 miscellaneous rented units (garages, parking spaces, antennas). This includes the "Carlos" portfolio which has been acquired by the company in March 2015.

CBRE is advised that, as at the date of this report, title to the two properties *P9001 (Spandauer Damm 60, 64)* and *P9002 (Ernst-Bumm-Weg 4, 4a, 4b)* is held by the Company. We understand that as at the valuation date of 31 March 2015 while the purchase contacts had been exchanged the transactions had not been completed. For the avoidance of doubt, we have valued the freehold interests in the real estate and not the Company's interests in the purchase contracts as at 31 March 2015.

Please see Appendix A for a detailed breakdown of all subject assets.

1.7 Tenure

The portfolio is comprised 256 assets which are freehold-equivalent and 2 assets which are ground leasehold-equivalent with the Company as ground leaseholder (*Erbbaurecht*). The average, unweighted leasehold term ends on September 30, 2059. The 2 ground leasehold assets account for 0.4% of the aggregate Fair Value of the portfolio.

1.8 Concept of Value

The assessment of Fair Value has been carried out by CBRE in accordance with the guidelines of the International Financial Reporting Standards (IFRS), the International Standards for the Valuation of Real Estate for Investment Purposes (International Valuation Standards), the RICS Valuation—Professional Standards (January 2014) (Red Book) of the Royal Institution of Chartered Surveyors and in accordance with the relevant prospectus regulations, including the European Securities and Market Authority (ESMA) update of the Committee of European Securities Regulators' (CESR) recommendations for the consistent implication of (EC) no. 809/2004.

The assets have been valued to "Fair Value" in accordance with IAS 40 in connection with IFRS 13.9 of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), which is defined as:

"Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

"Fair Value", for the purpose of financial reporting under International Financial Reporting Standards is effectively the same as "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm´s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the assets individually and no account has been taken of any discounts or premiums that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

We confirm that we have sufficient current local and national knowledge of the particular asset market involved and have the skills and understanding to undertake the valuation competently.

The assets have been valued by valuers who are qualified for the purpose of the valuation in accordance with the RICS Valuation—Professional Standards (January 2014). Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Note:

The valuation represents the figures that would appear in a hypothetical contract of sale at the valuation date. No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Our valuation is net of purchasers' statutory and other normal acquisition costs. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge. No account has been taken of the availability or otherwise of capital-based Government or European Community grants. All rents and capital values stated in this report are exclusive of VAT.

The values stated in this report represent our objective opinion of Fair Value in accordance with the definition set out above as at the valuation date. Amongst other things, this assumes that the assets had been properly marketed and that exchange of contracts took place on this date.

1.9 Currency

The currency used in the Valuation Report is the Euro (EUR).

1.10 Sources of Information

We have carried out our work based upon information supplied to us by the Company, which we have assumed to be correct and comprehensive.

All documents provided were checked for plausibility.

The figures in this report are based on the rent roll provided by the Company, dated February 16, 2015.

1.11 Place of Performance and Jurisdiction

German law applies. The place of performance and jurisdiction is Frankfurt am Main.

1.12 Assignment of Rights

The Addressees of this Valuation Report are not entitled to assign their rights—in whole or in part—to third parties.

1.13 Declaration of Independence

We hereby confirm that to the best of our knowledge and belief CBRE has carried out the assessment of Fair Value in its capacity as an external valuer. We further confirm that CBRE is not aware of any actual or potential conflict of interest that might have influenced its independent status. This declaration also includes all other departments of CBRE GmbH, including the Investment and Agency Departments.

The total fees, including the fee for this assignment, earned by CBRE GmbH from the Company are less than 0.5% of the total German revenues earned by CBRE GmbH in 2014. It is not anticipated that this situation will change in the financial year to December 31, 2015. We confirm that we do not have any material interest in the Company or the assets.

CBRE GmbH had the following previous involvement with the Company or the assets:

CBRE valued for accounting purposes a sample of 18 properties as at the date of valuation 31 December 2011 for Q-ADO Dienstleistungs GmbH.

CBRE valued the assets of the “Carlos” portfolio for Deutsche Wohnen AG (DWAG) as at 31 December 2014 (the vendor) and has now valued them for ADO (the purchaser).

2 PORTFOLIO BREAKDOWN

2.1 Portfolio Structure

The majority of the 258 assets[5] in the portfolio are residential buildings (218 assets).[6] The remainder comprises mixed-use buildings (36 assets)[7], commercial buildings (3 assets) and 1 parking unit. The portfolio includes 17,789 rental units, comprised of 13,767 residential units, 622 commercial units (office, retail and other commercial), 166 miscellaneous units and 3,234 parking spaces. The total lettable area amounts to 965,599 sq m. The area is split into:

- residential: 887,426 sq m
- commercial: 78,173 sq m

The following portfolio breakdown is based on figures as of February 16, 2015 (date of rent roll).

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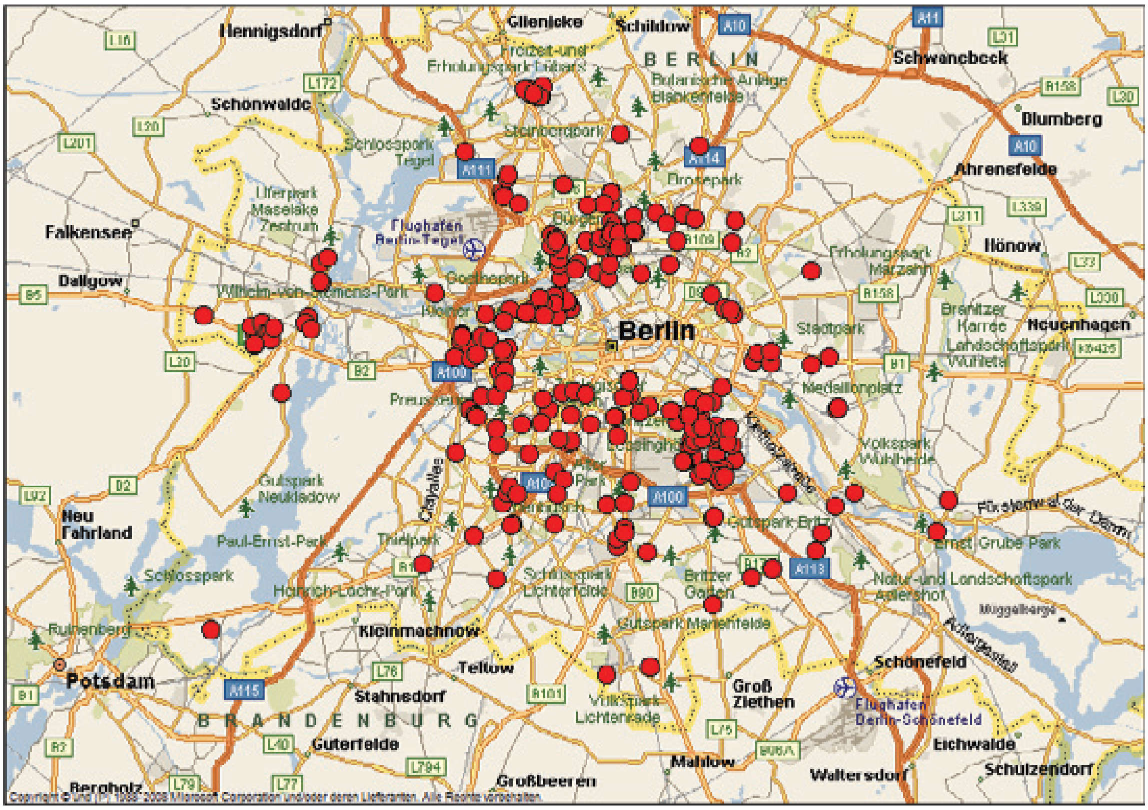
5 256 assets are freehold-equivalent and 2 assets are leasehold-equivalent, please refer to table in Part 4 “Valuation Conclusions”.
6 Residential building: less than 20% commercial use.
7 Mixed-use building: more than 20% and up to 80% commercial use.

2.2 Regional Allocation

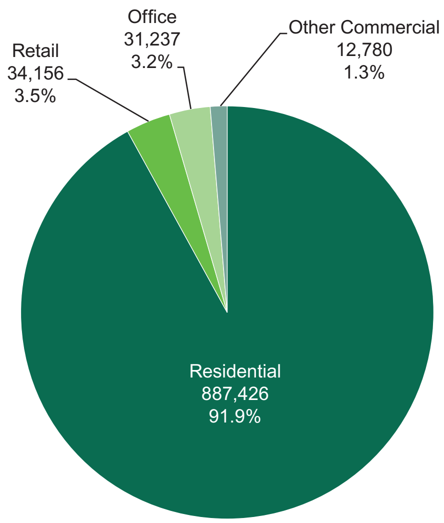
As shown on the following map, all of the assets of the portfolio are located in the city of Berlin. Berlin is subdivided in 12 boroughs. The assets are spread over 11 of these 12 boroughs.



Microsoft MapPoint Europa 2009; CBRE GmbH

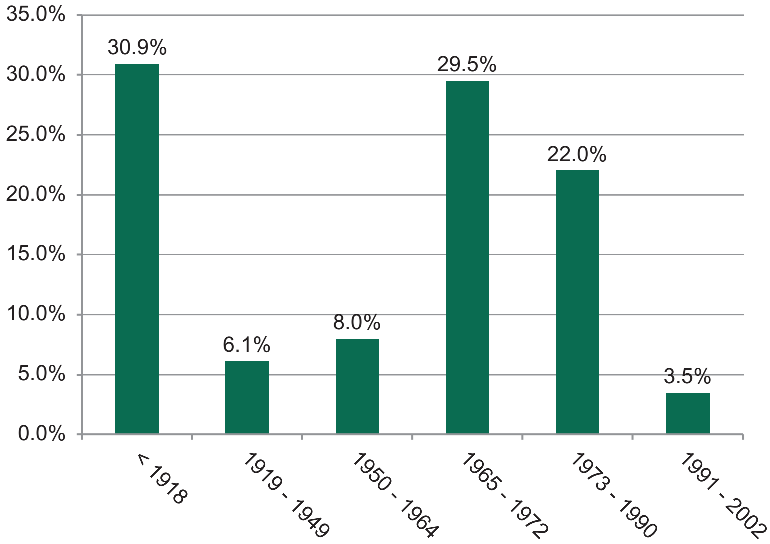
2.3 Types of Use by Total Lettable Area (sq m)

(Total lettable area: 965,599 sq m)



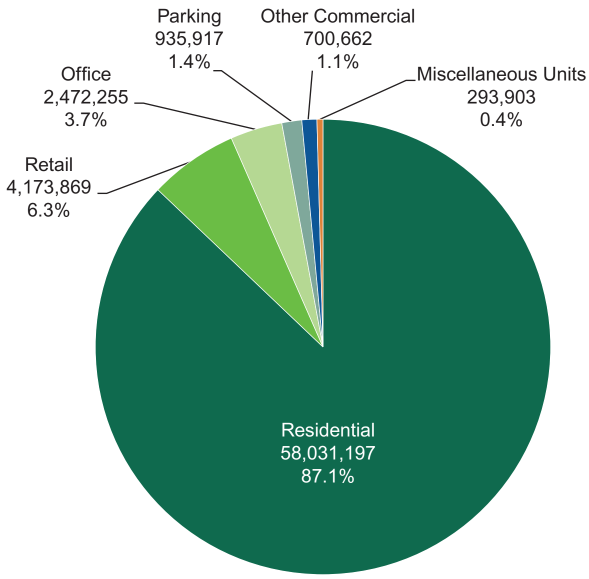
2.4 Proportion of Lettable Area (sq m) by Period of Construction

(Total lettable area: 965,599 sq m)



2.5 Current Gross Rental Income (annualised, EUR) by Type of Use

(Total rental income: 66,607,804 EUR)



2.6 Residential Units of the Portfolio by Borough

The following table refers to residential units only and show the distribution of total lettable areas and rents in the boroughs of Berlin.

Borough	Number of Residential Units	Residential Accommodation sq m	Current Residential Rent EUR per sq m per month	Residential Market Rent EUR per sq m per month
Charlottenburg-Wilmersdorf	1,060	64,156	6.44	8.48
Friedrichshain-Kreuzberg	544	31,048	6.37	9.26
Lichtenberg	659	28,175	6.60	8.36
Mitte	1,789	111,877	5.83	7.62
Neukölln	1,584	103,049	5.78	8.13
Pankow	608	37,775	6.77	7.83
Reinickendorf	2,793	193,804	5.28	5.81
Spandau	3,637	242,501	5.19	5.74
Steglitz-Zehlendorf	245	15,911	6.88	8.30
Tempelhof-Schöneberg	696	48,065	6.02	7.84
Treptow-Köpenick	152	11,066	5.47	6.66
Total	**13,767**	**887,426**	**5.68**	**6.93**

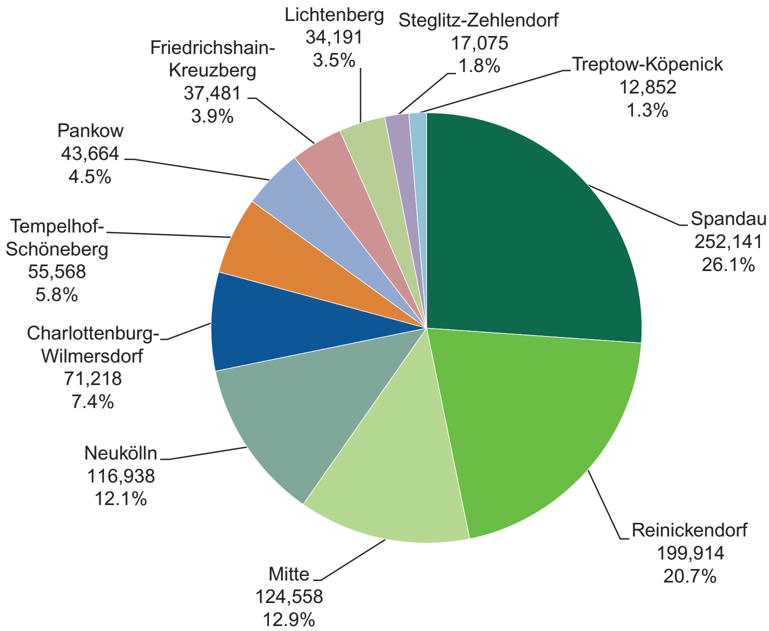
(Please refer to the Part 5 “Valuation Key Definitions”.)

2.7 Breakdown of the Portfolio by Borough

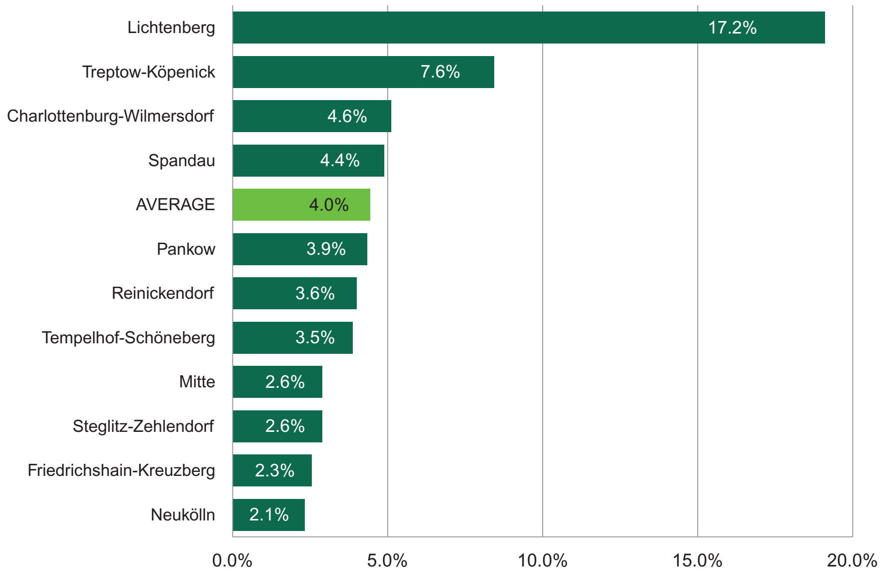
The following graphics illustrate the distribution of total lettable areas, rents, Fair Value as well as the vacancy rate in the boroughs of Berlin.

2.7.1 Lettable Area (sq m) by Borough

(Total lettable area: 965,599 sq m)

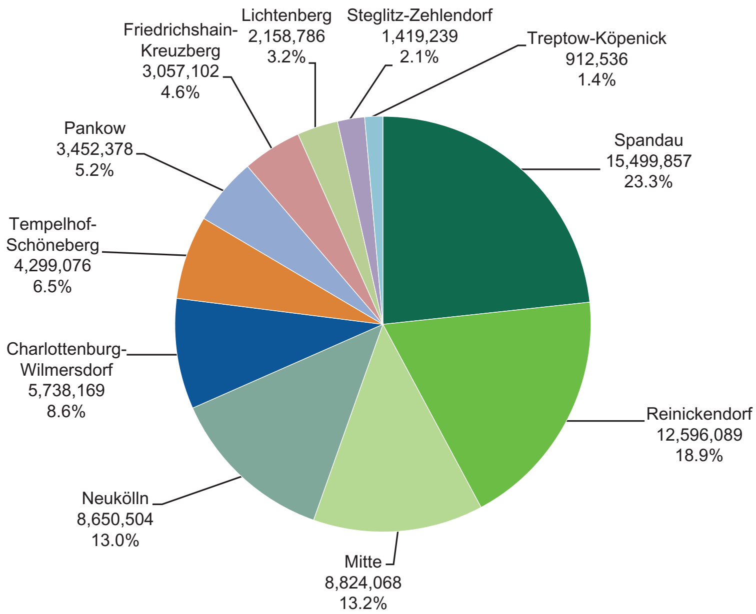


2.7.2 Vacancy Rate by Borough



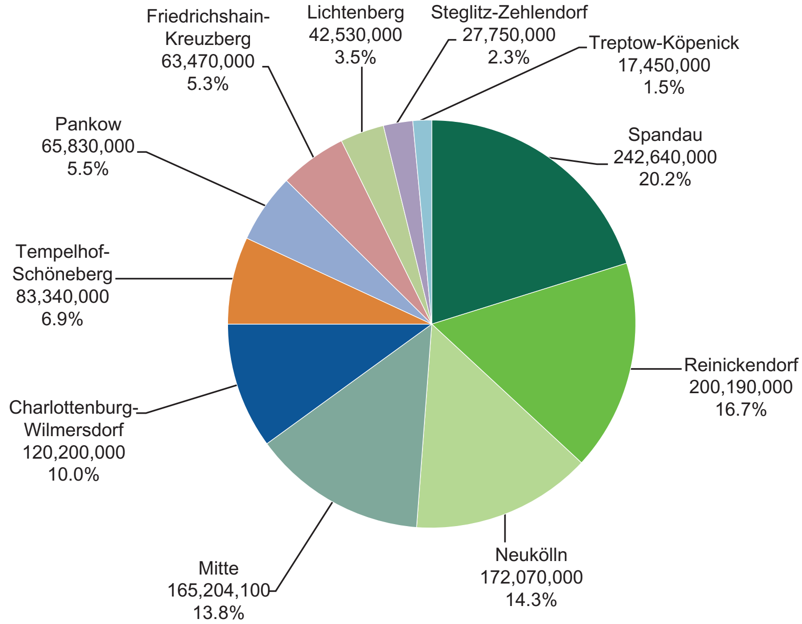
2.7.3 Current Gross Rental Income (annualised, EUR) by Borough

(Total rental income: 66,607,804 EUR)

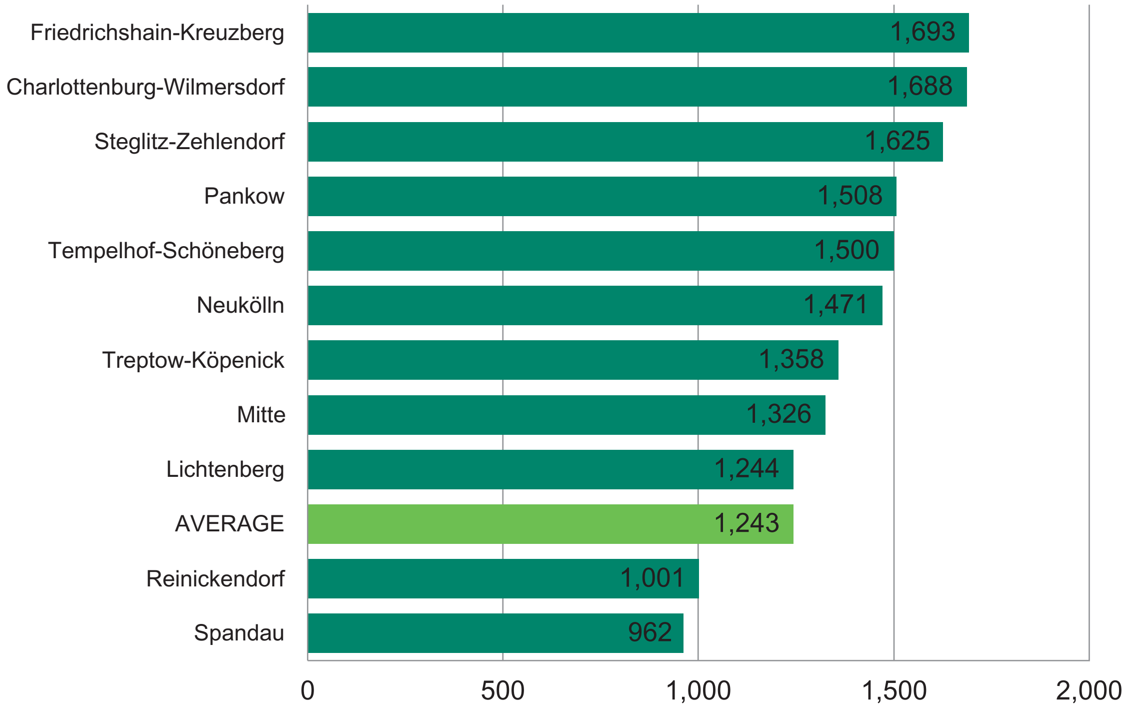


2.7.4 Fair Value (EUR) by Borough

(Total Fair Value: 1,200,674,100 EUR)



2.7.5 Fair Value (EUR per sq m) by Borough



3. EXPLANATION OF VALUATION

3.1 Inspections

3.1.1 Basis of Inspections

In accordance with the instruction, the valuation of the portfolio has been carried out individually on an asset level. As agreed, for the purpose of the March 31, 2015 accounting valuation, we inspected all 258 assets (143 assets internal / 115 assets external).[8]

An asset is considered to be an economic unit, which may be either a single building or a group of two or more blocks.

3.1.2 Inspection Dates and Coverage

The internal inspections of 143 assets, which represent approx. 84% of the Gross Current Annual Rental Income, took place in the period from March 2 to March 19, 2015. The external inspections of 115 assets, which represent approx. 16% of the Gross Current Annual Rental Income, were conducted between February 25 and March 19, 2015.

3.2 Method of Valuation

3.2.1 Discounted Cash Flow (DCF)

The determination of the Fair Value of the individual assets has been carried out using the internationally recognised Discounted Cash Flow (DCF) method. This method, which is based on dynamic investment calculations, allows valuation parameters to be reflected explicitly and, therefore, provides a transparent arithmetical determination of Fair Value. In the DCF method, the future income and expenditure flows associated with the subject asset are explicitly forecasted over a 10-year period of detailed consideration, assuming a letting scenario which is not taking into account any potential privatisations of individual apartments. The cash flows calculated for the period of detailed consideration are discounted, monthly in advance, to the date of valuation, allowing the effect on the current Fair Value of the receipts and payments at varying dates during the 10-year period to be properly reflected.

The discount rate chosen reflects not only the market situation, location, condition and letting situation of the asset and the yield expectations of a potential investor but also the level of security of the forecast future cash flows. As the discounting process means that the effect of future cash flows reduces in importance while at the same time the uncertainty of forecasting tends to increase over time, it is usual in real estate investment considerations for the sustainable net rental income after a ten-year time horizon (the period of detailed consideration) to be capitalised, using a growth-implicit yield, and then discounted to the date of valuation.

The assumptions adopted in the valuation model reflect the average estimates that would be made at the respective date of valuation by investors active in the market. The result of the DCF method is, therefore, the price that a relevant investor in the market would be prepared to pay for the asset at the respective date of valuation, in order to achieve a return from the proposed investment that is in line with present asset market expectations.

General Valuation Assumptions

We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites—including building, ground and groundwater contamination—as set out below.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

No special assumptions (as defined by RICS)[9] have been made.

3.3 Constituents of the Subject Assets

Fixtures in the subject assets, such as passenger and goods lifts, other conveyor installations, central heating installations and other building services installations have been regarded as integral parts of the subject asset and are therefore included in our valuation. Tenant's fixtures and fittings that would normally be the asset of the tenant have not been reflected in our valuation.

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8 including "Carlos" portfolio

9 An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date (e.g. fully let).

3.3.1 Structural Surveys

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the assets. We are unable, therefore, to give any assurance that the assets are free from defect.

In the absence of any information to the contrary, we have assumed that:

- there are no abnormal ground conditions or archaeological remains that might adversely affect the current or future occupation, development or value of the assets;

- the assets are free from rot, infestation, structural or latent defects;

- no currently known deleterious or hazardous materials or suspect techniques, including but not limited to composite panelling, have been used in the construction of, or subsequent alterations or additions to, the assets; and

- the building services, and all associated controls and software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the assets. Comments made in the property details do not purport to express an opinion about, or advises upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

3.3.2 Accommodation

For the purposes of this determination of Fair Value we have not measured the buildings or the sites. The calculations are based on the floor areas in the tenancy schedule and the additional information provided by the Company. We have randomly checked plausibility checks during the inspections.

Unless advised specifically to the contrary, we have assumed that the floor areas supplied to us have, in principle, are correct and in accordance with appropriate measuring practice.

All areas quoted in this Valuation Report are approximate.

3.3.4 Environmental Aspects

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the assets and which may draw attention to any contamination or the possibility of any such contamination, other than as detailed below.

We have not carried out any investigation into the past or present uses of the assets, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Based on the information provided by the Company 38 assets are listed in the register of contaminated sites. Currently there is no indication that the above mentioned sites pose a threat to public health or unacceptable conditions due to substances hazardous to the environment. We must point out that findings of contaminations might lead to an effect on value in the event of future structural alterations: these have not been taken into account in the present valuation. We assume there is no effect on value and that the information provided by the local authority is correct and up-to-date.

Furthermore, we assume that the current use of the property will continue to be viable in the medium to long term and therefore that no construction works will be necessary. For the purposes of this valuation, we therefore assume that the suspected contamination would not have a significant effect on value.

For 29 assets we have not been provided with an extract of the register of contaminated sites.

For these and all other assets, in accordance with instructions, for the purposes of our valuation we have assumed that the subject assets are free from contamination and that the present and previous uses do not indicate a substantial potential for contamination.

We have assumed that either the assets possess current Energy Performance Certificates as required under Government Directives or the Company can present the documents if required.

3.3.5 Title and Tenancies

Details of title/tenure under which the assets are held and of lettings to which it is subject are as supplied to us. We have been provided with land register extracts of all assets. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents without obtaining separate legal advice.

Unless stated otherwise in this report and in the absence of any information to the contrary, we have assumed that:

- the assets possess good and marketable title free from any onerous or hampering restrictions or conditions;
- only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each assets to comply with the provisions of the relevant disability discrimination legislation;
- there are no tenant’s improvements, others than those mentioned in 3.4.4, that will materially affect our opinion of the rent that would be obtained on review or renewal;
- where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- vacant possession can be given of all accommodation which is unlet or is let on a service occupancy (except structural vacancy).

We have not been provided with Legal Due Diligence Reports by the Company.

In accordance with our valuation instructions, our determination of Fair Value is based on the information provided to us, which also applies to rented accommodation, tenancies, current rental income, remaining lease terms and other lease conditions.

From the information provided,

- we note that 0.8% of the assets in the portfolio (corresponding to 0.4% of the Fair Value) are on sites held on the equivalent of ground leases (*Erbbaurechte*).
- We note that all other assets in the portfolio as at the dates of valuation March 31, 2015 are owned by the Company and/or its subsidiaries.
- We assume that there are no circumstances having an effect on value resulting from encumbrances and restrictions in Section II of the land register;
- We assume that the tenancies listed in the rent roll were still in existence at the date of valuation and
- We assume that there are no entries affecting value in the *Baulastenverzeichnis* (register of public land charges).

Mortgages or other liabilities that currently exist or that in the future might encumber one or more of the subject assets have not been taken into account.

3.3.6 Pending Litigation, Legal Restrictions (Easements on Real Estate, Rent Regulations etc.)

In accordance with the information provided by the Company, we have assumed, without verification, that the assets are free from any pending litigation, that the ownership is unencumbered (*lastenfrei*) and that there are no other legal restrictions such as easements on real estate, rent regulations, restrictive covenants in leases or other outgoings that might adversely affect value.

3.3.7 Monument Protection

Based on the information provided to us by the Company, 3.5% of the assets (by number of assets) are listed monuments (representing 4.0% of the Fair Value aggregated on portfolio level).

3.3.8 Tenants

We have not conducted credit enquiries on the financial status of any tenants of the portfolio. We have, however, reflected our general understanding of purchasers’ likely perceptions of the financial status of tenants.

In the absence of information to the contrary, we have assumed that there are no significant rent arrears in the portfolio.

3.3.9 Taxes, Contributions, Charges

We have assumed that all public taxes, contributions, charges etc. which could have an effect on value will have been levied and, as far as they are due, paid as at the date of valuation.

3.3.10 Insurance Policy

We have assumed that the subject assets are covered by a valid insurance policy that is adequate both in terms of the sum assured and the types of potential loss covered.

3.3.11 Legal Requirements / Authorisation for the Existence and Use of the Subject Assets

No investigations of the compliance of the individual subject assets with legal requirements (including (permanent) planning consent, building permit, acceptance, restrictions, building-, fire-, health- and safety regulations etc.) or with any existing private-law provisions or agreements relating to the existence and use of the site and building have been carried out.

In carrying out our valuation, we have assumed that all necessary consents and authorisations for the use of the assets and the processes carried out at the assets are in existence, will continue to subsist and that they are not subject to any onerous conditions.

3.3.12 Town Planning and Road Proposals

We have not undertaken planning enquiries but have relied upon the information provided where appropriate. For the purposes of our valuation we assume that there are no adverse town planning, highways or other schemes or proposals that will have a detrimental effect on our valuation.

We have assumed that all the subject assets benefit from all roads and mains services as defined by § 123 Baugesetzbuch, i.e. that they are connected to public roads, electricity, gas and/or district heat, mains water and sewers.

3.3.13 Assumptions Regarding the Future

For the purpose of determining the Fair Value of the subject assets, we have assumed that the assets will continue in their existing use.

3.4 Valuation Parameters

The assessment of Fair Value is based on future cash flows, which reflect normal market expectations, taking into account past figures from the subject assets or comparable investments. The valuation parameters have been assessed by CBRE, using its best judgement, based on the information provided by the Company.

3.4.1 Non-Recoverable Management Costs

Residential leases generally involve non-recoverable management costs. For the purposes of this valuation and on the basis of experience of CBRE and an analysis of costs of public and private housing associations, non-recoverable management costs have been allowed for at between 195 EUR and 350 EUR per unit p.a. (depending on the number of residential units in the individual building).

The weighted average non-recoverable management costs amount to 213 EUR per residential unit p.a.

For the commercial units we have allowed non-recoverable management costs of 4% of the gross rental income on potential rent.

3.4.2 Non-Recoverable Repair and Maintenance Costs

The annual costs per square metre of lettable area adopted for the purposes of this valuation are average figures for the types of use concerned, arrived at on the basis of experience by CBRE and the analysis of costs of similar buildings by third-party firms. They take into account the necessary cost inputs for long-term operation of the assets.

The maintenance and repair costs for residential units allowed for in the valuation range between 7.00 and 11.75 EUR per sq m p.a., with a weighted average of 9.60 EUR per sq m p.a. The individual allowances reflect both the state of repair of the building concerned (after rectification of outstanding repairs) as well as the existence of lifts, special listed building conditions etc.

3.4.3 Capital Expenditure and other Factors affecting Value

In addition to the non-recoverable ancillary costs, which are deducted monthly from the gross rental income during the period of detailed consideration, capital expenditure on repair and maintenance work already planned at the date of valuation has also been reflected. CBRE has not undertaken a technical survey. We have undertaken limited inspections for valuation purposes only.

Based on our inspection and the information which we were provided with, it is our opinion that the buildings and technical equipment have been regularly maintained. We therefore assumed that there are no deferred or outstanding maintenance costs.

3.4.4 Tenant Improvements

Under German law, it is frequently the tenant's responsibility to carry out decorative and minor repairs. Upon a change in tenants, however, additional expenses for basic repairs and renovation of the interior of the individual rental units must be incurred, e.g. in the bathrooms and kitchens of residential units, to facilitate renewed letting.

For each of the buildings, based on current market experience and the average condition of the apartments, we have allowed amounts for initial refurbishments and/or on tenant fluctuation ranging from 70 to 175 EUR per sq m with an overall weighted average of 98 EUR per sq m for residential accommodation.

3.4.5 Non-Recoverable Operating Costs (Vacancy)

Based on an analysis by the German Tenants' Association for apartment housing we have reflected non-recoverable operating costs on vacant space at a flat rate of 12 EUR per sq m p.a. This includes, for example, heating costs for a minimal level of heating, costs for caretaker or security services and electricity and cleaning costs.

3.4.6 Inflation

The DCF method used includes an explicit reflection of cost inflation. We have assumed inflation rates of 0.9% in year 1, 1.7% in year 2 and 2.0% in the subsequent years.

Full allowance for inflation has been made in particular for maintenance and repair costs, management and operating costs and ground rents (*Erbbauzinsen*). The forecast inflation rates are based on figures from Consensus Forecast and the ECB, collated by CBRE Research in January 2015.

3.4.7 Discount Rate and Exit Capitalisation Rate

The assessment of the discount rate involves several components. Starting from a basis interest rate, additions and deductions are made according to various criteria specific to the buildings concerned.

The weighted average discount rate employed is approximately 5.59%.

The exit capitalisation rate is dependent on the discount rate. While the discount rate is an "Equated Yield", which explicitly reflects growth in the cash flows, the capitalisation rate is a "Net Initial Yield", which reflects growth assumptions implicitly. In order to derive the exit capitalisation rate from the discount rate, the latter was corrected for explicit market rental growth components during the period of detailed consideration.

The weighted average exit capitalisation rate employed is approximately 4.56%.

The resulting net present values were checked against our analysis of comparable transactions (if available) from the sale price data collected by the relevant local valuation committee (Gutachterausschuss) and an analysis of the internal lease and sale database of the CBRE Valuation Department. If necessary in the absence of transaction data, asking prices for comparable assets on offer at empirica systeme were also considered (with a discount of 10% from the asking price). If, in particular instances, results of our DCF calculations were found not to reflect the Fair Value of an individual building, the calculation was adjusted by means of a change in the discount rate and exit capitalisation rate using expert and experienced judgement.

3.4.8 Estimated Rental Value (ERV)

For the purposes of this valuation, CBRE has estimated rental values at the valuation date for the lettable accommodation and asset units. These are based on an analysis of the local asset market, using data available to CBRE and accessible third-party sources. This includes:

- Recent leases and tenancies concluded in the subject assets in the years 2013 and 2014

- Analysis of the internal rental database of the CBRE Valuation Department

- Publications by, and chargeable database queries of, market research institutes and real estate companies.

3.4.9 Market Rental Trends during the Period of Detailed Considerations

During the 10-year period of detailed consideration of the forecast cash flows, explicit modelling of changes in market rental values has been included, estimated by CBRE in Berlin at postal code level for all assets. The estimates are mainly based on data from the state statistics offices, BulwienGesa AG's RIWIS database and the Prognos AG Zukunftsatlas. Depending on location, the resulting trends of market rental value range in the portfolio between annual increases of 0.90% to 1.25% with a weighted average of 1.03%. In each case they have been adjusted for the quality of situation and condition of the building.

3.4.10 Rent Control and Public Subsidies

A number of the residential units were subject to rent control as at the valuation date. Instead of the rent increase method of the BGB (Bürgerliches Gesetzbuch) the above-mentioned residential units are subject to an economic rent (Kostenmiete). Contrary to Part 3.4.9 we have calculated with a rental growth of 0.5%, based on our experience.

According to information provided by the Company, 21.5% of the residential units are subject to rent control.

	Residential Units	
Expiry of Restriction in Years	**Total**	**in % of Total Residential Units**
< = 10 Years	2,903	21.1%
11 - 50 Years	0	0.0%
> 50 Years	63	0.5%
Restricted Units	2,966	21.5%
Not Restricted Units	10,801	78.5%
Total	**13,767**	**100.0%**

3.4.11 Structural and Fluctuation Vacancy

As at the valuation date, the portfolio had an average vacancy rate of 4.0% (weighted by area). We are assuming that the weighted average vacancy rate of the residential units has the potential to decrease to a structural vacancy rate of 0.5% with a range of 0.3% to 0.6% at asset level.

In addition to the structural vacancy rate we have calculated a turnover vacancy for the residential units between 1 to 3 months, with an average of 1.3 month (1.1%).

The average stabilized vacancy rate of the portfolio is assumed to be 1.6%.

3.4.12 Purchaser's Costs

For the purposes of the valuation and in line with normal practice, no allowance has been made for any personal costs or taxes that would be incurred by the purchaser in the course of the transaction. Mortgages and any other existing charges on the assets have not been taken into consideration in this valuation. Normal costs payable by the purchaser on transfer have been reflected as follows:

Agent's fees	1.0% – 3.0%
Notary's fees	0.3% – 1.1%
Transfer tax[10]	6.0%

The net capital value is derived by deducting the purchaser's costs as shown from the calculated gross capital value. It is therefore equivalent to the net proceeds that the vendor would receive on a notional sale, not allowing for any personal costs or taxes to which the vendor would become liable as a result of the sale. The amount of the deduction depends on the investment volume of the asset concerned.

[10] As at March 31, 2015

4. VALUATION CONCLUSIONS

Upon the assumption that, after reasonable inquiry of the Company, there are no onerous restrictions or unusual outgoings of which we have no knowledge and based on the specific comments and assumptions set out in this Valuation Report, we are of the opinion that the aggregate of the individual Fair Values (net) of the freehold / ground-leasehold interests in the assets, rounded at asset level, are as at March 31, 2015:

1,200,674,100 EUR

(One billion, two hundred million, six hundred and seventy-four thousand, one hundred Euros)

Net of purchasers' costs (8.5% of Fair Value) and VAT.

The assessment of Fair Values was carried out at asset level. The aggregate of the individual Fair Values presented here takes account of the marketing period and the transaction costs of the individual assets and does not reflect any discounts or premiums on the sale of the whole portfolio or if part of the portfolio were to be marketed simultaneously or in lots.

For a detailed breakdown of values between freehold-equivalent and leasehold assets please refer to Part 4 "Valuation Conclusions".

There are no negative Fair Values to report.

The table below shows the distribution of values between freehold-equivalent and ground leasehold assets:

	Fair Value in EUR	in % of Fair Value
Freehold-equivalent	1,195,320,000	99.6%
Leasehold	5,354,100	0.4%
Total	**1,200,674,100**	**100.0%**

The following table shows the aggregated key valuation data for the portfolio:

Fair Value:	1,200,674,100 EUR
Purchasers' costs	*101,946,895 EUR*
Total lettable area:	965,599 sq m
Average Fair Value per sq m lettable area:	1,243 EUR
Current annual rental income (gross):	66,607,804 EUR
Potential annual rental income (gross):	70,247,008 EUR
Estimated annual rental value (gross):	82,586,374 EUR
Multiplier[11] (based on current rent):	18.0 times
Multiplier (based on potential rent):	17.1 times
Multiplier (based on rental value):	14.5 times
Net initial yield[12] (based on current rent):	4.10%
Net initial yield (based on potential rent):	4.41%
Net initial yield (based on rental value):	5.36%

For further information please refer to Part 5 "Valuation Key Definitions".

5. VALUATION KEY DEFINITIONS

Lettable area

The lettable area in this valuation is defined by the entry in the Company's rent rolls provided.

Total lettable area

Total lettable area in square metres — sum of residential and commercial floor area

Residential units

Residential units — number of residential premises excluding parking units and miscellaneous units

[11] Based on net capital value, for the specific definition please refer to Part 5 "Valuation Key Definitions".

[12] Based on gross capital value, for specific definition please refer to Part 5 "Valuation Key Definitions".

Commercial units

Commercial units — number of commercial and special premises; excluding parking units and miscellaneous units

Parking units

Parking units — number of external and internal parking spaces

Miscellaneous units

Miscellaneous units — number of antennas

Current annual rental income (gross):

The current gross rental income represents the rent paid for the units let on leases before deducting non-recoverable operating costs and VAT, multiplied by 12. Rent-free periods have been taken into account

Potential annual rental income (gross):

The potential rent is the sum of the current monthly gross rental income and the rental values of vacant units – irrespective of any vacancy — multiplied by 12

Estimated annual rental value (gross):

The (monthly) market rental value of all units (irrespective of any vacancy), multiplied by 12

Multiplier (based on current rent):

Net capital value divided by current rental income (gross)

Multiplier (based on potential rent):

Net capital value divided by potential rental income (gross)

Multiplier (based on rental value):

Net capital value divided by estimated rental value (gross)

Net initial yield (based on current rent):

Current rental income (net) divided by gross capital value
Current rental income (gross) minus non-recoverable operating costs / net capital value plus purchaser's costs

Net initial yield (based on potential rent):

Potential rental income (net) divided by gross capital value

Net initial yield (based on rental value):

Estimated rental income (net) divided by gross capital value

Explanation of differences in unit count

Due to a minor difference in the approach between the internal unit classification of ADO and unit classification of CBRE, some differences can be noticed in terms of the total number of units and the total number of square meters. Please see the table below for an explanation of the CBRE unit classifications.

Category	Valuation Classification	Description	Measure
Residential area	Residential Non-sub	Non-subsidised residential units	Square meter
	Residential Sub	Subsidised residential units	Square meter
Commercial area	Retail	Retail, Gastronomy	Square meter
	Office	Office, Surgery	Square meter
	Other	All other areas (e.g. Storage, Transport/Distribution, Industrial)	Square meter
Other units	Other (per Unit)	Antennas, Basements, Advertising signs	Unit
Parking	Parking internal	Garages, Underground car parks	Unit
	Parking external	Parking lots	Unit

Additionally, in two cases an additional explanation is advisable:

1. Between the date that the CBRE valuation report has been drafted and the finalization of the prospectus, five additional condominium units have been sold. As a result there are 13,767 residential units according to the CBRE valuation report, whilst current internal data of ADO shows a total of 13,762 units as of April 1st 2015.

2. In the case of building P2201 (Große-Leege-Straße 97, 98) the valuation report identified 50 commercial lease contracts and refers to them as commercial units. The internal ADO data refers to 160 rooms within the property and counts them as commercial units.

The disparity caused by the different unit classification between CBRE and ADO leads to a total difference of 92 commercial units (CBRE: 622 commercial units vs. ADO: 714 commercial units as of April 1st 2015).

ppa. Andreas Polter

Team Leader Residential Valuation Germany
Director
CBRE GmbH

Dr. Henrik Baumunk

Head of Residential Valuation Germany
Managing Director
CBRE GmbH

APPENDIX A
ASSET OVERVIEW

Valuation Unit	City	Postal Code	Address	Units: Residential	Units: Commercial	Units: Miscellaneous	Units: Parking	Lettable Area: Total	Lettable Area: Vacant	Lettable Area: Vacancy Rate	Income: GRI on Current
				UNITS	UNITS	UNITS	UNITS	SQ M	SQ M	%	EUR P.A.
P001	Berlin	13409	Residenzstr. 122; Mittelbruchzeile 1	21	4	0	0	1.746	75	4,3%	188.870
P002	Berlin	13629	Wernerwerkdamm 25; Hefnersteig 1-4; Ohmstr. 7-9	78	7	0	0	6.607	179	2,7%	414.910
P003	Berlin	10247	Gürtelstr. 27	52	0	3	0	2.931	0	0,0%	247.567
P004	Berlin	14057	Kaiserdamm 112	22	1	0	15	1.860	0	0,0%	208.709
P005	Berlin	10961	Gneisenaustr. 22; Zossener Str. 15	22	5	0	0	1.819	0	0,0%	249.608
P006	Berlin	12045	Weserstr. 166, 167	68	5	2	0	4.343	0	0,0%	333.083
P007	Berlin	13347	Heinz-Galinski-Str. 16, 17	20	0	0	0	1.145	77	6,7%	70.102
P008	Berlin	13359	Drontheimer Str. 20	37	2	0	0	2.176	0	0,0%	160.321
P009	Berlin	13353	Brüsseler Str. 42, 42a	45	3	0	0	2.421	0	0,0%	178.535
P010	Berlin	13359	Drontheimer Str. 4	20	3	0	0	1.308	0	0,0%	95.679
P011	Berlin	10559	Birkenstr. 56	33	2	0	0	2.128	0	0,0%	165.163
P0301	Berlin	10783	Bülowstr. 24; Potsdamer Str. 142	24	8	0	0	1.756	114	6,5%	219.563
P0501	Berlin	12043	Karl-Marx-Str. 12, 12a	29	9	1	0	3.921	0	0,0%	270.107
P0601	Berlin	12169	Steglitzer Damm 42-46; Kellerstr. 3	46	2	0	15	3.074	0	0,0%	234.796
P0701	Berlin	13409	Provinzstr. 49	9	3	0	3	1.449	0	0,0%	72.814
P0801	Berlin	12203	Gélieustr. 10	30	0	0	0	2.045	173	8,5%	147.148
P0902	Berlin	12049	Lichtenrader Str. 33-34; Okerstr. 30-32	59	0	0	0	3.472	69	2,0%	254.379
P0903	Berlin	10553	Huttenstr. 6, 7; Rostocker Str. 47-50, 52	143	5	6	89	7.832	207	2,6%	634.718
P0904	Berlin	10553	Huttenstr. 8, 9	24	3	0	47	2.262	0	0,0%	227.873
P0905	Berlin	10963	Wilhelmstr. 123-124; Hedemannstr. 27, 28	94	3	3	114	5.904	75	1,3%	490.236
P0906	Berlin	10963	Hedemannstr. 10	24	3	3	6	1.507	0	0,0%	125.782
P0907	Berlin	10963	Wilhelmstr. 15	42	6	1	37	2.654	77	2,9%	243.261
P1001	Berlin	14059	Seelingstr. 28	38	2	0	0	2.146	0	0,0%	181.412
P1101	Berlin	10559	Rathenower Str. 25	27	2	0	1	2.365	0	0,0%	153.785
P1201	Berlin	10559	Rathenower Str. 22	35	2	2	0	2.319	0	0,0%	153.728
P1301	Berlin	10827	Ebersstr. 80, 80a	19	8	1	0	2.356	170	7,2%	113.370
P1401	Berlin	10559	Lübecker Str. 47	25	2	0	0	1.415	34	2,4%	99.755
P1501	Berlin	12349	Buckower Damm 255, 255a, 257; Heideläuferweg 32	62	1	0	34	4.653	0	0,0%	356.211
P1601	Berlin	12059	Harzer Str. 88	30	2	0	0	1.827	0	0,0%	135.421
P1602	Berlin	10559	Lübecker Str. 18	15	3	0	0	1.195	85	7,2%	77.509
P1701	Berlin	10559	Turmstr. 24; Lübecker Str. 52	21	6	0	0	2.844	96	3,4%	221.622
P1801	Berlin	10551	Putlitzstr. 18	18	2	1	0	1.793	0	0,0%	123.533
P1802	Berlin	10245	Seumestr. 11	22	2	0	0	1.709	129	7,5%	138.539
P1901	Berlin	12045	Elbestr. 35	23	1	0	0	1.670	0	0,0%	116.176
P1902	Berlin	12047	Lenaustr. 27	29	2	0	0	1.804	75	4,2%	141.719

				Units				Lettable Area			Income
Valuation Unit	City	Postal Code	Address	Residential	Commercial	Miscellaneous	Parking	Total	Vacant	Vacancy Rate	GRI on Current
				UNITS	UNITS	UNITS	UNITS	SQ M	SQ M	%	EUR P.A.
P2001	Berlin	10999	Reichenberger Str. 48	19	2	0	0	1.059	78	7,3%	74.685
P2101	Berlin	13357	Pankstr. 46	17	2	0	0	1.394	0	0,0%	99.102
P2201	Berlin	13055	Große-Leege-Str. 97, 98	1	50	19	23	5.208	405	7,8%	267.966
P2301	Berlin	12049	Allerstr. 46	29	2	0	0	1.789	0	0,0%	119.406
P2401	Berlin	10629	Leibnizstr. 58	22	5	0	0	3.068	717	23,4%	217.918
P2402	Berlin	10589	Nordhauser Str. 1; Goslarer Platz 5	30	3	0	0	3.006	0	0,0%	204.657
P2403	Berlin	12055	Mareschstr. 17-18; Bartastr. 15	41	3	0	0	3.583	41	1,1%	255.739
P2501	Berlin	12045	Fuldastr. 33	33	1	0	0	1.434	30	2,1%	112.857
P2502	Berlin	12047	Nansenstr. 35	20	0	0	0	1.369	0	0,0%	108.570
P2503	Berlin	12049	Hermannstr. 221	24	2	0	4	1.934	0	0,0%	158.775
P2601	Berlin	13158	Friedrich-Engels-Str. 149	14	3	0	32	1.620	189	11,6%	114.332
P2602	Berlin	10963	Großbeerenstr. 77; Obentrautstr. 37	16	1	1	0	1.279	0	0,0%	93.495
P2603	Berlin	12203	Gélieustr. 11, 11a	23	0	0	8	1.454	0	0,0%	114.463
P2701	Berlin	10717	Fechner Str. 3	18	2	0	0	1.371	70	5,1%	111.666
P2702	Berlin	12049	Weisestr. 8; Selchower Str. 2	44	3	0	0	3.394	0	0,0%	235.129
P2703	Berlin	10247	Scharnweber Str. 40	8	1	0	0	728	0	0,0%	55.075
P2704	Berlin	12203	Unter den Eichen 58, 59	16	1	0	17	1.451	0	0,0%	119.743
P2801	Berlin	10551	Siemensstr. 16	39	1	1	0	2.057	266	12,9%	137.447
P2802	Berlin	12055	Lahnstr. 83; Naumburger Str. 1	18	0	0	0	1.193	0	0,0%	84.183
P2803	Berlin	12045	Weichselstr. 13, 14	37	4	0	29	2.907	0	0,0%	222.287
P2901	Berlin	13347	Oudenarder Str. 22	24	0	0	0	1.353	0	0,0%	87.051
P2902	Berlin	12487	Sterndamm 125; Lindhorstweg 55	20	2	0	0	1.972	95	4,8%	125.348
P2903	Berlin	13409	Schwartzstr. 5, 7	34	0	0	0	1.940	135	7,0%	125.801
P3001	Berlin	12051	Schierker Str. 20	10	3	0	0	900	0	0,0%	54.573
P3002	Berlin	13585	Schönwalder Str. 15; Kirchhofstr. 26	20	2	0	0	1.504	0	0,0%	112.767
P3003	Berlin	12459	Plönzeile 2, 4; Firlstr. 27	23	2	0	0	2.117	0	0,0%	151.669
P3101	Berlin	10829	Hohenfriedbergstr. 7	28	0	0	0	2.062	0	0,0%	153.238
P3102	Berlin	10999	Ohlauer Str. 33	20	1	0	0	1.450	30	2,1%	111.441
P3201	Berlin	12053	Flughafenstr. 40; Mainzer Str. 21	27	3	0	0	2.302	0	0,0%	165.562
P3202	Berlin	12049	Okerstr. 38	34	0	1	0	1.767	50	2,8%	132.835
P3301	Berlin	10997	Schlesische Str. 5	16	2	0	0	1.877	0	0,0%	163.447
P3302	Berlin	10965	Kreuzbergstr. 22	54	0	0	0	3.463	196	5,6%	238.626
P3401	Berlin	13349	Müllerstr. 59b	19	2	1	0	1.448	0	0,0%	86.076
P3901	Berlin	10551	Birkenstr. 47	10	1	0	0	920	0	0,0%	64.595
P4001	Berlin	10999	Reichenberger 71, 71a; Forster Str. 46	38	4	0	0	2.572	156	6,1%	186.139

Valuation Unit	City	Postal Code	Address	Units: Residential	Units: Commercial	Units: Miscellaneous	Units: Parking	Lettable Area: Total	Lettable Area: Vacant	Lettable Area: Vacancy Rate	Income: GRI on Current
				UNITS	UNITS	UNITS	UNITS	SQ M	SQ M	%	EUR P.A.
P4101	Berlin	12045	Weserstr. 165	23	2	0	0	1.852	72	3,9%	134.144
P4102	Berlin	12045	Wildenbruchstr. 4	26	2	0	0	2.389	84	3,5%	156.258
P4201	Berlin	13357	Kolberger Str. 14	28	1	1	0	1.525	169	11,1%	95.602
P4301	Berlin	12163	Flemmingstr. 7	14	0	1	4	690	50	7,2%	54.938
P4302	Berlin	12207	Goerzallee 11, 11a, 11b	10	0	1	3	510	0	0,0%	45.815
P4303	Berlin	13357	Gottschedstr. 10a, 10b	20	0	2	5	1.231	62	5,0%	78.959
P4401	Berlin	12045	Weserstr. 168	24	2	0	0	1.493	33	2,2%	110.760
P4402	Berlin	13357	Bastianstr. 2	13	4	1	0	1.316	111	8,4%	86.678
P4501	Berlin	10965	Möckernstr. 73a	12	2	0	0	1.146	79	6,9%	89.658
P4601	Berlin	12439	Brückenstr. 27	12	4	0	11	1.285	78	6,1%	80.440
P4702	Berlin	13089	Prenzlauer Promenade 47-48; Treskowstr. 30-34	211	7	1	111	15.843	109	0,7%	1.265.463
P4802a	Berlin	13359	Freienwalder Str. 28, 29	36	0	0	0	1.884	50	2,7%	139.614
P4802b	Berlin	13359	Soldiner Str. 104	0	0	0	13	0	0	0,0%	0
P4803	Berlin	10551	Oldenburger Str. 35	15	0	0	6	1.186	0	0,0%	91.821
P4804	Berlin	10781	Goltzstr. 50	10	0	0	5	774	0	0,0%	58.824
P4805	Berlin	10967	Hasenheide 88	13	0	0	7	1.011	81	8,0%	70.388
P4806	Berlin	13409	Sommerstr. 10; Nordbahnstr. 15	16	0	0	8	1.122	89	7,9%	77.927
P4807	Berlin	13353	Föhrer Str. 3, 4, 5; Buchstr. 9	74	0	0	40	6.209	106	1,7%	481.983
P4901	Berlin	12351	Fritz-Erler-Allee 58-62; Johannisthaler Chaussee 273, 275	135	0	1	53	10.898	235	2,2%	629.071
P5301	Berlin	14089	Gatower Str. 235-243	0	2	3	10	2.893	0	0,0%	234.054
P5302	Berlin	10437	Milastr. 2	2	11	1	11	2.399	145	6,0%	281.076
P5401	Berlin	10551	Putlitzstr. 14	34	2	0	0	2.229	0	0,0%	158.117
P5402	Berlin	13349	Müllerstr. 118	45	4	0	0	2.586	0	0,0%	210.655
P5501	Berlin	10407	Landsberger Allee 93	17	2	0	0	1.086	0	0,0%	82.745
P5502	Berlin	12105	Rathausstr. 62-64a	28	1	0	12	1.843	98	5,3%	116.213
P5503	Berlin	13351	Transvaalstr. 44	27	4	0	0	1.718	0	0,0%	133.830
P5601	Berlin	13347	Neue Hochstr. 43	14	0	0	0	850	0	0,0%	59.822
P5602	Berlin	12157	Thorwaldsenstr. 1-2; Rubensstr.	30	0	0	11	1.715	34	2,0%	129.509
P5603	Berlin	13349	Müllerstr. 120; Transvaalstr. 1	35	4	0	0	3.098	0	0,0%	198.861
P5604	Berlin	10961	Schleiermacher Str. 3	27	1	0	0	1.438	39	2,7%	105.394
P5901	Berlin	10585	Otto-Suhr-Allee 31	12	0	1	5	702	0	0,0%	59.251
P5902	Berlin	10777	Regensburger Str. 10a	15	0	0	9	867	0	0,0%	77.320
P5903	Berlin	10585	Zillestr. 19	17	0	0	11	910	65	7,1%	77.254
P6001	Berlin	10967	Urbanstr. 50	16	1	0	0	997	0	0,0%	66.147
P6002	Berlin	12047	Weserstr. 204	32	1	0	0	1.980	0	0,0%	153.076

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P6102	Berlin	13349	Müllerstr. 59a	29	3	0	0	2.415	0	0,0%	167.964
P6103	Berlin	13357	Schwedenstr. 2	12	2	1	0	1.078	0	0,0%	77.663
P6201	Berlin	13359	Koloniestr. 28	20	2	0	2	1.626	0	0,0%	120.309
P6202	Berlin	10553	Huttenstr. 30	32	1	0	0	2.069	0	0,0%	122.663
P6203	Berlin	10559	Havelbergerstr. 18	31	2	0	0	2.017	35	1,7%	136.986
P6301	Berlin	10967	Urbanstr. 6	16	2	0	0	1.704	0	0,0%	124.062
P6401	Berlin	12051	Emser Str. 40	17	2	0	0	1.108	0	0,0%	91.222
P6402	Berlin	13347	Reinickendorfer Str. 120	18	2	0	0	1.504	50	3,3%	99.102
P6501	Berlin	10783	Bülowstr. 41, 41a, 42	38	0	1	15	1.855	54	2,9%	124.438
P6502	Berlin	10317	Weitlingstr. 29, 31, 33; Margaretenstr. 27	33	6	0	0	2.828	300	10,6%	147.267
P6601	Berlin	13353	Tegeler Str. 29, 29a; Triftstr. 57	35	4	0	0	2.768	60	2,2%	200.204
P6602	Berlin	10713	Kalischer Str. 26-34; Kalkhorster Str. 5-11	72	0	0	0	4.422	63	1,4%	281.462
P6701	Berlin	12057	Karl-Marx-Str. 254, 256	26	3	0	0	1.843	0	0,0%	141.695
P6801	Berlin	13595	Pichelsdorfer Str. 129	31	5	0	0	2.667	160	6,0%	172.468
P6802	Berlin	13593	Heerstr. 413-419	114	4	1	7	5.831	70	1,2%	427.735
P6901	Berlin	10777	Kalckreuthstr. 8	24	0	0	7	1.015	0	0,0%	74.666
P6902	Berlin	12357	Distelfinkweg 26, 32, 34; Rudower Str. 155, 157	48	0	0	17	2.576	0	0,0%	172.216
P7001	Berlin	14193	Friedrichsruher Str. 33, 33a–c; Cunostr. 52, 52a	80	0	0	18	3.659	247	6,8%	254.083
P7002	Berlin	14193	Friedrichsruher Str. 31, 32; Cunostr. 53	40	0	0	14	2.475	109	4,4%	168.396
P7003	Berlin	14193	Friedrichsruher Str. 14, 15, 17, 18, 20, 21, 23	81	0	0	28	5.246	0	0,0%	384.059
P7011a	Berlin	13597	Jüdenstr. 44	12	0	0	0	820	64	7,8%	60.924
P7011b	Berlin	13597	Carl-Schurz-Str. 49, 49a	12	0	2	12	816	65	8,0%	92.229
P7012	Berlin	12487	Königsheideweg 238	30	0	0	0	1.977	561	28,4%	88.567
P7021	Berlin	13359	Osloer Str. 18-22	79	5	2	6	5.736	490	8,5%	367.498
P7022	Berlin	13359	Stockholmer Str. 1-3	30	0	0	0	1.779	0	0,0%	110.761
P7023	Berlin	13359	Gotenburger Str. 1, 3, 5; Prinzenallee 65, 66	39	1	1	0	2.734	0	0,0%	175.800
P7024	Berlin	13359	Osloer Str. 33; Drontheimer Str. 1; Koloniestr. 143	20	7	0	0	2.413	308	12,8%	166.237
P7031	Berlin	10319	Mellenseestr. 32, 33, 34	126	1	1	0	6.750	192	2,8%	512.097
P7032	Berlin	10319	Mellenseestr. 35, 36, 37, 38	120	0	0	0	7.798	147	1,9%	523.600
P7041	Berlin	10827	Dominicusstr. 54; Ebersstr. 73, 74	26	3	1	0	2.805	72	2,6%	206.374
P7051	Berlin	12347	Britzer Damm 112, 114; Gradestr. 2	20	7	0	0	2.268	77	3,4%	175.814
P7052	Berlin	12347	Gradestr. 4	11	0	0	10	733	0	0,0%	48.438
P7061	Berlin	12043	Karl-Marx-Str. 170, 172; Mittelweg 10, 12, 14, 16	70	6	1	93	4.927	108	2,2%	405.860
P7071	Berlin	12055	Karl-Marx-Str. 238, 240; Silbersteinstr. 2	23	4	0	0	1.848	0	0,0%	139.629
P7072	Berlin	12055	Karl-Marx-Str. 17	36	10	1	6	3.643	0	0,0%	279.234

CBRE

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				UNITS	UNITS	UNITS	UNITS	SQ M	SQ M	%	EUR P.A.
P7073	Berlin	12055	Hermannstr. 229	32	7	0	0	2.072	0	0,0%	170.118
P7081	Berlin	13507	Buddestr. 5; Veitstr. 1-4b; Berliner Str. 85	84	7	1	0	8.191	196	2,4%	521.903
P7091	Berlin	12047	Jessnerstr. 6	27	2	0	0	1.970	0	0,0%	154.243
P7092	Berlin	10825	Koburger Str. 14	26	2	2	0	1.653	134	8,1%	116.294
P7093	Berlin	12051	Nogatstr. 40	35	3	0	0	2.222	101	4,6%	167.843
P7094	Berlin	14059	Stülpnagelstr. 7, 9, 11, 11a, 13	68	0	0	16	3.418	144	4,2%	249.232
P7095	Berlin	10999	Wiener Str. 46	19	1	0	3	1.275	0	0,0%	99.697
P7096	Berlin	12103	Burgemeisterstr. 30, 32, 34, 36; Friedrich-Wilhelm-Str. 52, 54, 54a, 54b	125	17	3	175	13.093	516	3,9%	1.107.882
P8011	Berlin	13359	Wollankstr. 32-39	167	1	0	63	12.917	176	1,4%	850.196
P8021	Berlin	10707	Düsseldorfer Str. 37, 37a, 38, 38a, 38b, 39; Brandenburgische Str. 26, 26a, 27	70	0	0	0	4.001	832	20,8%	258.503
P8022	Berlin	12157	Begasstr. 6	11	0	0	0	1.501	131	8,7%	94.028
P8031	Berlin	10315	Löwenberger Str. 2, 4	379	0	2	10	11.607	4.850	41,8%	707.856
P8061	Berlin	10709	Nestorstr. 53, 53a	28	0	0	10	1.511	170	11,2%	112.323
P8071	Berlin	13187	Florapromenade 25	25	0	0	12	1.075	654	60,9%	59.520
P8081	Berlin	10407	Cotheniusstr. 12	34	0	0	0	1.930	152	7,9%	159.416
P8091	Berlin	10589	Tauroggener Str. 34	53	0	0	27	3.702	0	0,0%	349.613
P8101	Berlin	12059	Kiehlufer 61-65; Hüttenroder Weg 10-16	69	0	0	0	3.843	258	6,7%	249.731
P8111	Berlin	12157	Rubenstr. 104	20	1	2	0	1.618	180	11,1%	96.664
P8171	Berlin	13355	Puttbusser Str. 54	20	0	0	0	1.052	0	0,0%	76.435
P8172	Berlin	13357	Stettiner Str. 49	20	0	0	8	1.000	74	7,4%	61.062
P8181	Berlin	13347	Schulstr. 52-53, Martin-Opitz-Str. 8-9	41	2	1	50	2.620	72	2,7%	156.485
P8191	Berlin	13351	Otawistr. 3-5	47	3	0	0	2.882	106	3,7%	201.696
P8201	Berlin	10551	Stromstr. 40	36	1	0	0	1.354	26	1,9%	118.386
P8211	Berlin	12437	Baumschulenstr. 67; Schraderstr. 1	21	2	0	0	1.503	191	12,7%	87.837
P8212	Berlin	12557	Gutenbergstr. 14	13	0	1	0	1.016	0	0,0%	70.579
P8221	Berlin	13351	Kameruner Str. 9	31	2	0	0	1.959	85	4,3%	103.330
P8231	Berlin	12307	Schichauweg 56, 60, 62, 64	12	0	0	13	1.130	0	0,0%	76.922
P8241	Berlin	12099	Alt-Tempelhof 5, 7; Götzstr. 11, 11a, 11b	57	1	0	79	5.580	267	4,8%	454.926
P8251	Berlin	13593	Gruberzeile 89	17	0	0	32	1.207	76	6,3%	91.467
P8261	Berlin	14059	Schloßstr. 34	21	2	0	0	1.440	0	0,0%	139.665
P8262	Berlin	10585	Kaiser-Friedrich-Str. 2	17	4	0	4	1.310	253	19,3%	87.698
P8271	Berlin	13407	Lindauer Allee 46	32	0	0	24	1.992	0	0,0%	155.549
P8281	Berlin	12055	Braunschweiger Str. 66	10	1	0	0	998	60	6,0%	59.419

CBRE

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P8282	Berlin	12051	Nogatstr. 7	20	2	0	0	1.191	0	0,0%	87.160
P8291	Berlin	10407	Bötzowstr. 55	18	2	0	0	1.328	0	0,0%	125.041
P8301	Berlin	13409	Herbststr. 14-16; Sommerstr. 8	32	3	0	4	2.563	0	0,0%	200.633
P8302	Berlin	13469	Horber Str. 6-8	14	0	0	9	1.191	168	14,1%	77.484
P8311	Berlin	10407	Danziger Str. 215	22	3	0	0	1.399	0	0,0%	98.807
P8321	Berlin	13086	Schönstr. 51; Rennbahnstr. 110, 112; Hunsrückstr. 44, 46	50	0	0	0	2.417	58	2,4%	162.704
P8331	Berlin	12105	Kaiserstr. 121; Straße 5	26	0	0	0	2.089	0	0,0%	138.233
P8332	Berlin	12101	Manfred-von-Richthofen-Str. 24	24	1	0	10	1.653	0	0,0%	109.736
P8333	Berlin	10779	Martin-Luther-Str. 59-61; Fresinger Str.	38	0	0	11	1.807	32	1,8%	128.542
P8341	Berlin	13189	Binzstr. 19	17	2	0	0	1.948	0	0,0%	146.016
P8342	Berlin	13127	Pasewalker Strasse 100; Margaretenaue 1, 2	20	0	0	3	1.397	0	0,0%	83.876
P8343	Berlin	13187	Zillertalstr. 49	16	0	0	0	1.060	0	0,0%	72.797
P8351	Berlin	12163	Ahornstr. 11	31	0	0	11	2.257	0	0,0%	209.189
P8352	Berlin	13403	Antonienstr. 18-20	21	2	0	26	2.101	0	0,0%	138.021
P8353	Berlin	13403	Antonienstr. 6	16	0	0	0	1.113	0	0,0%	72.185
P8354	Berlin	13351	Transvaalstr. 13	28	2	0	0	1.774	39	2,2%	118.424
P8355	Berlin	12059	Weserstr. 80-81; Roseggerstr. 17	42	1	0	0	2.778	157	5,7%	165.592
P8361	Berlin	13086	Gustav-Adolf-Str. 92-103; Obersteiner Weg 44-49	126	0	0	26	7.628	59	0,8%	559.752
P8362	Berlin	13353	Seestr. 23	48	0	0	0	3.013	50	1,7%	224.323
P8371	Berlin	12049	Hermannstr. 44, 45; Selchower Str. 35	33	8	0	0	2.938	127	4,3%	266.925
P8372	Berlin	12059	Roseggerstr. 16; Stuttgarter Str. 50	16	2	0	22	1.466	71	4,8%	100.394
P8381	Berlin	12165	Schmidt-Ott-Str. 5a, 5b	14	0	0	0	1.370	106	7,8%	129.134
P8602	Berlin	12043	Erkstr. 13	17	3	0	0	1.275	274	21,5%	92.447
P8603	Berlin	13409	Mittelbruchzeile 71	7	0	0	4	450	0	0,0%	33.964
P8604	Berlin	12161	Bundesallee 64, 65	20	2	1	17	1.449	0	0,0%	161.471
P8605	Berlin	12057	Karl-Marx-Str. 243	11	3	1	0	758	0	0,0%	71.009
P8606	Berlin	13595	Pichelsdorfer Str. 84; Franzstr. 2	17	2	1	0	1.553	95	6,1%	110.407
P8607	Berlin	12051	Schierker Str. 25	26	3	6	0	1.789	64	3,6%	138.336
P8608	Berlin	10551	Waldstr. 58	15	2	0	0	1.037	0	0,0%	80.029
P8609	Berlin	14169	Charlottenburger Str. 4, 4b	6	5	0	7	870	0	0,0%	76.812
P8610	Berlin	12053	Flughafenstr. 13; Isarstr. 14	20	4	0	0	1.879	0	0,0%	133.709
P8611	Berlin	10625	Kantstr. 38; Leibnizstr. 35a	33	7	1	20	2.843	41	1,4%	335.812
P8613	Berlin	12059	Treptower Str. 15	21	0	0	0	1.653	0	0,0%	114.739
P8614	Berlin	12109	Mariendorfer Damm 62	10	2	0	0	1.066	0	0,0%	96.102
P8615	Berlin	10625	Bismarckstr. 102, 102a, 102b	60	6	3	88	4.440	57	1,3%	488.484
P8616	Berlin	14199	Forckenbeckstr. 97	12	1	0	0	579	41	7,1%	44.045

				Units				Lettable Area			Income
Valuation Unit	City	Postal Code	Address	Residential	Commercial	Miscellaneous	Parking	Total	Vacant	Vacancy Rate	GRI on Current
				UNITS	UNITS	UNITS	UNITS	SQ M	SQ M	%	EUR P.A.
P8617	Berlin	10625	Kantstr. 122	63	3	0	0	4.085	95	2,3%	343.448
P8618	Berlin	12043	Karl-Marx-Str. 156-158	50	8	2	0	3.777	100	2,6%	350.285
P8619	Berlin	13353	Luxemburger Str. 4	20	2	0	0	1.614	63	3,9%	130.574
P8620	Berlin	12109	Mariendorfer Damm 45	31	3	1	7	1.883	92	4,9%	132.011
P8621	Berlin	10551	Wilhelmshavener Str. 24	35	2	0	0	2.944	328	11,1%	183.721
P8622	Berlin	10439	Wisbyer Str. 5	36	2	0	0	2.532	356	14,0%	240.833
P8623	Berlin	10551	Turmstr. 82	12	4	0	0	1.026	0	0,0%	124.085
P8701	Berlin	10585	Otto-Suhr-Allee 121; Wilmersdorfer Str. 165; Schustehrusstr. 10	28	4	0	0	3.110	222	7,1%	246.144
P8702	Berlin	12109	Britzer Str. 83	16	0	0	11	1.015	0	0,0%	78.252
P8703	Berlin	10551	Waldstr. 50	11	1	0	15	1.015	0	0,0%	77.602
P8704	Berlin	12045	Sonnenallee 38	17	3	0	0	1.246	0	0,0%	100.595
P8705	Berlin	12045	Sonnenallee 40	38	2	0	0	1.991	111	5,6%	162.746
P8801	Berlin	10967	Kottbusser Damm 72; Lenaustr. 1	6	8	1	0	2.229	203	9,1%	254.642
P8802	Berlin	14199	Ruhlaer Str. 27a, 28	7	5	0	11	809	53	6,5%	86.630
P8803	Berlin	13591	Heerstr. 613, 615	6	2	0	0	932	462	49,6%	36.791
P8804	Berlin	13585	Kurstr. 5	22	2	0	0	1.163	133	11,4%	69.683
P8805	Berlin	13595	Brüderstr. 5	22	1	0	0	1.475	45	3,1%	86.245
P8806	Berlin	13403	Eichborndamm 23, 25	22	0	0	3	1.182	56	4,7%	82.051
P8807	Berlin	13403	Hechelstr. 21, 21a	16	0	0	1	1.121	41	3,7%	62.479
P8808	Berlin	12163	Schildhornstr. 73, 73a	14	0	0	6	1.012	0	0,0%	62.461
P8810	Berlin	13403	Eichborndamm 89	6	2	1	12	689	156	22,6%	43.467
P8811	Berlin	12555	Alte Kaulsdorfer Str. 33; Am Bahndamm 33, 35, 37, 39; Mahlsdorfer Str. 108-110	33	14	0	0	2.983	58	1,9%	308.095
P8901	Berlin	14109	Schäferstr. 7-10	41	1	2	38	2.342	120	5,1%	224.740
P8904	Berlin	10715	Babelsberger Str. 50	45	2	0	0	3.070	118	3,8%	239.660
P8905	Berlin	14059	Sophie-Charlotten-Str. 24	24	3	2	0	2.256	0	0,0%	157.545
P8906	Berlin	12305	Grimmstr. 22, 24; Krusauer Str. 101	22	0	1	10	1.653	73	4,4%	133.779
P8908	Berlin	12099	Friedrich-Wilhelm-Str. 86	16	2	0	0	1.332	0	0,0%	100.718
P9001	Berlin	14059	Spandauer Damm 60, 64	59	1	1	1	3.698	0	0,0%	288.350
P9002	Berlin	14059	Ernst-Bumm-Weg 4, 4a, 4b	40	0	2	6	2.079	0	0,0%	162.151
P9051	Berlin	13593	Blasewitzer Ring 23-31 ung.	48	0	1	0	4.178	96	2,3%	271.847
P9052	Berlin	13593	Heerstr. 402-422 ger.; Magistratsweg 2-8a ger.	221	0	2	0	15.617	583	3,7%	917.136
P9053	Berlin	13469	Schluchseestr. 46, 47-51 ung., 73-77 ung.; Titiseestr. 17-35 ung.	484	1	6	33	31.344	1.109	3,5%	1.997.050
P9054	Berlin	13469	Schluchseestr. 53-71 ung.	211	1	4	0	16.128	535	3,3%	1.015.029

Valuation Unit	City	Postal Code	Address	Units				Lettable Area			Income
				Residential	Commercial	Miscellaneous	Parking	Total	Vacant	Vacancy Rate	GRI on Current
				UNITS	UNITS	UNITS	UNITS	SQ M	SQ M	%	EUR P.A.
P9055	Berlin	13469	Schluchseestr. 39-45 ung.; Titiseestr. 37-49 ung.	139	0	6	0	9.201	238	2,6%	571.000
P9056	Berlin	13469	Schluchseestr. 5-13 ung.; Tegernauer Zeile 11, 13	117	0	1	0	8.236	435	5,3%	452.815
P9057	Berlin	13469	Schluchseestr. 3	50	0	0	0	1.431	0	0,0%	102.173
P9058	Berlin	13469	Zabel-Krüger-Damm 22, 24	40	1	1	0	2.963	86	2,9%	221.622
P9059	Berlin	13593	Gruberzeile 28-32 ger., 28a; Heerstr. 385-407 ung.; Mareyzeile 1-11 ung., 1a; Meydenbauerweg 30-44 ger., 49; Sandstr. 37-41 ung.	540	7	2	101	39.337	1.391	3,5%	2.298.052
P9060	Berlin	13593	Heerstr. 362-372 ger.	153	0	1	0	9.325	359	3,8%	552.568
P9061	Berlin	13593	Maulbeerallee 25-55 ung.	705	2	6	0	51.238	2.744	5,4%	2.924.893
P9062	Berlin	13593	Maulbeerallee 23	134	0	0	0	4.295	112	2,6%	375.373
P9063	Berlin	13593	Blasewitzer Ring 12-24 ger.	205	3	3	249	14.950	449	3,0%	975.663
P9064	Berlin	13593	Blasewitzer Ring 4-10 ger.; Sandstr. 64, 64a, 64b, 66	291	10	3	0	21.726	924	4,3%	1.275.936
P9065	Berlin	13593	Blasewitzer Ring 1-21 ung.; Obstallee 2-22 ger.	621	2	2	307	40.535	2.063	5,1%	2.408.067
P9066	Berlin	13593	Magistratsweg 10; Obstallee 24-28 ger.,32	368	12	5	193	23.472	912	3,9%	1.590.642
P9067	Berlin	13469	Tegernauer Zeile 2-14 ger.; Titiseestr. 2-12 ger.; Todtnauer Zeile 1-14; Zabel- Krüger-Damm 26-48 ger.	967	2	8	251	66.281	2.843	4,3%	4.006.207
P9068	Berlin	13469	Titiseestr. 1-5 ung.; Zabel-Krüger-Damm 50, 52	282	21	5	139	23.844	853	3,6%	1.507.473
P9069	Berlin	13469	Tegernauer Zeile 1-9 ung.	110	0	0	0	8.946	68	0,8%	523.334
P9070	Berlin	13469	Waldshuter Zeile 10, 12; Zabel-Krüger-Damm 54-62 ger.	63	0	1	12	4.689	68	1,5%	346.237
TOTAL / AVERAGE				**13.767**	**622**	**166**	**3.234**	**965.599**	**39.009**	**4,0%**	**66.607.804**

SELECTED DEFINED TERMS

€ / euro	The single European currency adopted by certain participating member states of the European Union, including Germany and Luxembourg.
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA including net result from disposals.
Adjusted EBITDA margin	Adjusted EBITDA margin is the Adjusted EBITDA divided by net rent and revenues from sales of residential units.
Adjusted EPRA NAV	Adjusted EPRA NAV is the EPRA NAV plus the amount of financial debt owed to related parties which will be converted into shares in the Company at the issuance of the New Shares, and therefore will no longer be outstanding financial debt of the Group following the Offering.
Adjusted EPRA NAV per share	Adjusted EPRA NAV per share is adjusted EPRA NAV divided by 25,000,000 shares, which represents the outstanding number of Shares as of the date of this Prospectus, assuming that prior to the closing of the Offering, all the amounts owed to the Selling Shareholder will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering.
Adjusted LTV-Ratio	Adjusted LTV-Ratio is the LTV-Ratio adjusted to remove from the respective financial debt amount, such debt owed to related parties which will be converted into shares in the Company at the issuance of the New Shares.
ADO	ADO refers to ADO Properties S.A., a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg.
ADO Immobilien	ADO Immobilien Management GmbH, our property and facility management corporation.
AFFO	AFFO (also known as capex-adjusted FFO) is FFO adjusted for capitalized maintenance.
AktG	AktG refers to the German Stock Corporation Act (*Aktiengesetz*).
BaFin	The German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*).
BEPS	Base erosion and profit shifting.
BerlinHyp1 Agreement	BerlinHyp1 Agreement refers to a term loan agreement with Berlin-Hannoversche Hypothekenbank AG which we entered on December 27/28, 2001.
BerlinHyp2 Agreement	BerlinHyp2 Agreement refers to the term loan agreement with Berlin-Hannoversche Hypothekenbank AG which we entered on April 15, 2013.
BerlinHyp5 Agreement	BerlinHyp5 Agreement refers to the term loan agreement with Berlin-Hannoversche Hypothekenbank AG which we entered on September 27, 2013.
BerlinHyp6 Agreement	BerlinHyp6 Agreement refers to the term loan agreement with Berlin-Hannoversche Hypothekenbank AG which we entered on May 30, 2012.
BerlinHyp7 Agreement	BerlinHyp7 Agreement refers to the term loan agreement with Berlin-Hannoversche Hypothekenbank AG which we entered on May 18, 2011.
BerlinHyp8 Agreement	BerlinHyp8 Agreement refers to the term loan agreements with Berlin-Hannoversche Hypothekenbank AG which we entered in March 2007.

BVB1 Agreement	BVB1 Agreement refers to a term loan agreement with Berliner Volksbank eG which we entered on April 25, 2013.
BVB2 Agreement	BVB2 Agreement refers to a term loan agreement with Berliner Volksbank eG which we entered on May 9, 2014.
CBRE	CBRE refers to CBRE GmbH, the independent, external appraiser. For more information on CBRE's independence, see "*Declaration of Independence*" on page V-7 of the Valuation Report.
CCCTB	Common consolidated corporate tax base.
CCM	CCM refers to CCM City Construction Management GmbH, our business function responsible for product optimization through construction management.
CEO	CEO refers to the Chief Executive Officer.
CFM	CFM refers to Central Facility Management GmbH, which provides property management and services to our tenants.
CFO	CFO refers to the Chief Financial Officer.
COMMERZBANK	COMMERZBANK refers to COMMERZBANK Aktiengesellschaft, Frankfurt am Main, Germany.
CPI	The seasonally adjusted consumer price index as published by the Federal Statistical Office (*Statistisches Bundesamt*) in monthly and quarterly press releases.
CSSF	The Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*).
D&O	D&O refers to the Company's directors and officers.
DCF	DCF refers to valuation by the discounted cash flow methodology. In the DCF method, the future income and expenditure flows associated with the subject asset are explicitly forecasted over a ten-year period of detailed consideration, assuming a letting scenario which is not taking into account any potential privatizations of individual apartments. The cash flows calculated for the period of detailed consideration are discounted, monthly in advance, to the date of valuation, allowing the effect on the current Fair Value of the receipts and payments at varying dates during the 10-year period to be properly reflected. The discount rate chosen reflects not only the market situation, location, condition and letting situation of the asset and the yield expectations of a potential investor but also the level of security of the forecast future cash flows. As the discounting process means that the effect of future cash flows reduces in importance while at the same time the uncertainty of forecasting tends to increase over time, it is usual in real estate investment considerations for the sustainable net rental income after a ten-year time horizon (the period of detailed consideration) to be capitalized, using a growth-implicit yield, and then discounted to the date of valuation.
DDT	DDT refers to Dichlorodiphenyltrichloroethane, an organochlorine insecticide frequently used in agriculture. Common sources of exposure to DDT are foods, including meat, fish, and dairy products. DDT can be absorbed by eating, breathing, or touching products contaminated with the substance.
DGHyp2 Agreement	DGHyp2 Agreement refers to the term loan agreement with Deutsche Genossenschafts- Hypothekenbank AG which we entered on February 19, 2015.
DGHyp3 Agreement	DGHyp3 Agreement refers to the €64.5 million term loan agreement with Deutsche Genossenschafts- Hypothekenbank AG which we entered on November 27, 2014.

DGHyp4 Agreement . . . . DGHyp4 Agreement refers to the €22 million term loan agreement with Deutsche Genossenschafts- Hypothekenbank AG which we entered on November 27, 2014.

DKB1 Agreement . . . . DKB1 Agreement refers to the term loan agreement with Deutsche Kreditbank AG which we entered on February 13, 2014.

EBITDA . . . . EBITDA refers to profit for the period before income tax expense, depreciation, changes in fair value of investment properties and assets held for sale, net finance costs and result from disposals.

EBITDA margin . . . . EBITDA margin is derived by dividing EBITDA by net rental income.

EPRA NAV . . . . EPRA NAV is an indicator of the Group's long-term equity and is calculated based on the equity attributable to Company shareholders increased by the fair value of derivative financial instruments (net) and deferred taxes (net).

ESMA Update . . . . The ESMA update of the CESR recommendations of March 20, 2013, ESMA/2013/319.

EURIBOR . . . . EURIBOR refers to Euro Interbank Offered Rate, a daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market.

FFO . . . . Funds from operations (FFO) is an indicator of liquidity for real estate companies. FFO is EBITDA for the respective periods adjusted to generally reflect net cash interest payments and current income taxes.

FFO per share . . . . FFO per share is FFO divided by 25,000,000 shares, which represents the outstanding number of Shares as of the date of this Prospectus, assuming that prior to the closing of the Offering, all the amounts owed to the Selling Shareholder will be converted into shares in the Company at the issuance of the New Shares and therefore will no longer be outstanding financial debt of the Group following the Offering.

FSMA . . . . The Financial Services and Markets Act 2000.

FTT . . . . FTT refers to a Financial Transaction Tax.

GAC . . . . GAC Auditors Ltd, Certified Public Accountant and Registered Auditor, with registered office at 48 Inomenon Ethnon Street, Guricon House, 1st floor, 6042, Larnaka, Cyprus.

GDP . . . . GDP means gross domestic product. The gross domestic product refers to the market value of all final goods and services produced within a country (or region, city, etc.) in a given period.

GDR . . . . The former German Democratic Republic (*Deutsche Demokratische Republik*).

GDP Per Capita . . . . GDP per capita is the GDP of a country (or region, city, etc.) divided through the number of persons living in the respective area. GDP per capita is often considered an indicator of a country's (or region's, city's, etc.) standard of living.

German CFC rules . . . . The German Controlled Foreign Companies rules (*Hinzurechungsbesteuerung*).

IAS . . . . International Accounting Standards.

IBB2 Agreement . . . . IBB2 Agreement refers to a loan agreement with Investitionsbank Berlin which we entered on February 19, 2015.

IFRS	The International Financial Reporting Standards as adopted by the European Union.
Kempen & Co	Kempen & Co refers to Kempen & Co N.V., Amsterdam, The Netherlands.
KPMG	KPMG KPMG Hungária Kft., with registered office at Váci út 31, H-1134 Budapest, Hungary and registered with the Chamber of Hungarian Auditors under number 000202.
KPMG Luxembourg	KPMG Luxembourg refers to KPMG Luxembourg, Société cooperative, the Company's statutory auditor (*réviseur d'entreprises agréé*) after its migration to Luxembourg, registered with the CSSF as a *cabinet de révision agréé* and with the Luxembourg Register of Commerce and Companies under number B149133.
LTI	LTI refers to the long-term incentive, a benefit payable in shares or cash for the first time after four years, measured against the two LTI targets at the end of each four-year period and the relevant weighting of each, as delineated by the respective Service Agreements of the Senior Management members.
LTV-Ratio	LTV-Ratio refers to the loan-to-value ratios. The LTV-Ratio is the ratio of the nominal amount of financial liabilities, less cash and cash equivalents, to the sum of investment properties and advances for investment properties, trading properties and advances for trading properties and assets held for sale.
LuxCSD	LuxCSD refers to the settlement organization LuxCSD S.A. located at 42, avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.
MietNovG	The bill on the limitation of rent increase in tense housing markets (*Gesetz zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung, kurz Mietrechtsnovellierungsgesetz).*
NOI Margin	NOI Margin is defined as income from net rent less expenses related to letting activities divided by net rent.
PBB1 Agreement	The PBB1 Agreement refers to the term loan agreement with Deutsche Pfandbriefbank AG and Investitionsbank Berlin which we entered on March 6, 2015.
PCB	Polychlorinated biphenyl (PCB) was used in numerous industrial and commercial applications, including electrical, heat transfer, and hydraulic equipment and in paints. PCBs have been demonstrated to cause cancer, and have adverse effects on the immune system, reproductive system, nervous system, and endocrine system.
PCP	Pentachlorophenol (PCP) is an organochlorine compound used as a pesticide, wood preservative, and disinfectant. It is extremely toxic to humans from acute (short-term) ingestion and inhalation exposure, and can result in neurological, blood, and liver effects, and eye irritation. Chronic (long-term) exposure by inhalation has resulted in effects on the respiratory tract, blood, kidney, liver, immune system, eyes, nose, and skin.
Post-IPO Equity per Share	The adjusted total equity attributable to shareholders, assuming 35,000,000 outstanding Shares upon completion of the Offering.
Regulation S	Regulation S under the Securities Act.
RETT	The German Real Estate Transfer Tax (*Grunderwerbssteuer).*
RICS	Royal Institution of Chartered Surveyors.
Rule 144A	Rule 144A under the U.S. Securities Act of 1933.

sqm	sqm refers to square meters.
STI	STI refers to the short-term incentive, an annual payment dependent on the achievement of certain individual targets and the relevant weighting of each of such STI-Targets in relation to the other applicable targets, as delineated by the respective Service Agreements of the Senior Management members.
TASE	Tel Aviv, Israel Stock Exchange.
UBS	UBS refers to UBS Limited, London, United Kingdom.
UniCredit1 Agreement	UniCredit1 Agreement refers to a term loan agreement with UniCredit Bank AG which we entered on June 5, 2013.
UniCredit2 Agreement	UniCredit2 Agreement refers to a term loan agreement with UniCredit Bank AG which we entered on February 14/15, 2013.
VAT	The Value-Added Tax (*Mehrwertsteuer*).
W&W	W&W Real Estate GmbH.

RECENT DEVELOPMENTS AND OUTLOOK

Business

On April 1, 2015, the Group acquired the Carlos Portfolio and two additional properties in the Charlottenburg district that are not rent controlled. The two additional properties in the Charlottenburg district together have 99 residential units, with a total residential lettable area of 5,267 sqm, and one commercial unit. The monthly average rent per sqm for the two properties €5.85 and €12.67 and the vacancy is 3.8% and 0.0%, respectively.

The Company 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 into 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 legal name to "ADO Properties S.A."

Financing Structure and Strategy

The Company is currently in various phases of analysis for potential acquisitions of residential properties and residential portfolios with a total expected acquisition volume of €170–€185 million, most of which were built before 1918 ("*Altbau*") in inner city locations of Berlin. As the Company has done in the past, these potential acquisitions would be financed through loans from mortgage banks and existing cash. If successful, these potential acquisitions would be completed within the next six months.

ADDRESSES

Tel Aviv, Luxembourg, Amsterdam, London, Frankfurt, June 17, 2015

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